

# ANNUAL REPORT

Year Ended March, 2000

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## CONTENTS

Financial Highlights .....	1
Management's Statement .....	2
Financial Review .....	4
Consolidated Five-Year Summary .....	5
Consolidated Balance Sheets .....	6
Consolidated Statements of Operations and Retained Earnings .....	8
Consolidated Statements of Cash Flows .....	9
Notes to Consolidated Financial Statements .....	10
Non-Consolidated Balance Sheets .....	18
Non-Consolidated statements of income .....	20
Company Information .....	21

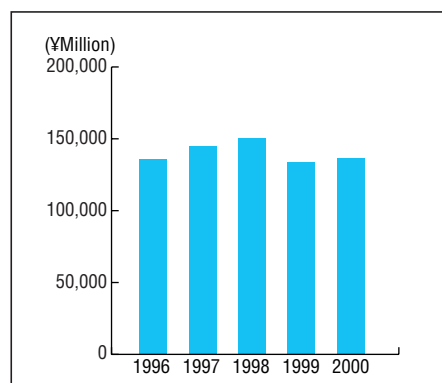
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# FINANCIAL HIGHLIGHTS

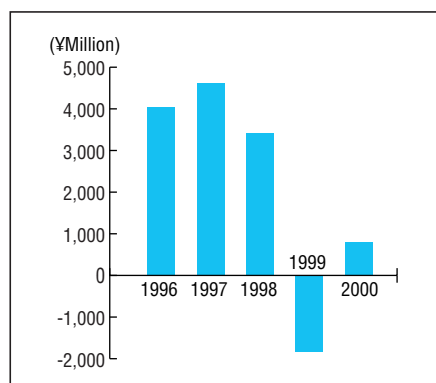
Sanken Electric Co., Ltd.  
For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars	
	2000	1999	2000	1999
<b>For the year:</b>				
Net sales .....	<b>¥136,529</b>	¥133,763	<b>\$1,286,189</b>	\$1,260,132
Operating income .....	<b>4,701</b>	3,163	<b>44,286</b>	29,797
Net income .....	<b>803</b>	(1,805)	<b>7,565</b>	(17,004)
<b>Per share:</b>				
<b>(in yen and U.S. dollars)</b>				
Net income .....	<b>6.34</b>	(14.16)	<b>0.06</b>	(0.13)
Cash dividends .....	<b>10.00</b>	10.00	<b>0.09</b>	0.08
<b>At year-end:</b>				
Total assets .....	<b>170,766</b>	168,996	<b>1,608,724</b>	1,592,049
Total shareholders' equity .....	<b>61,402</b>	61,988	<b>578,446</b>	583,966

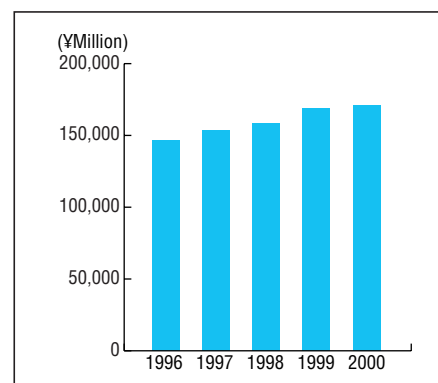
Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥106.15 to US \$1.  
See Note 2 to Consolidated Financial Statements.



Net Sales



Net Income



Total Assets

# MANAGEMENT'S STATEMENT

## Basic Management Policy

The basic business policy of Sanken Electric Co., Ltd. ("the Company") is; to establish a company that is trusted and desired by everyone; to place high value on consolidated financial accounts; to seek efficient and speedy management; and to achieve management with a optimized balance of size and efficiency. It is the Company's aim to provide satisfaction to all stakeholders around the Company including shareholders and customers, through all our business activities.

## Profit Dividend Policy

With the Company's basic profit dividend policy, Sanken Electric recognizes the profit return to our shareholders as one of the most important managerial strategies, and the Company is determined to offer stable and steady profit return by improving profitability and strengthening financial constitution. At the same time, effective use of internal reserve is intended to enhance company structure and expand business activities including investments in plant, equipment and R&D in the future.

## Mid-Term Management Strategies

In the mid-term management strategies, Sanken has presented a mid-term management plan for the term starting at the beginning of April this year and ending March 2003. In this plan, the Company has set as the numerical targets for the term ending March, 2003, ¥180,000 million (US\$1,695.7 million) for consolidated sales, and over 8% ROE (return on equity) and over 6% ROA (return on assets). The followings describe the specific activities planned for each different business segment.

### Promote expansion in the field of semiconductors as a core business

Sanken will aggressively expand the field of semiconductors as the Company's core business. By differentiating technologies such as BCD process and assembly technologies, the Company will supply high-value-added products to the automotive industry, new

markets and new applications for the Company such as refrigerator and air conditioner. The Company will also introduce new products into the existing markets in response to market needs such as energy-saving and environment-friendly characteristics.

### Making profits through synergy effects between Semiconductors and switching Power Supplies

Sanken will make efforts in linking semiconductor technologies to the expansion of Switching Power Supplies into new product fields, and also to creating new markets such as motor control boards. The Company will also work on the reduction of labor cost by carrying out production at the most appropriate location, and also on the reduction of material cost by promoting local procurement.

### Strengthening private-sector demand for power supply equipment and working for expansion of sales

Sanken will continue to provide large-sized power supply equipment that support public infrastructure in the areas of information, telecommunication and electric power supply, as well as reliable power supply equipment such as large-sized UPSs. At the same time the Company will expand the business in the IT (Information Technology) market with mid- and small-sized UPSs, and also in the Chinese and Taiwanese market with general-purpose inverters and UPSs. In addition, the Company will work on the development and commercialization of new products such as hybrid power supplies with energy saving and environmental conservation.

## Operating Results

During the current term, although private capital investment and consumer spending remain low-pitched due to the prolonged economic downturn, the Japanese economy is starting to see light in some parts, such as in investment for information technology, and is starting to show moderate inclination towards recovery. On the other hand, the U.S.

economy is still running in high gear, although there is some part for concern for the near future. The economy in both Europe and Asia are in a recovery stage.

The electronics industry, which Sanken belongs has been showing steady progress. This is due to factors which include; the expansion of information and telecommunication business which utilizes the Internet; PC market driven by expansion of networks such as LANs; and the strong demand for telecommunication devices including cellular phones and audiovisual devices that are increasingly digitized.

Under such conditions, Sanken Electric and Sanken group companies have made efforts in increasing the amount of orders received, in reduction of costs, in improving our financial strength, and also in reorganizing production bases and setting up locations for logistics. As a result, the consolidated sales amounted to ¥136,529 million (US\$1,286.2 million), and in profit and loss, Sanken was able to achieve a net income of ¥803 million (US\$7.6 million), although there was an extraordinary loss due to foreign exchange loss and reorganization of our production bases.

