Sanken

Dear fellow shareholders

Annual Report 2004

For the year ended March 31, 2004

Sanken Electric Co., Ltd.

Profile

Since its foundation in 1946, Sanken Electric Co., Ltd., has evolved into a leading manufacturer of power semiconductor devices and power supply equipment. In this role, Sanken has developed a highly customer-oriented business model by drawing on its in-house direct sales organization, rather than through agents and distributors. Under this model, Sanken's field engineers and technically trained sales force are dispatched to work closely with customers' R&D staff. This has enabled the Company to differentiate itself from the competition, and to develop an extensive array of platforms centering on power supply-related circuit technologies. As a result, Sanken has earned tremendous trust and confidence from its customers.

Going forward, Sanken is determined to mobilize its global sales network, covering Asia, North America and Europe, to provide the full spectrum of power supply system solutions, including in such peripheral areas as telecommunications, control, diagnosis, detection, protection and display.

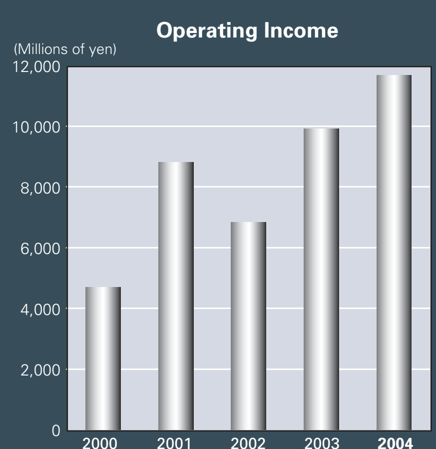
Sanken's business performance is reflected in the price of its shares, which are listed on the First Section of the Tokyo Stock Exchange (securities code #6707). In addition to pursuing growth over the medium and long terms, we will continually deliver high-quality information to the capital markets through proactive investor relations activities.

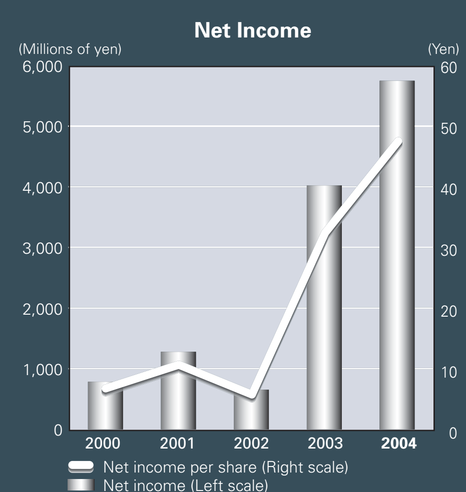
Financial Highlights

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note)
	2004	2003	**2004**
For the year:			
Net sales	**¥147,176**	¥146,070	**$1,392,525**
Operating income	**11,687**	9,970	**110,578**
Net income	**5,784**	4,002	**54,726**
Per share (Yen and U.S. dollars):			
Net income	**47.07**	31.96	**0.44**
Cash dividends	**10.00**	10.00	**0.09**
At year-end:			
Total assets	**144,383**	148,745	**1,366,098**
Total shareholders' equity	**62,518**	58,251	**591,522**

Note: 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 ¥105.69 to U.S.$1.00, the approximate exchange rate prevailing on March 31, 2004. See Note 2 of the Notes to Consolidated Financial Statements.





Contents

Dear Fellow Shareholders

Fiscal 2003, ended March 31, 2004, marked the completion of the first year of Sanken Electric Group's three-year mid-term management plan. The aim of the plan is to further the trust of all stakeholders: shareholders, customers, business partners, local communities and employees. Although consolidated net sales in fiscal 2003 rose only moderately, to ¥147.1 billion, both operating income, which totaled ¥11.6 billion, and net income, at ¥5.7 billion, reached record-high levels. The Group also reinforced its financial position by continuing to dramatically reduce its level of debt.

In the year under review, the market for discrete semiconductor devices, such as diodes and transistors for audio-visual equipment, weakened, owing to stiff competition from products made in China. By contrast, demand was high for cold cathode fluorescent lamps (CCFLs), which are used as a backlight source in liquid crystal displays (LCDs) in LCD televisions, notebook personal computers (PCs) and monitors. These differing trends resulted in sales of the Company's semiconductor business segment remaining largely unchanged from fiscal 2002. Meanwhile, sales of the switching power supply business segment, which provides AC adapters for notebook PCs, showed strong growth and returned to profitability. The power supply equipment business segment also posted positive operating income, albeit slight. Extensive improvements in production systems brought significant benefits in the form of cost reductions to the Group. Fiscal 2003 marked the first year in which all three business segments were profitable.

During the fiscal year, Sanken Electric sought to improve retained earnings to strengthen its corporate foundation and expand its business. The full-year cash dividend therefore remained at ¥10.00 per share of common stock. As a result, the dividend payout ratio fell from 52.3% to 37.9%, while return on equity rose from 6.8% to 9.6%. Adopting a long-term perspective, we will continue working to raise corporate value and earn the support of all shareholders.

