Sanken Electric Co., Ltd.

ANNUAL REPORT

Year Ended March, 2002

PROFILE: Toward a New Stage of Growth

Sanken Electric Co., Ltd. has been contributing to the development of the semiconductor industry since it was founded in 1946. Since that time, we have shown consistent growth as a manufacturer supplying products from power supply equipment to semiconductor devices, with power management as our core area. As innovators in the field of power electronics, our power semiconductors are used in electronic automotive equipment, digital audiovisual equipment, and in information/communications equipment, in order to conserve energy and improve efficiency. We are growing globally with world-class technology, providing high value to customers in strategically selected markets.

Sanken is a leader in the power electronics market. This market is expected to develop in the future due to the trend toward energy efficiency, digitization in the rapidly growing information appliance field and with the move toward electronic automotive equipment. Sanken will leverage the trust it has earned as a world-leading enterprise in these growth fields to enter a new stage of growth.

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Remarks on forecast contained in the Annual Report

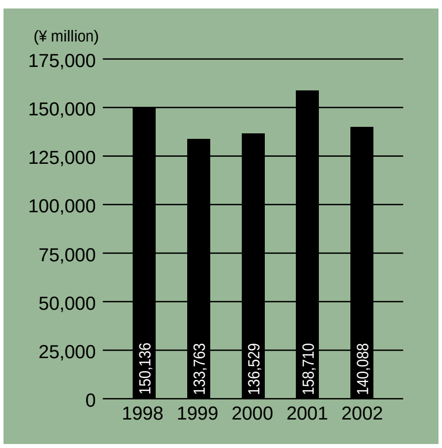
The subjects covered in this Annual Report concerning the future, such as the Company's plans and strategy, are based on information available at the time this Report was prepared, as well as on the judgment of the Company's management. Please understand that various factors may effect the Company's 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 ¥133.20 to US$1.

FINANCIAL HIGHLIGHTS

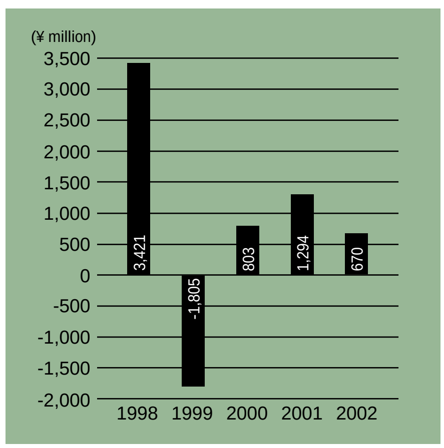
Sanken Electric Co., Ltd.
years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars	
	2002	2001	2002	2001
For the year:				
Net sales	¥140,088	¥158,710	$1,051,711	$1,280,952
Operating income	6,833	8,807	51,298	71,082
Net income	670	1,294	5,030	10,444
Per share:				
(in yen and U.S. dollars)				
Net income	5.34	10.24	0.04	0.08
Cash dividends	10.00	10.00	0.09	0.08
At year-end:				
Total assets	157,899	175,558	1,185,427	1,416,993
Total shareholders' equity	59,958	59,400	450,135	479,419

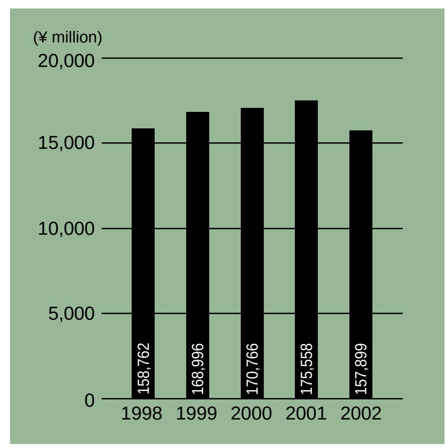
Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.20 to US $1. See Note 2 to Consolidated Financial Statements.



Net Sales



Net Income



Total Assets

Fiscal 2001 was a difficult year for Sanken. Demand shrank in the electronics industry, with a reduction in demand for audiovisual, office automation, and communications equipment. Cutbacks in capital investment throughout the industry contributed to a steep drop in demand in the industrial market. The worldwide semiconductor market declined by 31.7% overall*, with the hardest-hit semiconductor manufacturers being those with a large dependence on DRAM. Unlike DRAM and other semiconductors whose purpose is calculation or memory, Sanken's main business area is power semiconductors, specifically power conversion and motor control. In recent years, the move toward electronic components, energy conservation, and environmental awareness has increased demand for our semiconductors, leading to sure growth.

* iSuppli study

Sanken's net sales for fiscal 2001 were ¥140,088 million, an 11.7% decline from our all-time record sales marked in the previous fiscal year. Semiconductor sales were ¥97,850 million, accounting for 69.9% of our total sales. While most semiconductor manufacturers experienced a steep decline in sales, we were able to hold negative growth in sales to an 11.2% year-on-year decline, through a market strategy carefully focused on growth fields and by the introduction of new products.

In the semiconductor business, our hybrid ICs are in good demand by automakers in electronic equipments, a market that remains strong. This has helped to make up for a large decline in sales due to a drop-off in demand for audiovisual and office automation equipment. We have also introduced a new digital audio-amp IC product to the market, and with the move to LCD monitors for PCs, the market for cold cathode fluorescent lamps (CCFLs) is also growing.

Two years ago, we formulated a mid-term strategic plan to focus our management resources on semiconductors, and make them our core business. We are committed to securing a strong rate of return in fields where our main customers are globally competitive, such as information appliances and automobiles, through the selection of business domains. We will build a leading position using our ability to develop unique technologies, tireless cultivation of new markets, and introduction of new products.

Our establishment of a proprietary BCD process technology that allows 3 different wafer processes to be performed on a single chip is proof of our strength in technology development, demonstrating that our strategy was in the right direction. Applications for our competitive semiconductor technologies are increasing. Not only are they used in our traditional strength of power ICs, but new applications are also being developed for motor-driver ICs, used in the above-mentioned digital audio amp ICs, office automation equipment, automobiles, and home appliances. We are also leveraging our semiconductor technologies in module-product development for our switching power supply business, growing in new fields and markets. We make ourselves committed to developing "hybrid" power supplies for energy-efficient and environmentally aware fields.

We are developing epitaxial growth techniques for GaN membranes that make the development of blue LEDs with the world's first silicon substrate a reality, in order to develop applications for semiconductors that greatly surpass conventional power supply electronic devices in terms of performance and cost.

Sustained growth requires a readiness that enables continued growth even amidst a slumping electronics industry or during an economic downturn. In fiscal 2001, we increased efficiency by liquidating unprofitable subsidiaries and reducing inventories. We also formed a strategic alliance with US-based International Rectifier, the world leader in power semiconductors, and we are devising ways to move aggressively into new markets, leveraging our respective strengths. Our vision for what Sanken should to be is as a profitable, efficient, flexible, and internationally oriented enterprise that is not dependent upon market conditions.