The total amount of investment in plant and equipment across Sanken group companies added up to ¥7,420 million (US\$69.9 million), the majority of which went to expansion of production facilities such as Ishikawa Sanken Co., Ltd. and investments in streamlining and cost saving of operations.

The followings are the business overviews for each segment. Please note that with the company reorganization as of October 1, 1999, Sanken has changed the segmentation of operations and has separated the former Power Supply Division into two segments: Switching Power Supply business and Power Supply Equipment business. In making comparisons with the previous term, the sales figures are reorganized retrospectively to match the new segmentation.

## Semiconductors

The sales showed an increase of ¥7,850 million (9.1%) from the previous term to

¥94,574 million (US\$890.9 million).

Sales of hybrid ICs, the Company's main product in this segment, showed a large increase due to active sales of new products, mainly for audiovisual devices such as DVD players and automobiles that are increasingly becoming electronic. Sales of diodes leveled off due to struggling sales in the products targeted for TV/display market. Transistors and LEDs showed an increase in sales, mainly due to active sales of audio devices such as stereo components with MD. Cold cathode fluorescent lamps (CCFLs) used in backlight for LCD on computers, etc., showed a large increase in sales due to the active PC market and also as a result of consolidation of our production facilities.

Allegro MicroSystems, Inc., one of Sanken's foreign subsidiaries, was starting to show a trend towards recovery in the latter half of the term, due to sales of new products. However, the recovery was not enough to cover the drop during the first half, and Allegro was compelled to declare a loss over the full-term.

### Switching Power Supplies

The sales for this segment showed a decrease of ¥228 million (1.0%) from the previous term, and totaled ¥23,396 million (US\$220.4 million).

Sales for switching power supplies, which have remained stagnant over a long period, have at last started to show recovery in orders received since the first half of this term, mainly for digital photocopiers. Switching power supplies for ATMs used by financial institutions also showed steady progress in sales, due to replacements made because of the Y2K issue.

AC adapters showed favorable progress, with increases in production. The use for AC adapters had been limited to notebook PCs, but usage is being expanded to LCD televisions and so on.

Among the foreign subsidiaries, P.T. Sanken Indonesia, which started its full operation in June 1998, has maintained fair production focusing on AC adapters. On the other hand, Sanken Power Systems (U.K.) Limited, showed

stagnant sales, despite the expansion of sales of new products such as motor control boards.

### Power Supply Equipment

Sales for this segment amounted to ¥18,558 million (US\$174.8 million), showing a large decrease of ¥4,856 million (20.7%) compared to the previous term.

Although power supply equipment for telecommunication facilities showed steady order receipts for low-price products, such as small base stations for mobile telecommunication networks, total sales showed large decreases due to fewer orders received for large facilities. This can be attributed to depressed capital investment in plant and equipment and also to depreciation in sales prices. Large-sized UPSs were able to secure similar sales level as in the previous term, with demand coming from information and telecommunication network construction. As for general-purpose UPSs for computers, Sanken was unable to achieve an increase in production and hence sales, despite the fact that strong orders for new technology-oriented products were quite active during the latter half of this term. General-purpose inverters for factory automation equipment also remained stagnant due to intensified market competition.

### Prospect for Present Term Ending March, 2001

The domestic economy is forecasted to show an increase in private capital investment led by investments in information technology, as well as a recovery trend in consumer spending. Despite such hopes that economic recovery will be made on the initiative of private demand, concerns about worsening employment situation due to corporate cutbacks still remain, making it hard to be optimistic about the economic outlook in Japan. The global economic outlook is also becoming unclear, since the economic situation in the U.S., which is still maintaining strength, Europe and Asia is starting to raise concern over a slowdown in

economic expansion.

Under such conditions, Sanken will intend to transform the company constitution to one that is capable of responding flexibly in response to the changing economic environment and market conditions. The Company will also place high value on consolidated management with focus on its basic policy to operate rationally and efficiently across Sanken group companies, and thus achieving higher profits.

As for results on consolidated basis for this fiscal year, Sanken Electric estimates consolidated sales of ¥150,000 million (US\$1,413.1 million), ¥1,200 million (US\$11.3 million) for net loss. As for net income for the period, allowance is made for a lump sum amortization of reserve surcharge (differences due to changes in new accounting standards) concurrent with the retirement benefits account that will be applied from the term ending March, 2001.

Based on calculation presuming a 3.5% discount rate, projected benefit obligation is estimated as ¥19,500 million (US\$183.7 million), balance on pension assets as ¥11,000 million (US\$103.6 million), and reserve for retirement benefits as ¥500 million (US\$4.7 million). Reserve surcharge will be amortized in a lump sum as an extraordinary loss, estimated as ¥8,000 million (US\$75.4 million). However, the Company also plans to account for an extraordinary income by means of placing investment securities in trust for retirement benefits.



Yuji Morita  
President

## Concerning Balance Sheets

As of March 31, 2000, Sanken's total assets amounted to ¥170,766 million (US\$1,608.7 million), an increase of ¥1,770 million (US\$16.7 million) over the previous term.

Of these, total current assets accounted for ¥107,737 million (US\$1,015.0 million), an increase of ¥7,033 million (US\$66.3 million). This increase owed to the following major factors: Cash on cash equivalents rose by ¥1,166 million (US\$11.0 million) due to increased collection of receivables from affiliates; Increases totaling ¥5,880 million (US\$55.4 million) in finished products, works in process, and raw materials and supplies, accompanying the maintenance / continuance of the production and maintenance toward the next fiscal year due to continued, favorable orders of semiconductor products.

Total investments and long-term receivables accounted for ¥8,086 million (US\$76.2 million) a decrease of ¥3,589 million (US\$33.8 million) over the previous term. The decrease primarily consisted of a decrease of ¥3,288 million (US\$31.0 million) by sale of investment securities.

Property, plant and equipment, at cost amounted to ¥50,251 million (US\$473.4 million) a decrease of 3,854 million (US\$36.3 million) over the previous term.

Sanken adopted tax effect accounting from the year under review and, accordingly, the Company posted short-term deferred tax assets of ¥1,084 million (US\$10.2 million) and long-term deferred tax assets of ¥99 million (US\$0.9 million) in current assets and fixed assets, respectively.

Total liabilities amounted to ¥109,195 million (US\$1,028.7 million), an increase of ¥2,434 million (US\$22.9 million) over the previous term.