Market Environment

In the year under review, the electronics industry benefited from the expansion of worldwide PC demand and ongoing proliferation of large-screen LCD televisions and other digital consumer electronics.

Amid growing anticipation of moderate global economic growth, driven by the United States and Asia, the Japanese economy appears to be on a recovery path. Rising exports, increased capital spending and improved corporate earnings appear to confirm this recovery. Political volatility in the Middle East, however, continues to cause concerns about the medium-term strength of the economy.

With these factors in mind, we will focus on strategic target markets where growth is expected. At the same time, we will expand revenues and lower costs by upgrading production capacity for CCFLs and stepping up production, sales and procurement in China.

Fiscal 2003 Highlights

Accounting for more than 70% of net sales, our semiconductor business struggled in fiscal 2003, with sales edging down 0.1% and operating income slipping 2.1%. In the first half of the year, performance was affected by the outbreak of

severe acute respiratory syndrome (SARS), the war in Iraq and delays among consumer electronics manufacturers in releasing new audio-visual products. Demand for such equipment then jumped sharply in the second half of the year, to the extent that our semiconductor production facilities were unable to keep pace. Another reason for the flat semiconductor sales was our termination of sales of integrated circuits (ICs) for electronic power steering (EPS) systems, which were unprofitable. On a positive note, however, sales of opto-electronic devices jumped 38% as we made steady progress in expanding production of CCFLs for large-screen LCD televisions.

Our U.S. subsidiary, Allegro MicroSystems, Inc., which eliminated cumulative losses and reorganized its operations during fiscal 2002, continued to improve performance in fiscal 2003. Net sales increased 8.7% and operating income jumped 82.2% in U.S. dollar terms. Major factors were growth in sales of ICs for multifunctional printers and automotive-use sensors.

Sales of the switching power supply business segment grew 6.5% year-on-year, owing to firm demand for AC adapters for notebook PCs, as well as strong growth in plasma display panel television (PDP-TV) power supplies. This segment also became profitable, with operating income of ¥804 million in fiscal 2003, compared with an operating loss of ¥873 million in fiscal 2002.

In the power supply equipment business segment, sales slipped 2.9%, as firm demand from the communications infrastructure sector was outweighed by a decline in public works expenditures within Japan. Our inverter manufacturing subsidiary in China also performed well in terms of both production and sales. As a result, the segment recorded operating income of ¥144 million, compared with an operating loss of ¥181 million in fiscal 2002.

Reorganization for Efficiency

In April 2003, we completed a major reorganization aimed at improving external market and internal operational efficiencies. This structure will enable the Sanken Electric Group to achieve self-sustained growth irrespective of market changes. Our organization, previously managed along product lines, such as semiconductors and power supply equipment, is now structured around six major organizational functions—engineering and technical development, production, domestic sales, overseas sales, power supply equipment sales and corporate administration—which all serve the needs of multiple product areas. These product areas (discrete devices, optical devices, ICs and switching power supplies and power supply equipment) are managed by product category directors, who are responsible for the strategic direction and financial performance of their respective businesses.

Outlook

Under its three-year management plan, ending March 2006, the Sanken Electric Group is seeking to "further distinguish itself in the power electronics industry" by pursuing proactive strategies. For this reason, we have replaced our previous revenue-driven system and adopted a new financial framework that focuses on profits and cash flows. Over the plan's three-year period, we hope to generate free cash flow of ¥30 billion and reduce debt by ¥20 billion. We have made a solid start in this endeavor, posting free cash flow of ¥15.7 billion in the first year of the plan.

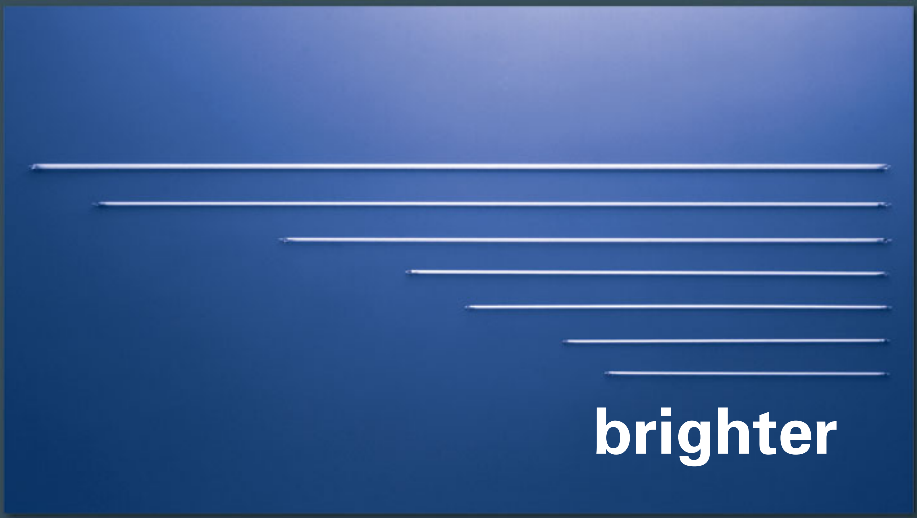
Guided by the plan, we have set the following targets for the fiscal year ending March 31, 2006: net sales of ¥180 billion, operating income of ¥20 billion, ordinary income of ¥17 billion and net income of ¥10 billion. We also plan to reduce interest-bearing debt, which stood at ¥37.6 billion at March 31, 2004, to ¥23.2 billion, and raise the equity ratio from 43.3% in fiscal 2003, to 54%. Although our net sales and operating income results in fiscal 2003 were slightly below our targets for the first year of the plan, we again produced a record-high net income figure, making for a generally solid performance. Going forward, we will expand our efforts to enhance the organization and improve our financial position.