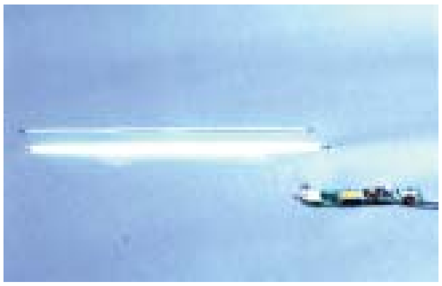
We do not believe that our growth steps will be easily achieved. The Sanken of today, however, was not built by taking the easy path. In 1958, when alloy-junction diodes were being made in Japan, we were fast to switch production to diffusion diodes, using diffusion in all of our semiconductor devices, and entering the new era of silicon semiconductors. In 1964, we created an assembly process company in Ishikawa Prefecture in partnership with the local communities, which today has grown into a large company named Ishikawa Sanken. In 1991, rather than moving production overseas as our manufacturer customers were doing, we purchased the semiconductor operations of a US manufacturer as a technical partner, founding a new subsidiary named Allegro MicroSystems Inc. This was the start of our commitment to expanding our management into the global market. The history of Sanken is a history of commitment to uniqueness and creativity.

Energy conservation and efficiency are critical issues for better lives in modern society, and Sanken will contribute to society by creating solutions for these issues, using the world's leading technologies as power electronics innovators. The source of the power to realize this goal is our technology development capability, which allows us to solve tough issues and create new products, our market selection strategy, and the combined strength of our top-notch employees who always give their best. Our management team will provide the leadership that will turn these assets into a new stage of growth for Sanken.

Yuji Morita

President

Our Growth Base Is Becoming Larger and More Solid
Feature: Focused Strategic Product Topics



Cold Cathode Fluorescent Lamp and CCFL Inverter

"SLA5506M" IC Specially for Digital Audio Amplifiers

CCFL

With the increasing popularity of LCD monitors for PCs, our cold cathode fluorescent lamps (CCFLs) have shown strong growth, thanks to our advanced technology and product development capabilities.

CCFLs are filled with Ne-Ar gas mixture, and an appropriate amount of mercury vapor. Running a high-voltage current through the tube accelerates the electrons, causing the gas mixture to collide with the mercury atoms, and release ultraviolet light. Phosphors absorb the ultraviolet light, and become excited, converting the energy into visible light.

The high luminosity, thin tubes, and long lifetimes of our products put us ahead of the competition. We have a 35% share of the notebook PC market and have entered the large-screen LCD television market where we plan to win a 30% share of the world market. We have enhanced our Japanese and Korean production lines, with the objective of reducing costs by improving production efficiency, and earning large profit margins.

Digital Audio Products

The move to digital in the audiovisual field is opening the market for high value-added power ICs that were not applied to conventional power-supply peripheral ICs. For example, in the audio industry, with the increase in the use of multi-channel sources including DVD home theater system and BS digital hi-vision broadcasting, increasing number of multi-output audio amps have widely been used. Accordingly, in order to realize high sound quality in digital sound reproduction systems, the use of ICs in the power driver which enables high-speed switching operation has been demanded. We are developing and marketing multichip ICs for digital audio output incorporating high-speed full-bridge driver ICs developed by our proprietary BCD processes and power MOSFETs in one package. The progress toward digitization is greatly changing signal processing of amps as well as power-supply peripheral standards. We will create products that differentiate us, and make our homegrown technologies the standard.

LED (Light Emitting Diode)

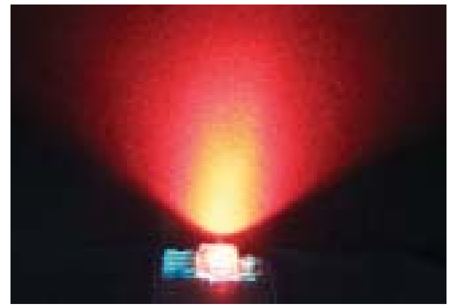
LEDs have mainly been used in low-current applications of a few dozen mA, such as light-up displays. The applications of LEDs are now expanding to such areas as traffic signals using flat arrays of LEDs and giant outdoor TV panels. As LED performance improves, they are to be used in many light-source applications including car indicators and LCD panels.

Mass Production Plan for Power LEDs - We have successfully developed Quarterly Alloy System (AlGaInP) red and yellow super-bright power LED chips utilizing original silicon wafer direct bonding technology. These super-bright chips can inclease the current 20 to 50 times more, which subsequently enable brightness by 50 to 100 times than that of our conventional products. We plan to begin mass production of these power LEDs in spring 2003.

GaN High-efficiency Blue LEDs - We have developed GaN (Gallium Nitride) LEDs that emit blue and green light on a silicon substrate, jointly with Nagoya Institute of Technology. We are currently developing new products applying this technology.

The development is based on an unrivaled technology for crystallizing and growing GaN on a silicon substrate. This is much less expensive and easier to use than conventional substrate materials like sapphire and silicon carbide.

Establishing this development process has given us the lead in the field of GaN LED substrate development. We are even more competitive in power device product development as a result of our outstanding technology development capabilities.



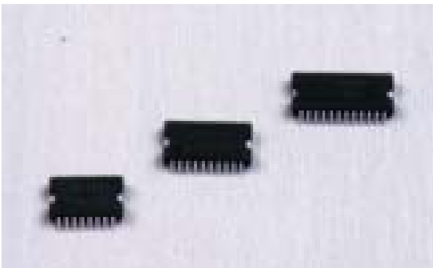
Quarterly Alloy System Red Super-bright Power LED

High-efficiency Blue LED

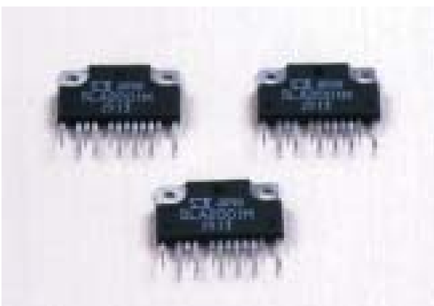
OVERVIEW OF GROWTH FIELDS IN EACH BUSINESS SEGMENT

We will expand our business, focusing on growth markets, with a tireless commitment to technical innovation.

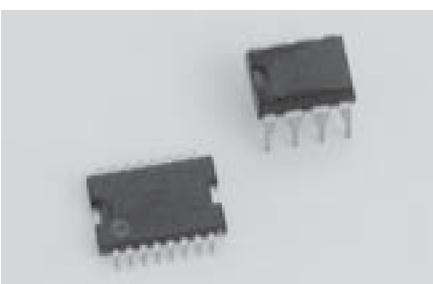
Semiconductors



"SPF5013" IC for Automotive Equipment



"SLA2001M" IC for Home Appliances



"SI-8000GL", Step-down Switching Regulator ICs with High Efficiency for Onboard Local Power Supplies

There are several types of IC: CPUs, which perform arithmetic and logical operations; memory and digital ICs, which store information; and analog ICs that perform continuous functions like supplying, converting and amplifying power in order to drive these ICs. We develop and manufacture a type of analog ICs called "Power ICs" which handle higher voltage and current. Power semiconductors including these power ICs are our main business accounting for about 60% of our total sales, and we maintain a high level of competitiveness in this field. Our power semiconductors comprise power ICs and discrete semiconductors including high-current, high voltage diodes and transistors.