Of these, total current liabilities amounted to ¥62,013 million (US\$584.2 million) a decrease of ¥4,204 million (US\$39.6 million). The decrease is due primarily to the redemption in April 1999 of Swiss-franc denominated corporate debentures with warrant rights amounting to ¥9,220 million (US\$86.9 million) and decrease due to repayment of short-term bank loans.

Total long-term liabilities amounted to ¥47,182 million (US\$444.5 million) an increase of ¥6,638 million (US\$62.5 million) over the previous term. This is due to a new issue in April 1999 of the second unsecured debentures amounting to ¥10 billion (US\$94.2 million), thereby increasing the amount of "bonds".

Total shareholders' equity amounted to ¥61,402 million (US\$578.4 million) a decrease of ¥586 million (US\$5.5 million) over the previous term.

## Concerning Statements of Income

The content of net sales of ¥136,529 million (US\$1,286.2 million) is as it has been described in the Management's Statement.

In operating expenses, cost of sales came to ¥111,586 million (US\$1,051.2 million), up ¥1,359 million (US\$12.8 million) over the previous term. Selling, general and administrative expenses dropped by ¥133 million (US\$1.3 million) from the previous term to ¥20,240 million (US\$190.7 million) owing to cost reduction effects.

These factors resulted in operating income of

¥4,701 million (US\$44.3 million) increasing ¥1,538 million (US\$14.5 million) from the previous term.

Regarding non-operating revenue, interest expenses gained to ¥1,767 million (US\$16.6 million), as compared to ¥1,595 million (US\$15.0 million) of the previous term .

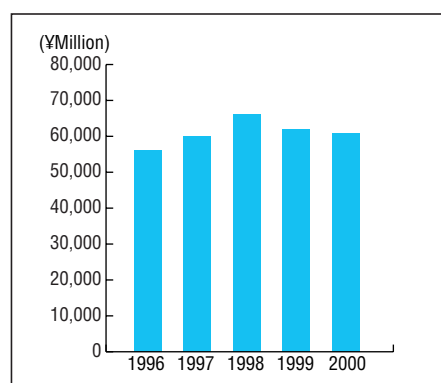
Interest and dividend income increased to ¥372 million (US\$3.5 million), as compared to ¥366 million (US\$3.4 million) of the previous term. There was a special loss which was exchange loss of ¥1,849 million (US\$17.4 million). Gain on sales of investment securities was ¥1,948 million (US\$18.4 million). There were losses of ¥572 million (US\$5.4 million) in others. Accordingly, a loss of 2,228 million (US\$21.0 million) was accounted for in other income and expenses.

These figures brought income before taxes to ¥2,474 million (US\$23.3 million).

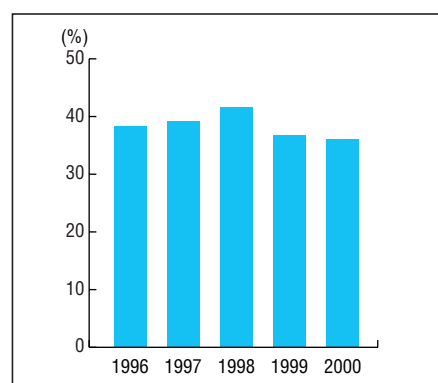
Net income stood at ¥803 million (US\$7.6 million), thus turning the Company profitable compared with previous loss.

Net income per share was ¥6.34 (US\$0.06), as compared to ¥△14.16 (US\$△0.13) of the previous term.

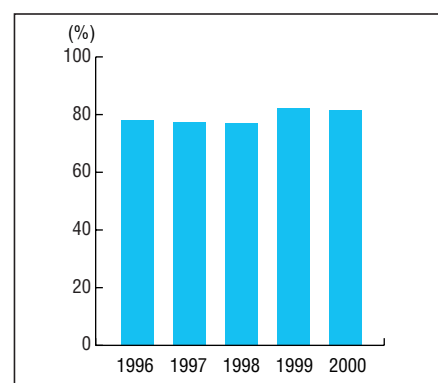
As regards to repurchase of the Company stock, we implemented, as in the previous term, the repurchase of 1,000,000 shares of par-value common stock at a total amount of ¥862 million (US\$8.1 million), in order to return profits to our shareholders. Accordingly, the procedures were taken to invalidate the same number of shares.



Total Shareholders' Equity



Shareholders' Equity Ratio



Cost of Sales to Net Sales

# CONSOLIDATED FIVE-YEAR SUMMARY

Sanken Electric Co., Ltd.  
Years ended March 31

Millions of yen

	2000	1999	1998	1997	1996
<b>STATEMENTS OF INCOME</b>					
Net sales .....	<b>¥136,529</b>	¥133,763	¥150,136	¥145,200	¥136,070
Cost of sales .....	<b>111,586</b>	110,227	115,713	112,577	105,925
Gross profit .....	<b>24,942</b>	23,536	34,423	32,623	30,145
Selling, general and administrative expenses .....	<b>20,240</b>	20,373	22,467	20,948	19,601
Operating income .....	<b>4,701</b>	3,163	11,956	11,675	10,544
Other income (expenses) .....	<b>(2,228)</b>	(4,307)	(3,771)	(2,327)	(2,239)
(Loss) Income before income taxes, minority interest .....	<b>2,474</b>	(1,144)	8,185	9,348	8,305
Income taxes .....	<b>1,946</b>	586	4,666	4,714	4,146
Net income .....	<b>803</b>	(1,805)	3,421	4,630	4,054

## BALANCE SHEETS

Total current assets .....	<b>¥107,737</b>	¥100,704	¥98,924	¥96,398	¥92,690
Total investments and long-term receivables .....	<b>8,086</b>	11,675	7,939	5,953	5,850
Property, plant and equipment, at cost .....	<b>50,251</b>	54,105	48,466	47,203	41,965
Other assets .....	<b>1,645</b>	1,019	3,161	3,498	3,510
Total assets .....	<b>170,766</b>	168,996	158,762	153,306	146,668
Total current liabilities .....	<b>62,013</b>	66,217	62,198	62,674	59,377
Total long-term liabilities .....	<b>47,182</b>	40,544	30,115	30,476	31,113
Minority interests .....	<b>168</b>	247	200	108	73
Total shareholders' equity .....	<b>61,402</b>	61,988	66,249	60,048	56,105
Total liabilities and shareholders' equity .....	<b>170,766</b>	168,996	158,762	153,306	146,668

## PER SHARE

	Yen				
Shareholders' equity per share .....	<b>¥485.57</b>	¥488.26	¥517.74	¥488.83	¥459.52
Net income per share .....	<b>6.34</b>	(14.16)	27.03	37.75	34.43
Cash dividends per share .....	<b>10.00</b>	10.00	10.00	10.00	8.50