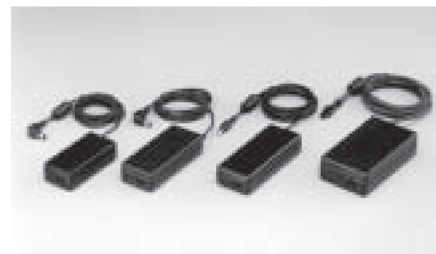
Automotive electronics market - There is strong demand for power semiconductors, with the move to electronic peripheral power supply circuits in control and safety applications, due to the rapid increase of electronics used in automobiles. In addition, as motors for automotives and other equipments become smaller and more ubiquitous, electronics are being increasingly used to drive motors. There are very strict demands on quality, performance, and reliability in the field of automotive components. With our long years of experience supplying semiconductors to the automotive industry, we have won high praise from the world's top manufacturers. We also offer total solutions, with sensor products, LEDs (light emitting diodes), multi-function ICs and more.

Home appliance market; progress in energy conservation - Energy conservation has become a global trend. Our products have grown tremendously, as we contribute to this field. With home appliances, more inverters are used to save energy by converting power supply frequencies.

Switching Power Supplies

We manufacture switching power supplies that convert AC or DC voltage into DC voltage to drive the various components of computers, office automation equipment, communications equipment, and the like. We are focused on developing modular products that integrate semiconductors with switching power supply technologies including our independently developed current resonant circuit.

General-purpose Switching Power Supply SWD Series



AC Adapter SEA Series

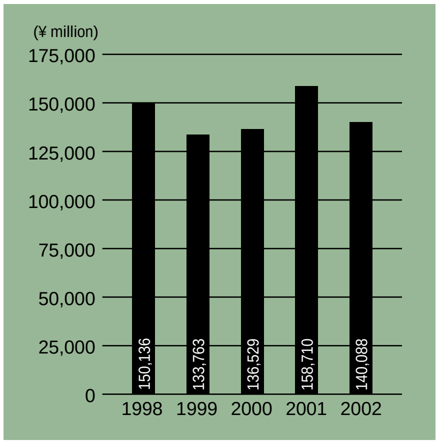
Power Supply Equipment

We supply general-purpose electric power systems such as large-scale custom power supplies, uninterruptible power supplies (UPS), and so forth in order to support public telecommunications and electric power infrastructure. We plan to expand into the IT market with medium and small-sized UPS, and are also planning a move into the Chinese market.

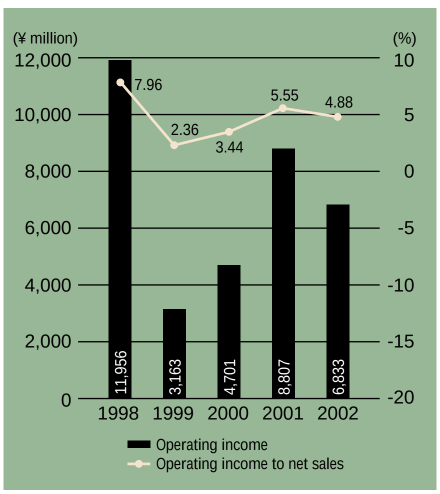
General-purpose UPSs FULLBACK SMU Series

DC Power Supply for Communications System

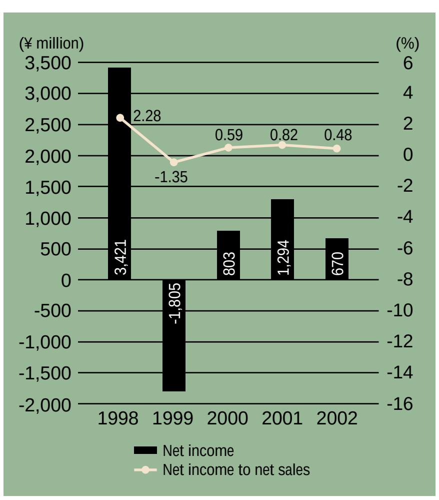
Income Statement Analysis



Net Sales



Operating Income/Operating Income to Net Sales



Net Income/Net Income to Net Sales

Net sales declined 11.7% from the previous fiscal year's ¥158,710 million to ¥140,088 million. Operating income fell by 22.4% from the previous fiscal year's ¥8,807 million to ¥6,833 million. Net income was ¥670 million, 51.8% of that of the previous year performance; due to a loss on revaluation of securities (mainly financial institutions) of ¥2,870 million, loss on retirement of fixed asset of ¥196 million, and loss on revaluation of inventories of ¥491 million.

(1) Net Sales

• Sales by Product and Market

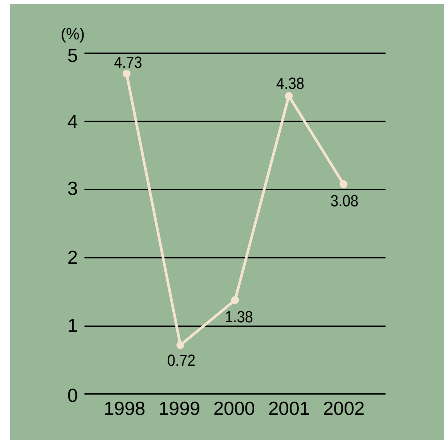
Market conditions for the fiscal year under review were harsh. The year saw a decline in the market for audiovisual and office automation equipment, mobile phones and other communications equipment. In addition, cutbacks in private-sector capital investment caused a rapid downturn in demand for industrial equipments. Although sales for our current products in our main markets of audio visual and office automation were dull, sales in the automotive and home appliance markets – two of our strengths – were strong or showed a slight decline, thanks to the introduction of new products and bringing new value-added products using BCD process. These actions held the decline in net sales to 11.7%.

• Sales by Region

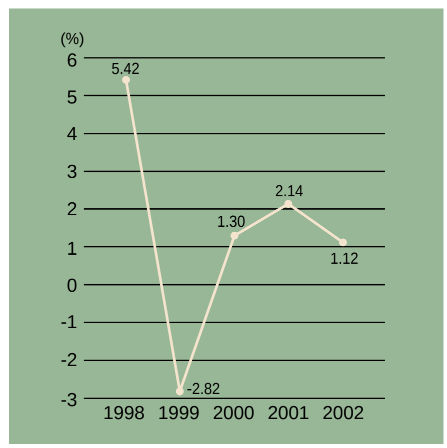
Overseas sales were ¥66,103 million, down ¥3,849 million (5.5%) against the previous year's sales of ¥69,952 million. The reason for the smaller decline in overseas sales compared to overall sales was that although our American subsidiary's sales were sluggish, the exchange rate favorably impacted our sales figures and the sales were boosted by the move overseas of switching power supply customers in Japan, and by launch of direct sales by our Indonesian subsidiary to the rest of Asia. Therefore, overseas sales accounted for 47.2% of total sales, up from 44.1% in the previous year. The ratio of Asian region sales grew from 27.1% to 30.1%.