# CONSOLIDATED BALANCE SHEETS

Sanken Electric Co., Ltd.  
March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Note 3) .....	¥ 25,830	¥ 24,664	\$ 243,335
Notes and accounts receivable:			
Trade and other .....	43,967	43,867	414,197
Less allowance for doubtful receivables .....	(286)	(326)	(2,694)
	<u>43,681</u>	<u>43,541</u>	<u>411,503</u>
Inventories (Note 5) .....	35,501	29,621	334,442
Deferred tax assets (Note 8) .....	1,084	—	10,212
Other current assets (Note 4) .....	1,639	2,878	15,441
<b>Total current assets</b>	<u>107,737</u>	<u>100,704</u>	<u>1,014,951</u>
<b>Investments and long-term receivables:</b>			
Investments in unconsolidated subsidiaries and affiliates .....	1,098	2,770	10,344
Investments in other securities (Note 4) .....	4,680	6,295	44,088
Deferred tax assets (Note 8) .....	99	—	933
Other long-term receivables .....	2,209	2,611	20,810
Less allowance for doubtful receivables .....	(0)	(1)	(0)
<b>Total investments and long-term receivables</b>	<u>8,086</u>	<u>11,675</u>	<u>76,175</u>
<b>Property, plant and equipment, at cost (Note 6):</b>			
Land .....	4,283	4,341	40,348
Buildings .....	44,086	40,848	415,318
Machinery and equipment .....	101,999	101,229	960,895
Construction in progress .....	2,215	4,695	20,867
	<u>152,583</u>	<u>151,113</u>	<u>1,437,428</u>
Less accumulated depreciation .....	(102,331)	(97,008)	(964,023)
<b>Property, plant and equipment, net</b>	<u>50,251</u>	<u>54,105</u>	<u>473,396</u>
<b>Other assets</b> .....	1,645	1,019	15,497
<b>Translation adjustments</b> .....	3,047	1,493	28,705
<b>Total assets</b>	<u>¥ 170,766</u>	<u>¥ 168,996</u>	<u>\$1,608,724</u>

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 6) .....	¥ 13,578	¥ 19,855	\$ 127,913
Current portion of long-term debt (Note 6) .....	8,159	11,433	76,863
Notes and accounts payable:			
Trade and other .....	29,404	25,584	277,004
Construction .....	272	434	2,563
	<u>29,676</u>	<u>26,018</u>	<u>279,567</u>
Accrued expenses .....	6,861	6,837	64,635
Income taxes payable (Note 8) .....	2,096	540	19,746
Other current liabilities .....	1,643	1,534	15,478
<b>Total current liabilities</b>	<u>62,013</u>	<u>66,217</u>	<u>584,202</u>
<b>Long-term liabilities:</b>			
Long-term debt (Note 6) .....	45,433	39,168	428,007
Accrued severance indemnities (Note 7) .....	1,141	1,132	10,749
Deferred tax liabilities (Note 8) .....	406	—	3,825
Other long-term liabilities .....	202	244	1,903
<b>Total long-term liabilities</b>	<u>47,182</u>	<u>40,544</u>	<u>444,484</u>
<b>Minority interests</b> .....	168	247	1,583
<b>Shareholders' equity:</b>			
Common stock, ¥50 per value:			
Authorized:			
2000—258,000,000 shares			
1999—259,000,000 shares			
Issued:			
2000—126,456,866 shares .....	20,880	—	196,703
1999—126,961,380 shares .....	—	20,700	—
Capital surplus .....	21,103	20,887	198,804
Retained earnings (Note 9 and 15) .....	19,420	20,403	182,949
Less common stock in treasury, at cost;			
2,594 shares in 2000 and 2,606 shares in 1999 .....	(2)	(2)	(19)
<b>Total shareholders' equity (Note 15)</b>	<u>61,402</u>	<u>61,988</u>	<u>578,446</u>
<b>Contingent liabilities</b> (Note 10)			
<b>Total liabilities and shareholders' equity</b>	<u>¥ 170,766</u>	<u>¥ 168,996</u>	<u>\$1,608,724</u>

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

# CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Sanken Electric Co., Ltd.  
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Net sales .....	¥ 136,529	¥ 133,763	\$1,286,189
Cost of sales .....	111,586	110,227	1,051,211
	<b>Gross profit</b>	23,536	<b>234,969</b>
Selling, general and administrative expenses (Notes 6 and 10) .....	20,240	20,373	190,674
	<b>Operating income</b>	3,163	<b>44,286</b>
Other income (expenses):			
Interest expense .....	(1,767)	(1,595)	(16,646)
Interest and dividend income .....	372	366	3,505
Gain on sales of marketable and investment securities .....	1,948	1,752	18,351
Payment of early retirement allowances .....	(359)	(3,174)	(3,382)
Exchange loss .....	(1,849)	(234)	(17,419)
Other, net .....	(572)	(1,422)	(5,388)
	<b>(2,228)</b>	<b>(4,307)</b>	<b>(20,989)</b>
Income (loss) before income taxes, minority interests .....	2,474	(1,144)	23,307
Income taxes (Note 8):			
Current .....	(1,946)	(586)	(18,333)
Deferred .....	319	—	3,005
Income (loss) before minority interests .....	847	(1,730)	(7,979)
Minority interests .....	(42)	(75)	(396)
	<b>Net income (loss) (Note 15)</b>	<b>(1,805)</b>	<b>7,565</b>
Retained earnings at beginning of year .....	20,403	23,202	192,209
Legal reserve at beginning of year .....	—	1,462	—
Beginning balance, as adjusted .....	20,403	24,664	192,209
Cumulative effect of adopting deferred tax accounting .....	444	—	4,183
Cash dividends .....	(1,265)	(1,274)	(11,917)
Bonuses to directors .....	(20)	(20)	(188)
Redemption of treasury stock .....	(862)	(508)	(8,121)
Adjustments to retained earnings included in consolidation .....	(84)	(654)	(791)
	<b>(1,787)</b>	<b>(2,456)</b>	<b>(16,834)</b>
	<b>Retained earnings at end of year</b>	<b>20,403</b>	<b>\$ 182,949</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Sanken Electric Co., Ltd.  
Year ended March 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 2)
<b>Operating activities</b>		
Income before income taxes and minority interests in earnings of affiliates .....	¥ 2,474	\$ 23,307
Depreciation and amortization .....	10,085	95,007
Reversal of allowance for doubtful receivables .....	(30)	(283)
Interest and dividend income .....	(372)	(3,504)
Interest expense .....	1,768	16,656
Gain on sales of marketable securities .....	(1,489)	(14,027)
Gain on sales of investment securities .....	(459)	(4,324)
Decrease in notes and accounts receivable .....	634	5,973
Increase in inventories .....	(6,391)	(60,207)
Increase in notes and accounts payable .....	4,062	38,266
Others .....	583	5,492
	<b>Subtotal</b>	<b>102,355</b>
Interest and dividends received .....	628	5,916
Interest paid .....	(1,934)	(18,220)
Income taxes paid .....	(374)	(3,523)
	<b>Net cash provided by operating activities</b>	<b>86,528</b>
<b>Investing activities</b>		
Purchases of marketable securities .....	(455)	(4,286)
Proceeds from sales of marketable securities .....	2,719	25,615
Purchases of property, plant and equipment .....	(7,391)	(69,628)
Proceeds from sales of property, plant and equipment .....	331	3,118
Purchases of investment securities .....	(128)	(1,206)
Proceeds from sales of investment securities .....	591	5,568
Increase in long-term loans .....	(58)	(547)
Other .....	1,023	9,637
	<b>Net cash used by investing activities</b>	<b>(31,729)</b>
<b>Financing activities</b>		
Increase in short-term bank loans .....	(4,221)	(39,764)
Proceeds from issuance of long-term bank loans .....	3,851	36,279
Repayment of long-term debt .....	(2,076)	(19,557)
Issuance of unsecured bond .....	10,000	94,206
Redemption of bond with warrant attached .....	(9,221)	(86,868)
Redemption of treasury stock .....	(862)	(8,120)
Increase due to exercise of warrants .....	361	3,401
Cash dividends paid .....	(1,265)	(11,917)
Payment of dividends to minority interests .....	(61)	(575)
Other .....	43	405
	<b>Net cash used in financing activities</b>	<b>(32,510)</b>
Effect of exchange rate changes on cash and cash equivalents .....	(520)	(4,899)
	<b>Net increase in cash and cash equivalents</b>	<b>17,390</b>
Cash and cash equivalents at beginning of the year .....	23,005	216,722
Increase in cash and cash equivalents due to change in scope of consolidation .....	164	1,545
	<b>Cash and cash equivalents at end of year (Note 3)</b>	<b>\$ 235,648</b>

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

**1. Summary of Significant Accounting Policies**

**(a) Basis of Financial Statements**

The accompanying consolidated financial statements have been prepared from the accounts maintained by Sanken Electric Co., Ltd. (the "Company") 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.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In March 1998, the Business Accounting Deliberation Council issued a new accounting standard for statements of cash flows, which became effective the year ended March 31, 2000. Prior to the issuance of this standard, there existed no accounting standard for the preparation of statements of cash flows in Japan and, accordingly, the Company and its consolidated subsidiaries had prepared their statement of cash flows in a format similar to that required under accounting standards generally accepted in the United States. The Company and its consolidated subsidiaries have adopted the new accounting standard effective the year ended March 31, 2000 and the accompanying consolidated statement of cash flows for the year ended March 31, 2000 has been prepared in accordance with this standard.

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

The consolidated financial statements include the accounts of 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 over a five-year period.

The 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) Marketable Securities**

Listed stocks included in marketable securities are stated at the lower of cost or market, cost being determined by the moving average method. Other marketable securities are stated at cost (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) Investments in Other Securities**

Investment securities are included in investments in

other securities, except for unlisted securities (which are stated at cost), and are stated at the lower of cost or market, cost being determined by the moving-average method.

**(f) 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 straight-line 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.

**(g) Discounts on Bonds Payable**

Discounts on bonds payable are amortized over the four-year term of the bonds.

**(h) Foreign Currency Translation**

Current foreign currency accounts are translated into yen at the rate in effect at the balance sheet date and non-current foreign currency accounts are translated at their historical rates.

Revenue and expense items denominated in foreign currencies are translated into yen at the rates of exchange prevailing when such transactions were made.

Gains and losses on foreign exchange are credited or charged to income in the period in which they occurred except for those arising from forward foreign exchange contracts which are deferred and amortized over the periods of the respective contracts.

**(i) 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.

**(j) Deferred Income Taxes**

Effective April 1, 1999, the Company and its subsidiaries adopted deferred tax accounting for income taxes in accordance with a new accounting standard issued by the Business Accounting Deliberation Council. This standard requires recognition of income taxes by liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference 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.

The effect of this change was to increase net income by ¥333 million (\$3,137 thousand) and retained earnings by ¥766 million (\$7,216 thousand) for the year ended March 31, 2000.

Prior to the adoption of accounting for deferred taxes, income taxes were calculated on taxable income and charged to income. Only certain foreign subsidiaries recognized deferred taxes in the consolidated financial statements for the year ended March 31, 1999.

**(k) Leases**

The Company leases certain equipment under non-cancelable lease agreements 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.

**(l) 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.

**(m) Severance Indemnities and Pension Plans**

The Company has adopted a contributory, funded, defined benefit pension plan pursuant to the Japanese Welfare Pension Insurance Law. The contributory pension plan covers a portion of the government welfare pension program, under which contributions are made by the Company and its employees. An additional portion represents the former noncontributory pension plan. Costs with respect to the pension plan referred to above are funded as accrued at an amount determined actuarially. Prior service cost is being funded over a period of twenty years.

In addition, directors and statutory auditors of the Company and consolidated subsidiaries are customar-

ily entitled, subject to the shareholders' approval, to lump-sum retirement payments. The liability for retirement payments to directors and statutory auditors is stated at an amount determined in accordance with the Company's rules and approved by the shareholders.

The employees of the consolidated subsidiaries are covered by an employees' severance indemnity plan. The accrued severance indemnities of two consolidated subsidiaries are stated at 40% of the amount which would be required to be paid under the plan if all eligible employees voluntarily terminated their employment as of the year end.

In addition to the severance indemnity plan, other consolidated subsidiaries have a non-contributory pension plan. Costs with respect to the pension plan are funded as accrued at amounts determined actuarially.