(2) Operating Income

In order to secure profits amidst falling sales, we thoroughly cut expenses and consolidated and streamlined production bases. As a result, we were able to maintain the previous fiscal year's gross margin ratio of 19.9%. Selling and administrative expenses were ¥20,975 million (5% of net sales), versus ¥22,700 million (14.3% of net sales) in the same period a year ago.

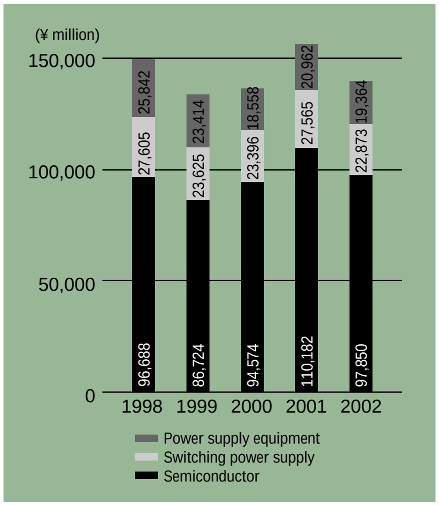


ROA

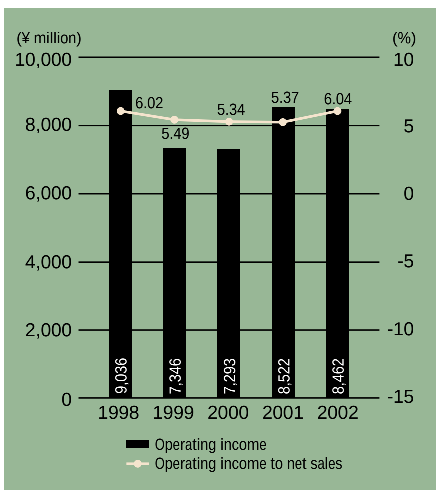


ROE

Performance by Business Segment



Net Sales by Division



Research & Development Costs/% of Net Sales

(1) Semiconductors

Sales in this segment were ¥97,850 million, a ¥12,332 million (11.7%) year-on-year decline. Operating income also fell by ¥2,577 million against the previous fiscal year, to ¥10,046 million, of which there was an increase of ¥612 million in allowance for depreciation with its peak against the previous fiscal year.

Sales of hybrid ICs, our main products, were strong for the products targeting automotive electronic equipments. We brought a new digital amp IC product to market, but our growth was stalled in products targeting the audiovisual/office automation and home appliance markets.

Sales of diodes and transistors, which are called discrete semiconductors, declined due to inventory adjustments by customers in the audiovisual device market. Entry of China-made diodes was another reason for the decline.

In the case of light-emitting diodes (LEDs), the sales not only declined due to the slow down in capital investment for outdoor display applications in Japan but also plunged exports to the United States sharply as a result of the terrorist attacks of September 11.

Cold cathode fluorescent lamps (CCFLs) are used in LCD monitors for PCs. The growing popularity of LCD monitors and the introduction of new products, served to increase sales.

The main markets of Allegro MicroSystems Inc., our US subsidiary, are North America and Europe. Despite the contribution from an increase in sales of automotive products and mobile phone products, a decline in sales of products targeting industrial equipments caused an overall decline in sales. An aggressive revitalization plan to close old and inefficient plants and concentrate on new lines, improved profits and contributed to our consolidated bottom line.

(2) Switching Power Supplies

Sales in this segment were ¥22,873 million, a hefty ¥4,692 million (17.0%) year-on-year decline. In Japan, demand for switching power supplies fell in the office automation and industrial equipment markets. Sales of AC adapters also fell, due to a drop-off in domestic PC demand and a loss of market share because of price competition. We recorded an operating loss of ¥1,370 million with this segment. We are committed to developing new module products in this field, taking advantage of the semiconductor technology we have accumulated to date, in order to improve our profitability by bringing competitive new products to market and cultivating new markets.

(3) Power Supply Equipment

Sales in this segment declined less than in other segments; sales were ¥19,364 million, a ¥1,598 million (7.6%) year-on-year decline. Sales of custom power supply units for next-generation mobile phone base stations picked up in the first half through the enhancement of our after-sales service readiness. In addition, we were able to secure orders from individual enterprises as well as public works projects. Market share and profitability declined for general-purpose power supplies, mainly uninterruptible power supplies (UPS), due to price competition and the slumping IT industry. In addition, we pulled out of the unprofitable air-conditioner inverter business. As a result, we improved our bottom line from a ¥247 million loss in the previous fiscal year, to an operating profit of ¥595 million.

Cash Flow

In order to diversify our financing, we introduced liquidation of accounts receivable; this, along with the inventories reduction, resulted in a ¥17,480 million increase in cash from operating activities. After using the cash for capital investment, purchases of investment securities, and repayment of loans, our total cash balance was ¥12,350 million, almost the same level as the previous fiscal year.

(1) Cash Flow from Operating Activities

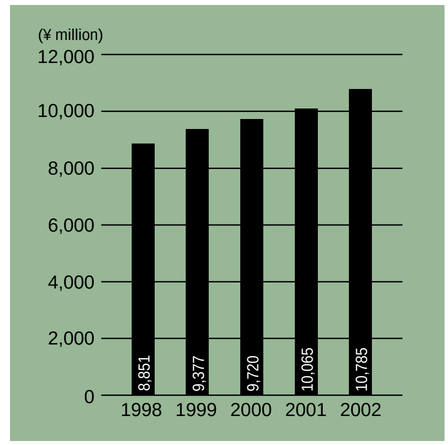
The fluctuation of accounts payable and receivable, due mainly to the reduction in sales, and the introduction of liquidation of accounts receivable, reduced working capital by ¥1,554 million. In addition, we carried out an inventory reduction program, reducing inventory on hand. This greatly contributed to our inventory reduction, increasing our cash flow by ¥7,320 million.

(2) Cash Flow from Investing Activities

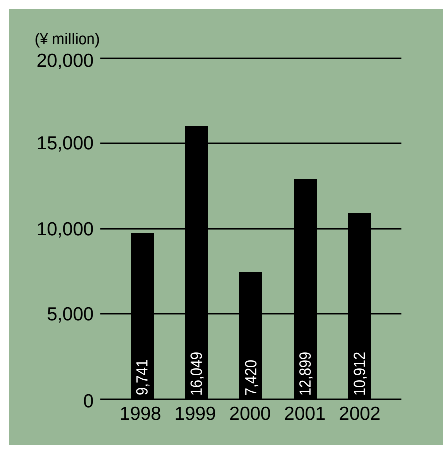
We had an expenditure of ¥2,633 million in investment securities, due to the acquisition of shares of our US-based partner company, International Rectifier Corp. In addition, although capital investment decreased slightly from the previous year, we used ¥12,018 million for pinpointed investments in strategic fields, including expanding and enhancing our BCD process facilities, and switching to a 6-inch process line.