**(n) Cash Equivalents**

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 ¥106.15 = \$1.00, the approximate exchange rate prevail-

ing on March 31, 2000. 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, 2000:

*Sanken Electric Co., Ltd.  
Year ended March 31, 2000*

	Millions of yen	Thousands of U.S. dollars
Cash and deposits .....	¥ 25,830	\$ 243,335
Time deposits with a maturity of more than three months .....	(550)	(5,181)
Bank overdrafts (included in short-term bank loans) .....	(266)	(2,506)
Cash and cash equivalents .....	<u>¥ 25,014</u>	<u>\$ 235,648</u>

**4. Marketable and Investment Securities**

The carrying amounts and related aggregate market value of current and noncurrent marketable securities at March 31, 2000 were as follows:

*Sanken Electric Co., Ltd.  
March 31, 2000*

	Millions of yen	Thousands of U.S. dollars
Current:		
Carrying amount .....	¥ 1,293	\$ 12,180
Aggregate market value .....	1,414	13,320
Net unrealized gains .....	<u>¥ 121</u>	<u>\$ 1,140</u>
Noncurrent:		
Carrying amount .....	¥ 4,608	\$ 43,410
Aggregate market value .....	6,300	59,350
Net unrealized gains .....	<u>¥ 1,691</u>	<u>\$ 15,930</u>

## 5. Inventories

Inventories at March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Finished products .....	¥ 9,709	¥ 10,913	\$ 91,465
Work in process .....	15,310	12,019	144,230
Raw materials and supplies .....	10,482	6,689	98,747
	<u>¥ 35,501</u>	<u>¥ 29,621</u>	<u>\$ 334,442</u>

## 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, 2000 and

1999 were approximately 1.51% and 2.33%, respectively. Long-term debt at March 31, 2000 and 1999 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Secured:			
Loans payable in yen due serially through 2006 at rates ranging from 1.1% to 7.76% .....	¥ 23,593	¥ 21,381	\$ 222,261
Unsecured:			
2.1% bonds due 2003 .....	10,000	10,000	94,206
2.22% bonds due 2004 .....	10,000	—	94,206
1.0% convertible bonds due 2003 .....	9,999	9,999	94,197
2.375% bonds with warrants in Swiss francs due 1999 .....	—	9,221	—
	<u>53,592</u>	<u>50,601</u>	<u>504,870</u>
Less current portion .....	<u>(8,159)</u>	<u>(11,433)</u>	<u>(76,863)</u>
	<u>¥ 45,433</u>	<u>¥ 39,168</u>	<u>\$ 428,007</u>

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 (\$9,016) 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, 2000 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2001 .....	¥ 8,159	\$ 76,863
2002 .....	3,748	35,308
2003 .....	13,186	124,220
2004 .....	13,142	123,806
2005 and thereafter .....	15,357	144,673
	<u>¥ 53,592</u>	<u>\$ 504,870</u>

At March 31, 2000, 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 .....	<b>¥ 22,331</b>	<b>\$ 210,372</b>

## 7. Severance Indemnities and Pension Costs

The amounts charged to income for retirement payments and pension costs for the year ended March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
Provision for retirement payments to directors and statutory auditors .....	<b>¥ 72</b>	<b>\$ 678</b>
Pension costs .....	<b>1,406</b>	<b>13,245</b>

The assets of the pension plans at March 31, 2000 amounted to ¥8,973 million (\$84,531 thousand).

## 8. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in statutory tax rates of approximately 41.7% and 47% in 2000 and 1999, respectively. The differences between the statutory tax rates and the effective tax rates are principally attributable to the lower corporation tax rate applied to the portion of

income distributed as dividends, timing differences in the recognition of certain income and expenses for tax and financial reporting purposes, and expenses not deductible for income tax purposes.

The effective tax rate reflected in the statement of income for the year ended March 31, 2000 differs from the statutory tax rate for the following reasons:

Statutory tax rate .....	<b>41.7%</b>
Effect of:	
Expenses permanently not deductible for income tax purposes	<b>4.4</b>
Dividend income deductible for income tax purposes .....	<b>(2.5)</b>
Inhabitants' per capita taxes .....	<b>1.0</b>
Change in valuation allowance .....	<b>16.8</b>
Amortization of consolidation goodwill .....	<b>3.8</b>
Other, net .....	<b>0.6</b>
Effective tax rate .....	<b>65.8%</b>

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

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Net operating loss carryforward .....	<b>¥ 2,850</b>	<b>\$ 26,849</b>
Accrued bonuses .....	<b>390</b>	<b>3,674</b>
Retirement and severance benefits .....	<b>161</b>	<b>1,517</b>
Inventory cost variance .....	<b>146</b>	<b>1,375</b>
Business tax payable .....	<b>136</b>	<b>1,281</b>
Other .....	<b>949</b>	<b>8,940</b>
Total deferred tax assets .....	<b>4,632</b>	<b>43,636</b>
Valuation allowance .....	<b>(2,692)</b>	<b>(25,360)</b>
Total deferred tax assets, net .....	<b>1,940</b>	<b>18,276</b>
Deferred tax liabilities:		
Reserve for special depreciation .....	<b>(862)</b>	<b>(8,121)</b>
Reserve for replacement of fixed assets .....	<b>(175)</b>	<b>(1,649)</b>
Other .....	<b>(125)</b>	<b>(1,177)</b>
Deferred tax liabilities .....	<b>(1,162)</b>	<b>(10,947)</b>
Net deferred tax assets .....	<b>¥ 778</b>	<b>\$ 7,329</b>

**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, 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
As endorsers of trade notes discounted .....	¥	111	\$ 1,046
As guarantors of indebtedness of employees .....		26	245
	¥	137	\$ 1,291

**11. Research and Development Expenses**

Research and development expenses for the years ended March 31, 2000 were ¥7,293 million (\$68,705 thousand).

**12. Leases**

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property at March 31, 2000 and 1999,

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
	2000	1999	2000
Acquisition costs .....	¥ 1,492	¥ 1,502	\$ 14,055
Accumulated depreciation .....	834	705	7,857
Net book value .....	¥ 657	¥ 797	\$ 6,189

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 con-

tract period, annual lease expenses for the years ended March 31, 2000 and 1999 and future minimum payments subsequent to March 31, 2000 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Lease expenses .....	¥ 333	¥ 313	\$ 3,137
Future minimum payments:			
Within one year .....	¥ 285	¥ 343	\$ 2,685
Over one year .....	371	453	3,495
	¥ 657	¥ 797	\$ 6,189

### 13. Derivatives

The Company has entered into forward foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables and payables denominated in foreign currencies.

Summarized below are the contract amounts and estimated fair value of the Company's derivative financial instruments at March 31, 2000:

	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 .....	¥ 640	¥ 653	\$ 6,029	\$ 6,152
To sell pounds sterling .....	¥ 848	¥ 857	\$ 7,989	\$ 8,073

The following methodologies and assumptions were used by the Company in estimating the fair value of its derivatives:

- Forward foreign exchange contracts:
- Forward rates for contracts with similar terms

The contract amounts of the forward foreign exchange contracts presented above exclude contracts entered into to hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contracted rates in the accompanying consolidated balance sheets.