(3) Cash Flow from Financing Activities

In the year under review, we borrowed ¥6,667 million in new long-term loans, and paid back ¥4,140 million, for an overall increase of ¥2,527 million. Meanwhile, we reduced our short-term debt by ¥4,687 million and reduced combined short and long-term debt by a total of ¥2,160 million. Note that we implemented a buy-back of treasury stock of ¥147 million.

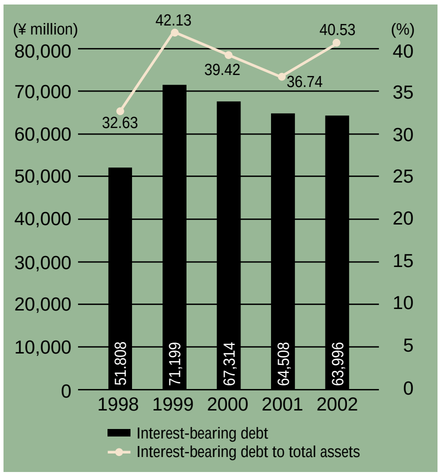


Depreciation Expenditures

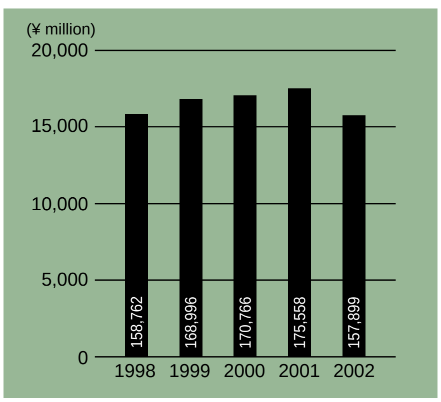


Capital Expenditures

Financial Position



Interest-Bearing Debt/Interest-Bearing Debt to Total Assets



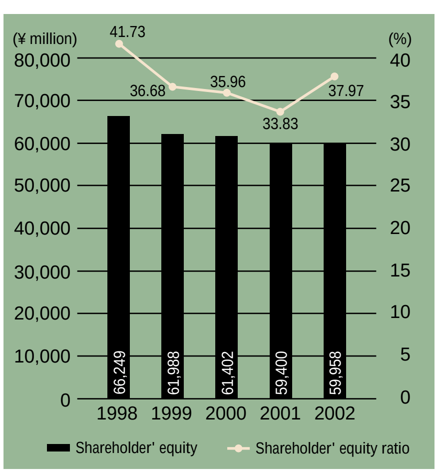
Total Asset

Our current assets fell by ¥17,406 million against the previous fiscal year, due to the saving in required working capital as a result of unfavorable sales as well as the large reduction both in accounts receivable and inventories because of the liquidition in inventories. In relation to fixed assets, while we pinpointed our capital investment, our total tangible assets increased slightly (¥924 million) from the previous fiscal year. In addition, machinery, equipment and vehicles jumped to ¥2,886 million, due in part to a transfer after construction in progress in the previous fiscal year was completed.

In the Assets section, although we acquired stock of a partner company International Rectifier Corp., our investment account fell in value by ¥1,267 million, due to loss on appraisal on other shares possessed by us. Combined with the large decline in current assets, total assets fell by ¥17,659 million, to ¥157,899 million.

In the Liabilities section, as we have convertible bonds that must be repaid within a year and we moved ¥9,998 million from fixed liabilities to current liabilities. In addition, the drop in sales reduced our working capital requirements decreasing total liabilities by ¥18,248 million. Note that our equity ratio rose from 33.8% to 38%.

Outlook for the Next Term



Shareholders' Equity/Equity Ratio

Although customer demand is undergoing a long-term adjustment, we will build a leading position by strengthening the sales of our proprietary BCD process semiconductors and other products. We will identify hybrid ICs, whose growth is predicted because of the increased use of electronic components in the key field of automobiles. We also predict rapid growth in CCFLs for LCD backlights, for which we have enabled reduction for manufacturing cost, owing to the increased use of LCD monitors with PCs. We will improve our product mix in order to enlarge a ratio of highly profitable, high value-added products and greatly improve our profit margin by further reducing manufacturing costs and saving fixed costs. For the next fiscal year we are planning for a consolidated net sales of ¥146,000 million, an operating profit of ¥9,300 million and a net profit of ¥3,900 million.

We plan to pay a yearly dividend of ¥10 per share in the next fiscal year.

CONSOLIDATED FIVE-YEAR SUMMARY

	Millions of yen				
	2002	2001	2000	1999	1998
STATEMENTS OF INCOME					
Net sales	¥140,088	¥158,710	¥136,529	¥133,763	¥150,136
Cost of sales	112,279	127,202	111,586	110,227	115,713
Gross profit	27,808	31,507	24,942	23,536	34,423
Selling, general and administrative expenses	20,975	22,700	20,240	20,373	22,467
Operating income	6,833	8,807	4,701	3,163	11,956
Other income (expenses)	(5,201)	(5,883)	(2,227)	(4,307)	(3,771)
(Loss) Income before income taxes, minority interest	1,631	2,924	2,474	(1,144)	8,185
Income taxes	437	4,468	1,946	586	4,666
Net income	670	1,294	803	(1,805)	3,421
BALANCE SHEETS					
Total current assets	¥91,661	¥109,067	¥107,737	¥100,704	¥98,924
Total investments and long-term receivables	9,362	10,629	8,085	11,675	7,939
Property, plant and equipment, at cost	55,444	54,520	50,250	54,105	48,466
Other assets	1,430	1,341	1,645	1,019	3,161
Total assets	157,899	175,558	170,766	168,996	158,762
Total current liabilities	49,691	61,112	62,013	66,217	62,198
Total long-term liabilities	48,028	54,856	47,182	40,544	30,115
Minority interests	220	189	168	247	200
Total shareholders' equity	59,958	59,400	61,402	61,988	66,249
Total liabilities and shareholders' equity	157,899	175,558	170,766	168,996	158,762

PER SHARE

	Yen				
Shareholders' equity per share	¥478.07	¥472.92	¥485.57	¥488.26	¥517.74
Net income per share	5.34	10.24	6.34	(14.16)	27.03
Cash dividends per share	10.00	10.00	10.00	10.00	10.00

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
ASSETS			
Current assets:			
Cash and deposits (Note 3)	¥ 13,391	¥ 12,833	$ 100,533
Notes and accounts receivable:			
Trade and other	36,393	46,676	273,220
Less allowance for doubtful receivables	(116)	(96)	(870)
	36,276	46,579	272,342
Inventories (Note 5)	38,998	44,933	292,777
Deferred tax assets (Note 8)	1,567	1,753	11,764
Other current assets	1,427	2,966	10,713
Total current assets	91,661	109,067	688,145
Investments and long-term receivables:			
Investments in unconsolidated subsidiaries and affiliates	1,143	1,222	8,581
Investments in other securities (Note 4)	4,700	5,737	35,285
Deferred tax assets (Note 8)	1,750	1,930	13,138
Other long-term receivables	1,770	1,739	13,288
Less allowance for doubtful receivables	(2)	(0)	(15)
Total investments and long-term receivables	9,362	10,629	70,285
Property, plant and equipment, at cost (Note 6):			
Land	4,370	4,360	32,807
Buildings	46,645	45,128	350,187
Machinery and equipment	125,573	114,745	942,740
Construction in progress	1,502	3,145	11,276
	178,091	167,380	1,337,019
Less accumulated depreciation	(122,647)	(112,859)	(920,773)
Property, plant and equipment, net	55,444	54,520	416,246
Other assets	1,430	1,341	10,735
Total assets	¥ 157,899	¥ 175,558	$1,185,427

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6)	¥ 6,985	¥ 10,855	$ 52,439
Current portion of long-term debt (Note 6)	16,307	5,608	122,424
Notes and accounts payable:			
Trade and other	17,612	30,141	132,222
Construction	366	527	2,747
	17,978	30,668	134,969
Accrued expenses	6,225	7,867	46,734
Income taxes payable (Note 8)	664	3,664	4,984
Deferred tax liabilities (Note 8)	58	4	435
Other current liabities	1,470	2,442	11,036
Total current liabilities	49,691	61,112	373,055
Long-term liabilities:			
Long-term debt (Note 6)	40,703	48,044	305,578
Accrued retirement benefits for directors	363	527	2,725
Accrued employees' retirement benefits (Note 7)	6,782	6,083	50,915
Deferred tax liabilities (Note 8)	17	32	127
Other long-term liabilities	160	169	1,201
Total long-term liabilities	48,028	54,856	360,570
Minority interests	220	189	1,651
Shareholders' equity:			
Common stock			
Authorized:			
2002— 258,000,000 shares			
2001— 257,150,000 shares			
Issued:			
2002—125,457,910 shares	20,881	—	156,764
2001—125,606,866 shares	—	20,880	—
Capital surplus	21,103	21,103	158,430
Retained earnings (Note 9)	18,313	18,986	137,484
Unrealized loss on securities	(125)	—	(938)
Translation adjustments	(188)	(1,568)	(1,411)
Less common stock in treasury, at cost; 40,746 shares in 2002 and 2,334 shares in 2001	(26)	(0)	(195)
Total shareholders' equity (Note 15)	59,958	59,400	450,135
Contingent liabilities (Note 10)			
Total liabilities and shareholders' equity	¥ 157,899	¥ 175,558	$1,185,427

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Net sales	¥ 140,088	¥ 158,710	$1,051,711
Cost of sales	112,279	127,202	842,935
Gross profit	27,808	31,507	208,768
Selling, general and administrative expenses (Notes 6 and 11)	20,975	22,700	157,469
Operating income	6,833	8,807	51,298
Other income (expenses):			
Interest expense	(1,828)	(1,992)	(13,723)
Interest and dividend income	178	298	1,336
Gain on sales of marketable and investment securities	148	604	1,111
Exchange gain	620	1,152	4,654
Net retirement benefit obligation at transition (Note 7)	—	(5,252)	—
Loss on revaluation of inventories	(519)	—	(3,896)
Loss on revaluation of investment securities	(2,870)	—	(21,546)
Other, net	(930)	(694)	(6,981)
	(5,201)	(5,883)	(39,046)
Income before income taxes, minority interests	1,631	2,924	12,244
Income taxes (Note 8):			
Current	437	(4,468)	3,280
Deferred	475	2,866	3,566
Income before minority interests	718	1,321	5,390
Minority interests	(48)	(27)	(360)
Net income (Note 15)	670	1,294	5,030
Retained earnings at beginning of year	18,986	19,420	142,537
Cash dividends	(1,254)	(1,260)	(9,414)
Bonuses to directors	—	(20)	—
Treasury stock	(88)	(447)	(660)
	(1,342)	(1,728)	(10,075)
Retained earnings at end of year	¥ 18,313	¥ 18,986	$ 137,484

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

	Millions of yen				Thousands of U.S. dollars (Note 2)
		2002		2001	2002
Operating activities					
Income before income taxes and minority interests in earnings of affiliates	¥	1,631	¥	2,924	$ 12,244
Depreciation and amortization		11,027		10,692	82,785
Reversal of allowance for doubtful receivables		15		(207)	112
Interest and dividend income		(178)		(298)	(1,336)
Interest expense		1,828		1,992	13,723
Provision of accrued retirement benefits for employees		684		5,420	5,135
Gain on sales of investment securities		(148)		(604)	(1,111)
Loss on revaluation of investment securities		2,870		—	21,546
Decrease (increase) in notes and accounts receivable		11,917		(3,652)	89,466
Decrease (increase) in inventories		7,320		(8,109)	54,954
Decrease in notes and accounts payable		(13,471)		(281)	(101,133)
Other		(850)		1,477	(6,381)
Subtotal		22,645		9,353	170,007
Interest and dividends received		117		330	878
Interest paid		(1,826)		(2,005)	(13,708)
Income taxes paid		(3,456)		(2,908)	(25,945)
Net cash provided by operating activities		17,480		4,770	131,231
Investing activities					
Purchases of property, plant and equipment		(12,018)		(12,636)	(90,225)
Proceeds from sales of property, plant and equipment		90		131	675
Purchases of investment securities		(2,633)		(16)	(19,767)
Proceeds from sales of investment securities		637		835	4,782
Decrease in long-term loans		14		11	105
Other		42		1	315
Net cash used by investing activities		(13,867)		(11,673)	(104,106)
Financing activities					
Decrease in short-term bank loans		(4,687)		(2,966)	(35,187)
Proceeds from issuance of long-term bank loans		6,667		7,640	50,052
Repayment of long-term debt		(4,140)		(9,080)	(31,081)
Proceeds from sales of treasury stock		33		—	247
Redemption of treasury stock		(147)		(447)	(1,103)
Cash dividends paid		(1,254)		(1,260)	(9,414)
Dividends paid to minority interests		(21)		(26)	(157)
Net cash used in financing activities		(3,550)		(6,141)	(26,651)
Effect of exchange rate changes on cash and cash equivalents		69		248	518
Net increase (decrease) in cash and cash equivalents		132		(12,796)	990
Cash and cash equivalents at beginning of the year		12,217		25,014	91,719
Cash and cash equivalents at end of the year (Note 3)	¥	12,350	¥	12,217	$ 92,717

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 and applied 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

A recent accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair market value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. The cost of securities sold is determined by the moving average method.