### 14. Segment Information

#### (a) Business segment information

The business segment information of the Company

and its consolidated subsidiaries for the years ended March 31, 2000 and 1999 is summarized as follows:

	Millions of yen					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations or Corporate	Consolidated
<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 .....	95,122	23,396	18,558	137,077	(548)	136,529
Operating expenses .....	87,259	24,470	18,537	130,268	1,559	131,827
Operating income (loss) .....	7,862	(1,074)	20	6,809	(2,107)	4,701
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
<u>Year ended March 31, 1999</u>						
I. Sales:						
(1) Sales to third parties .....	¥ 86,724	¥ 23,624	¥ 23,415	¥ 133,763	¥ —	¥ 133,763
(2) Intersegment sales .....	628	—	—	628	(628)	—
Total sales .....	87,352	23,624	23,415	134,391	(628)	133,763
Operating expenses .....	81,299	25,073	22,518	128,890	1,710	130,600
Operating income (loss) .....	6,053	(1,449)	897	5,501	(2,338)	3,162
II. Assets, depreciation expenses, capital expenditure:						
Assets .....	95,165	27,285	15,791	138,241	30,755	168,996
Depreciation expenses .....	8,475	685	287	9,447	44	9,491
Capital expenditure .....	15,317	484	170	15,971	235	16,206

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, 2000</u>						
I. Sales:						
(1) Sales to third parties .....	\$ 890,946	\$ 220,405	\$ 174,828	\$ 1,286,189	\$ —	\$ 1,286,189
(2) Intersegment sales .....	5,163	—	—	5,163	(5,163)	—
Total sales .....	896,109	220,405	174,828	1,291,352	(5,163)	1,286,189
Operating expenses .....	822,035	230,523	174,630	1,227,207	14,687	1,241,894
Operating income (loss) .....	74,065	(10,118)	188	64,145	(19,849)	44,286
II. Assets, depreciation expenses, capital expenditure:						
Assets .....	849,223	294,282	141,225	1,284,739	323,985	1,608,724
Depreciation expenses .....	83,335	6,463	2,129	91,936	923	92,878
Capital expenditure .....	60,857	5,634	1,649	68,149	4,625	72,774

**(b) Operating revenues by geographic area**

Operating revenues by geographic area for the years ended March 31, 2000 and 1999 are summarized as follows:

Millions of yen							
	Japan	Asia	North America	Europe	Total	Eliminations or Corporate	Consoli- dated
<u>Year ended March 31, 2000</u>							
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	(216)	160	6,327	(1,625)	4,701
II. Assets .....	110,572	13,041	17,577	5,149	146,341	24,424	170,766
<u>Year ended March 31, 1999</u>							
I. Sales:							
(1) Sales to third parties ....	104,373	7,341	12,028	10,021	133,763	—	133,763
(2) Intersegment sales .....	10,933	7,541	8,340	318	27,132	(27,132)	—
Total sales .....	115,306	14,882	20,368	10,339	160,895	(27,132)	133,763
Operating expenses .....	109,476	14,734	20,459	10,560	155,229	(24,629)	130,600
Operating income (loss) ...	5,830	148	(91)	(221)	5,666	(2,503)	3,162
II. Assets .....	112,994	7,800	19,787	5,177	145,758	23,238	168,996

Thousands of U.S. dollars							
	Japan	Asia	North America	Europe	Total	Eliminations or Corporate	Consoli- dated
<u>Year ended March 31, 2000</u>							
I. Sales:							
(1) Sales to third parties ...	\$ 983,250	\$ 84,202	\$ 122,902	\$ 95,817	\$ 1,286,189	\$ —	\$ 1,286,189
(2) Intersegment sales .....	111,456	110,523	73,452	4,070	299,520	(299,520)	—
Total sales .....	1,094,706	194,734	196,364	99,896	1,585,719	(299,520)	1,286,189
Operating expenses .....	1,040,452	188,865	198,399	98,389	1,526,105	(284,202)	1,241,894
Operating income (loss) ..	54,253	5,869	(2,035)	1,508	59,605	(15,309)	44,286
II. Assets .....	1,041,658	122,854	165,586	48,507	1,378,625	230,090	1,608,724

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 ¥60,876 million (\$573,500

thousand) and ¥56,239 million, or 44.6% and 42.0% of the consolidated net sales for the years ended March 31, 2000 and 1999, respectively.

## 15. Amounts per Share

Amounts per share as of and for the years ended March 31, 2000 and 1999 were as follows:

	Yen		U.S. dollars
	2000	1999	2000
Net income - primary .....	¥ 6.34	¥ (14.16)	\$ 0.06
Net income - fully diluted .....	6.30	—	0.06
Net assets .....	485.57	488.26	4.57

## 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, 2000 and 1999, the related consolidated statements of operations and retained earnings for the two years ended March 31, 2000 and the related consolidated statement of cash flows for the year ended March 31, 2000, 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, 2000 and 1999, the consolidated results of their operations for two years ended March 31, 2000 and the consolidated results of their cash flows for the year ended March 31, 2000 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 statements of cash flows and tax-effect accounting in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 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 29, 2000

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

# NON-CONSOLIDATED BALANCE SHEETS

Sanken Electric Co., Ltd.  
March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 21,653	¥ 20,002	\$ 203,985
Time deposits .....	100	50	942
Marketable securities .....	1,293	821	12,181
Notes and accounts receivable:			
Subsidiaries and affiliates .....	21,016	20,065	197,984
Trade and other .....	34,358	34,907	323,674
Less allowance for doubtful receivables .....	(252)	(517)	(2,374)
	55,122	54,455	519,284
Inventories .....	17,155	13,633	161,611
Other current assets .....	878	115	8,271
<b>Total current assets</b>	<b>96,201</b>	<b>89,076</b>	<b>906,274</b>
<b>Investments and long-term receivables:</b>			
Investments in and advances to subsidiaries and affiliates .....	25,579	29,032	240,970
Investments in other securities .....	4,650	6,271	43,806
Other long-term receivables .....	21	33	198
Less allowance for doubtful receivables and advances .....	(36)	(421)	(339)
<b>Total investments and long-term receivables</b>	<b>30,214</b>	<b>34,915</b>	<b>284,635</b>
<b>Property, plant and equipment, at cost :</b>			
Land .....	1,131	1,131	10,655
Buildings .....	12,416	11,753	116,966
Machinery and equipment .....	21,010	21,063	197,927
Construction in progress .....	59	222	556
Less accumulated depreciation .....	(26,035)	(25,408)	(245,266)
<b>Property, plant and equipment, net</b>	<b>8,581</b>	<b>8,761</b>	<b>80,838</b>
<b>Other assets</b> .....	<b>2,205</b>	<b>2,000</b>	<b>20,773</b>
<b>Total assets</b>	<b>¥ 137,201</b>	<b>¥ 134,752</b>	<b>\$ 1,292,520</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans .....	¥ 10,000	¥ 14,150	\$ 94,206
Current portion of long-term debt .....	—	9,221	—
Notes and accounts payable:			
Subsidiaries and affiliates .....	1,953	2,243	18,398
Trade and other .....	26,174	21,982	246,576
Construction .....	313	341	2,949
	<u>28,440</u>	<u>24,566</u>	<u>267,923</u>
Accrued expenses .....	2,481	2,827	23,373
Income taxes payable .....	1,992	377	18,766
Other current liabilities .....	297	743	2,798
	<u>43,210</u>	<u>51,884</u>	<u>407,066</u>
<b>Long-term liabilities:</b>			
Long-term debt .....	29,999	19,999	282,609
Accrued severance indemnities .....	306	302	2,883
Other long-term liabilities .....	171	210	1,611
	<u>30,476</u>	<u>20,511</u>	<u>287,103</u>
<b>Shareholders' equity:</b>			
Common stock, ¥50 par value:			
Authorized:			
2000 — 258,000,000 shares			
1999 — 259,000,000 shares			
Issued:			
2000 — 126,456,866 shares .....	20,880	—	196,703
1999 — 126,961,380 shares .....	—	20,700	—
Capital surplus .....	21,103	20,887	198,804
Legal reserve .....	1,655	1,526	15,591
Special reserves .....	89	170	838
Retained earnings .....	19,787	19,074	186,406
	<u>63,515</u>	<u>62,357</u>	<u>598,351</u>
<b>Contingent liabilities</b>			
	<u>¥ 137,201</u>	<u>¥ 134,752</u>	<u>\$1,292,520</u>