(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 principally 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 the resulting gain or loss is 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.

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.

(g) Derivatives

The Company has entered into various derivatives 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) Income Taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements for the years ended March 31, 2002 and 2001 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 noncancelable 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 the fiscal year end.

(l) Employees' Retirement Benefits

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 foreign consolidated subsidiaries principally have defined contribution pension plans.

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, 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.

Prior service cost is 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 11 years through 21 years).

(m) Cash Equivalents

For the purpose of the statements of cash flows, almost 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 ¥133.20 = $1.00, the approximate exchange rate prevailing on March 31, 2002. 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, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Year ended March 31			
Cash and deposits	¥ 13,391	¥ 12,833	$ 100,533
Time deposits with a maturity of more than three months	(246)	(368)	(1,846)
Bank overdrafts (included in short-term bank loans)	(794)	(248)	(5,960)
Cash and cash equivalents	¥ 12,350	¥ 12,217	$ 92,717

4. Securities

Marketable securities classified as other securities as of March 31, 2002 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Year ended March 31						
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥ 419	¥ 656	¥ 236	$ 3,145	$ 4,924	$ 1,771
Bonds and debentures	—	—	—	—	—	—
Other securities	10	11	0	75	82	0
	430	668	237	3,228	5,015	1,779
Securities whose acquisition cost exceeds their fair value:						
Equity securities	3,439	2,930	(508)	25,818	21,996	(3,813)
Bonds and debentures	—	—	—	—	—	—
Other securities	36	25	(10)	270	187	(75)
	3,475	2,956	(519)	26,088	22,192	(3,896)
	¥ 3,906	¥ 3,624	¥ (282)	$ 29,324	$ 27,207	$ (2,117)

Sales of securities classified as other securities for the year ended March 31, 2002 amounted to ¥637 million ($4,782 thousand) with an aggregate gain of ¥148 million ($1,111 thousand).

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
Year ended March 31, 2001		
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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished products	¥ 13,178	¥ 16,058	$ 98,933
Work in process	14,428	15,970	108,318
Raw materials and supplies	11,390	12,904	85,510
	¥ 38,998	¥ 44,933	$ 292,777

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, 2002 and 2001 were approximately 2.36% and 2.15%, respectively.

Long-term debt at March 31, 2002 and 2001 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Secured:			
Loans payable in yen due serially through 2009 at rates ranging from 1.1% to 8.35%	¥ 27,013	¥ 23,654	$202,800
Unsecured:			
2.1% bonds due 2003	10,000	10,000	75,075
2.22% bonds due 2004	10,000	10,000	75,075
1.0% convertible bonds due 2003	9,998	9,999	75,060
	57,011	53,653	428,010
Less current portion	(16,307)	(5,608)	(122,424)
	¥ 40,703	¥ 48,044	$ 305,578

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 ($7.184) 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 earnings (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, 2002 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 16,307	$ 122,424
2004	16,678	125,210
2005	15,999	120,112
2006	3,388	25,435
2007 and thereafter	4,636	34,804
	¥ 57,011	$ 428,010

At March 31, 2002, 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	¥ 19,502	$ 146,411

7. Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2002 and 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation	¥(21,335)	¥ (20,269)	$(160,172)
Plan assets at fair value	11,281	11,162	84,692
Unfunded retirement benefit obligation	(10,053)	(9,106)	(75,472)
Unrecognized actuarial loss	3,664	3,023	27,507
Unrecognized prior service cost	(372)	—	(2,792)
Net retirement benefit obligation	(6,761)	(6,083)	(50,758)
Prepaid pension cost	21	—	157
Accrued retirement benefits	¥ (6,782)	¥ (6,083)	$ (50,915)

The components of retirement benefit expenses for the years ended March 31, 2002 and 2001 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 1,435	¥ 1,212	$ 10,773
Interest cost	597	589	4,481
Expected return on plan assets	(347)	(337)	(2,605)
Amortization of net retirement benefit obligation at transition	—	5,252	—
Amortization of actuarial loss	417	—	3,130
Amortization of prior service cost	(5)	—	(37)
Total	¥ 2,098	¥ 6,717	$ 15,750

For the year ended March 31, 2002, contributions to the assets of deferred contribution pension plan, which are recognized as expenses, totaled ¥89 million ($668 thousand).

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

	Fiscal year 2001 (as of March 31, 2002)	
	Domestic companies	Foreign companies
Discount rates	3.0%	7.25%
Expected rate of return on plan assets	2.0% — 3.5%	8.0%

	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 2002 and 2001.

The effective tax rates reflected in the statements of income for the years ended March 31, 2002 and 2001 differed from the statutory tax rate for the following reasons:

	2002	2001
Statutory tax rate	41.7%	41.7%
Effect of:		
Expenses permanently not deductible for income tax purposes	7.8	7.1
Dividend income deductible for income tax purposes	(1.0)	(0.9)
Inhabitants' per capita taxes	1.5	0.8
Change in valuation allowance	19.2	7.8
Amortization of consolidation goodwill on consolidation	—	6.5
Foreign tax rate differential	(7.3)	(8.5)
Tax credit for research and development expenses	(6.0)	—
Prior year's income tax adjustments	(4.2)	—
Equity in loss of affiliate	3.8	—
Other, net	0.5	0.3
Effective tax rates	56.0%	54.8%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Net operating loss carryforward	¥ 3,397	¥ 3,001	$ 25,503
Accrued bonuses	184	511	1,381
Accrued retirement benefits	2,610	2,351	19,594
Business tax payable	—	298	—
Unrealized holding gain	169	290	1,268
Inventories	324	—	2,432
Other	1,593	1,871	11,959
Total deferred tax assets	8,279	8,324	62,154
Valuation allowance	(2,393)	(2,079)	(17,965)
Total deferred tax assets	5,886	6,245	44,189
Deferred tax liabilities:			
Fixed assets	(1,840)	(1,585)	(13,813)
Reserve for special depreciation	(497)	(697)	(3,731)
Other	(308)	(315)	(2,312)
Deferred tax liabilities	(2,646)	(2,598)	(19,864)
Net deferred tax assets	¥ 3,240	¥ 3,647	$ 24,324

9. Retained Earnings

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

10. Contingent Liabilities

Contingent liabilities at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorsers of trade notes discounted	¥ 239	$ 1,794
As guarantors of indebtedness of employees	15	112
	¥ 254	$ 1,906

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2002 and 2001 were ¥8,462 million ($63,528 thousand) and ¥8,521 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, 2002 and 2001, 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
	2002	2001	2002
Acquisition costs	¥ 1,397	¥ 1,544	$ 10,487
Accumulated depreciation	680	919	5,105
Net book value	¥ 717	¥ 625	$ 5,382

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, 2002 and 2001 and future minimum payments subsequent to March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Lease expenses	¥ 323	¥ 333	$ 2,424
Future minimum payments:			
Within one year	¥ 258	¥ 271	$ 1,936
Over one year	458	353	3,438
	¥ 717	¥ 625	$ 5,382

Total expenses for all operating leases in 2002 and 2001 amounted to ¥2,200 million ($16,516 thousand) and ¥1,385 million, respectively.

13. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's derivatives positions at March 31, 2002 and 2001:

	Millions of yen				Thousands of U.S. dollars	
	2002		2001		2002	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts:						
To sell U.S. dollars	¥ 3,147	¥ 3,177	¥ 5,254	¥ 5,866	$23,626	$23,851
To sell pounds sterling	¥ 366	¥ 376	¥ 948	¥ 1,046	$ 2,747	$ 2,822

14. Segment Information

(a) Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 is summarized as follows:

	Millions of yen					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations	Consoli-dated
Year ended March 31, 2002						
I. Sales:						
(1) Sales to third parties	¥ 97,850	¥ 22,873	¥ 19,364	¥ 140,088	¥ —	¥ 140,088
(2) Intersegment sales	101	14	—	115	(115)	—
Total sales	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 (loss)	10,046	(1,370)	595	9,272	(2,438)	6,833
II. Assets, depreciation expense, capital expenditures:						
Assets	96,383	29,198	12,105	137,687	20,211	157,899
Depreciation expense	9,773	881	242	10,897	129	11,027
Capital expenditures	10,181	661	228	11,071	8	11,079
Year ended March 31, 2001						
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	110,521	27,840	20,962	159,324	(613)	158,710
Operating expenses	97,898	29,100	21,209	148,208	1,694	149,902
Operating income (loss)	12,623	(1,260)	(247)	11,115	(2,307)	8,807
II. Assets, depreciation expense, capital expenditures:						
Assets	102,492	34,592	17,017	154,102	21,456	175,558
Depreciation expense	9,161	714	261	10,137	100	10,238
Capital expenditures	11,387	1,533	196	13,117	9	13,126

	Thousands of U.S. dollars					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations	Consoli-dated
Year ended March 31, 2002						
I. Sales:						
(1) Sales to third parties	$ 734,609	$ 171,719	$ 145,375	$1,051,711	$ —	$1,051,711
(2) Intersegment sales	758	105	—	863	(863)	—
Total sales	735,367	171,824	145,375	1,052,575	(863)	1,051,711
Operating expenses	659,947	182,117	140,900	982,965	17,439	1,000,405
Operating income (loss)	75,420	(10,285)	4,466	69,609	(18,303)	51,298
II. Assets, depreciation expenses, capital expenditure:						
Assets	723,596	219,204	90,878	1,033,686	151,734	1,185,427
Depreciation expense	73,370	6,614	1,816	81,809	968	82,785
Capital expenditures	76,433	4,962	1,711	83,115	60	83,175

(b) Operating revenues by geographic area

Operating revenues by geographic area for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of yen						
	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
Year ended March 31, 2002							
I. Sales:							
(1) Sales to third parties	¥ 98,203	¥ 15,473	¥ 15,192	¥ 11,218	¥ 140,088	¥ —	¥ 140,088
(2) Intersegment sales	11,622	11,553	10,629	215	34,021	(34,021)	—
Total sales	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
II. Assets	102,312	17,842	23,354	4,800	148,309	9,589	157,899
Year ended March 31, 2001							
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	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

	Thousands of U.S. dollars						
	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
Year ended March 31, 2002							
I. Sales:							
(1) Sales to third parties	$ 737,259	$116,163	$114,054	$ 84,219	$ 1,051,711	$ —	$ 1,051,711
(2) Intersegment sales	87,252	86,734	79,797	1,614	255,412	(225,412)	—
Total sales	824,519	202,905	193,851	85,840	1,307,124	(225,412)	1,051,711
Operating expenses	774,909	196,006	186,966	83,506	1,241,403	(240,990)	1,000,405
Operating income	49,609	6,891	6,876	2,327	65,720	(14,414)	51,298
II. Assets	768,108	133,948	175,330	36,036	1,113,430	71,989	1,185,427

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 ¥66,103 million ($496,268 thousand) and ¥69,952 million, or 47.2% and 44.1% of the consolidated net sales for the years ended March 31, 2002 and 2001, respectively.

15. Amounts per Share

Amounts per share as of and for the years ended March 31, 2002 and 2001 were as follows:

	Yen		U.S. dollars
	2002	2001	2002
Net income - basic	¥ 5.34	¥ 10.24	$ 0.04
Net income - fully diluted	—	9.90	—
Net assets	478.07	427.92	3.59

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, 2002 and 2001, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, 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 financial statements, expressed in yen, present fairly the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1, Sanken Electric Co., Ltd. and consolidated subsidiaries 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 financial statements with respect to the year ended March 31, 2002 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.

Tokyo, Japan
June 27, 2002

Shin Nihon & Co.

See Note 1 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.

BOARD OF DIRECTORS AND STATUTORY AUDITORS

As of June 27, 2002

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

CORPORATE DATA

As of March 31, 2002

Company Name:	Sanken Electric Co., Ltd.
Founded:	September 5, 1946
Headquarters:	3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan Telephone: 48-472-1111 Facsimile: 48-471-6249
Employees:	1,414
Common Stock:	Authorized: 257,150,000 shares Issued: 125,457,910 shares
Shareholders:	18,744

Distribution by type of shareholders

Financial institutions	48.7%
Individuals	35.2%
Foreigners	8.4%
Other	7.7%

Distribution by number of shares owned

1,000,000 or more	51.9%
Less than 10,000	22.5%
100,000 or more	14.5%
10,000 or more	11.1%

Principal shareholders

Shareholder	Number of shares held (in thousands)	Percentage of shares held
Japan Trustee Services Bank, Ltd. (trust lot)	13,079	10.42%
The Mitsubishi Trust and Banking Corporation (trust lot)	7,646	6.09%
The Asahi Bank, Ltd.	6,103	4.86%
UFJ Trust Bank Ltd. (Lot A, trust account)	3,579	2.85%
Asahi Mutual Life Insurance Company	3,428	2.73%
NIPPONKOA Insurance Company, Limited	2,805	2.23%
The Industrial Bank of Japan, Ltd.	2,748	2.19%
Investment trustee : Mitsui Asset Trust and Banking Co., Ltd.	2,718	2.16%
International Rectifier Corporation	2,500	1.99%
The Chuo Mitsui Trust and Banking Co., Ltd.	2,295	1.82%

Bonds

Type of bonds	Date of issue	Balance of bonds (in yen)	Conversion price (in yen)	Ratio of conversion	Date of maturity
The 1st unsecured convertible bonds	October 23, 1995	9,998,000,000	957	0.01%	March 31, 2003
The 1st unsecured bonds	October 9, 1998	10,000,000,000	-	-	October 9, 2003
The 2nd unsecured bonds	April 20, 1999	10,000,000,000	-	-	April 20, 2004

DIRECTORY

Sanken Electric Co.,Ltd

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