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

# NON-CONSOLIDATED STATEMENTS OF INCOME

Sanken Electric Co., Ltd.  
Year ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2000	1999	2000
Net sales .....	<b>¥ 113,920</b>	¥ 113,693	<b>\$ 1,073,198</b>
Cost of sales .....	<b>96,945</b>	96,543	<b>913,283</b>
	<b>Gross profit</b>	17,150	<b>159,915</b>
Selling, general and administrative expenses .....	<b>13,181</b>	13,342	<b>124,173</b>
	<b>Operating income</b>	3,808	<b>35,742</b>
Other income (expenses):			
Interest expense .....	<b>(713)</b>	(576)	<b>(6,717)</b>
Interest and dividend income .....	<b>944</b>	828	<b>8,893</b>
Gain on sales of investment securities .....	<b>459</b>	1,752	<b>4,324</b>
Payment of early retirement allowances .....	—	(3,149)	—
Other, net .....	<b>(771)</b>	(887)	<b>(7,263)</b>
	<b>(81)</b>	(2,032)	<b>(763)</b>
Income before income taxes .....	<b>3,713</b>	1,776	<b>34,979</b>
Income taxes .....	<b>1,485</b>	306	<b>13,990</b>
	<b>Net income</b>	¥ 1,470	<b>\$ 20,989</b>

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

# COMPANY INFORMATION

## Company Data

*As of March 31, 2000*

<b>Company Name:</b>	Sanken Electric Co., Ltd.
<b>Founded:</b>	September 5, 1946
<b>Headquarters:</b>	3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan Telephone: 048-472-1111 Facsimile: 048-471-6249
<b>Employees:</b>	1,492
<b>Common Stock:</b>	Par value: ¥50 Authorized: 258,000,000 shares Issued: 126,456,866 shares
<b>Shareholders:</b>	22,339

## Board of Directors and Statutory Auditors

*As of June 29, 2000*

<b>President</b>	Yuji Morita
<b>Executive Vice President</b>	Yoshito Matsui
<b>Senior Managing Directors</b>	Takao Anzai Hiroyuki Hayashida Jin Ishibashi
<b>Managing Directors</b>	Hirohito Sekine Akiyuki Nakoji
<b>Directors</b>	Koichi Kotani Takayoshi Terashima Kiyoshi Imaizumi Teruo Esumi Takahiro Fukushima Hidejiro Akiyama
<b>Standing Auditor</b>	Atsuo Nakazawa
<b>Auditors</b>	Kiyokane Imai Sadao Asaoka

## Business Offices

### Headquarters

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

### Kawagoe Plant

677 Shimoakasaka-Ohnohara,  
Kawagoe-shi, Saitama-ken  
350-1155, Japan  
Telephone: 0492-66-8111  
Facsimile: 0492-66-0078

### Niiza Plant

1-13-19 Nakano, Niiza-shi,  
Saitama-ken 352-0005, Japan  
Telephone: 048-478-2230  
Facsimile: 048-478-2237

### Tokyo Office

Metropolitan Plaza Bldg., 1-11-1  
Nishi-Ikebukuro, Toshima-ku,  
Tokyo 171-0021, Japan  
Telephone: 03-3986-6151  
Facsimile: 03-3986-9270

### Osaka Branch

Umeda Daiichi Bldg., 2-12-7  
Sonezaki, Kita-ku, Osaka-shi,  
Osaka 530-0057, Japan  
Telephone: 06-6312-8712  
Facsimile: 06-6312-8719

### Sapporo Sales Office

### Sendai Sales Office

### Nagoya Sales Office

### Kanazawa Sales Office

### Hiroshima Sales Office

### Kyushu Sales Office

### Takamatsu Sales Office

## Group Companies

### Domestic:

**Ishikawa Sanken Co., Ltd.**  
**Yamagata Sanken Co., Ltd.**  
**Kashima Sanken Co., Ltd.**  
**Fukushima Sanken Co., Ltd.**  
**Sanken Transformer Co., Ltd.**  
**Kowa Electric Co., Ltd.**  
**Sanken-Airpax Co., Ltd.**  
**Sanken Logistics Co., Ltd.**  
**Sanken Densetsu Co., Ltd.**  
**Sanken Techno-Research Co., Ltd.**  
**Sanken Kosan Co., Ltd.**  
**Sanshin Electric Co., Ltd.**

### Overseas:

**Allegro MicroSystems, Inc.**  
**Allegro MicroSystems W.G., Inc.**  
**Allegro MicroSystems Philippines, Inc.**  
**Allegro MicroSystems Europe Limited**  
**Korea Sanken Co., Ltd.**  
**Sanken Electric Korea Co., Ltd.**  
**Sanken Power Systems (UK) Limited**  
**P.T. Sanken Indonesia**  
**Sanken Transformer (Malaysia) Sdn. Bhd.**  
**Dalian Sanken Transformer Co., Ltd.**  
**P.T. Sanken Transformer (Indonesia)**  
**Sanken Transformer (Singapore) Pte. Ltd.**  
**Sanken Electric Singapore Pte. Ltd.**  
**Sanken Electric Hong Kong Co., Ltd.**  
**Sanken L.D. Co., Ltd.**