We look forward to your ongoing understanding and support as we embrace the challenges of the future.

July 2004

Yuji Morita
President

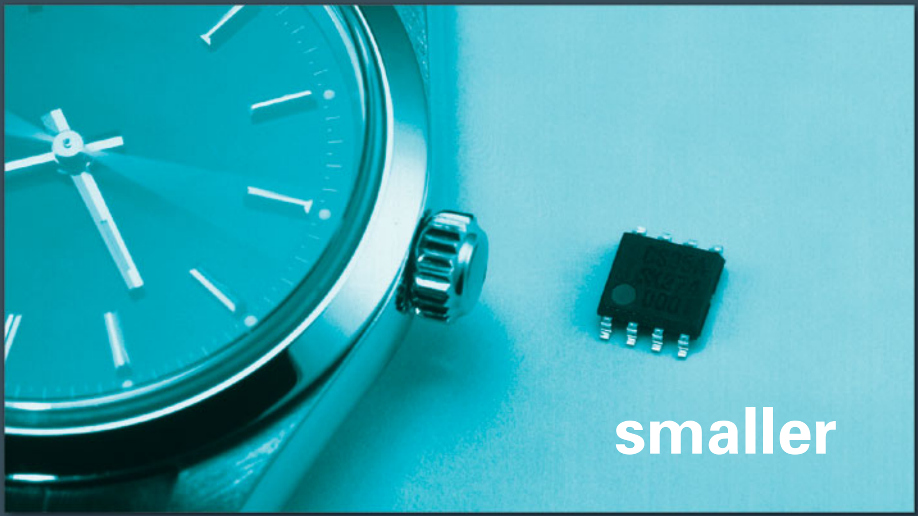
Three-Year Mid-Term Management Plan: Achievements in Year One and Targets for Year Two



Record-High Income*
(Fiscal 2003)

Operating Income	Net Income
¥11.6 billion	¥5.7 billion
UP ¥0.6 billion	UP ¥1.1 billion

*Compared with the previous record highs for operating income and net income



Net Sales Target
(Fiscal 2004)

¥162.7 billion

UP ¥15.6 billion

Operating Income Target
(Fiscal 2004)

¥15.0 billion

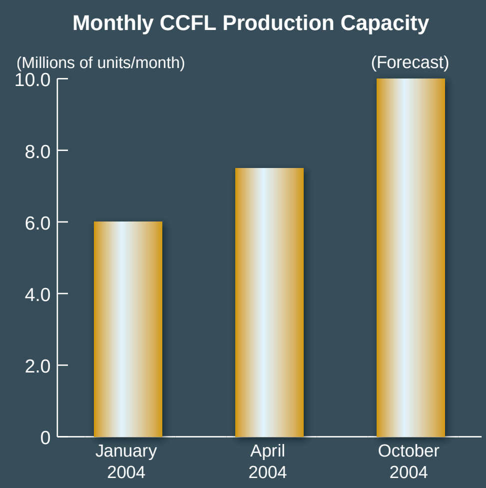
UP ¥3.3 billion

Targets for the Year Ending March 31, 2005

The Sanken Electric Group has set the following consolidated targets for the year ending March 31, 2005: net sales of ¥162.7 billion, up 10.5%; operating income of ¥15.0 billion, up 28.3%; and net income of ¥7.0 billion, up 21.0%. All three targets, if reached, will represent record-high figures for the Group. We also project increases in both revenues and earnings for all three business segments.

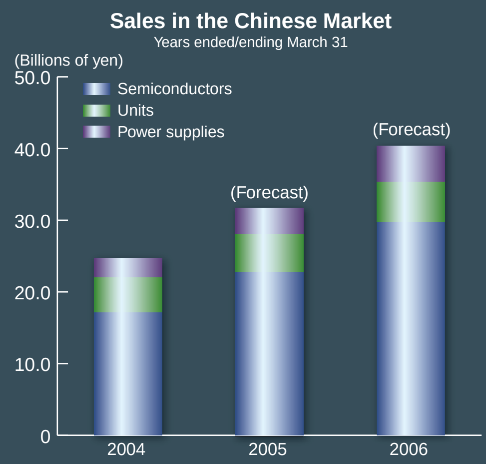
Major Factors Boosting Revenues

- Expansion of the market for flat panel displays
- Increased production of CCFLs
- Development of new products for automotive devices
- Strong performance of Allegro MicroSystems' sensor business
- Reinforced business development in China

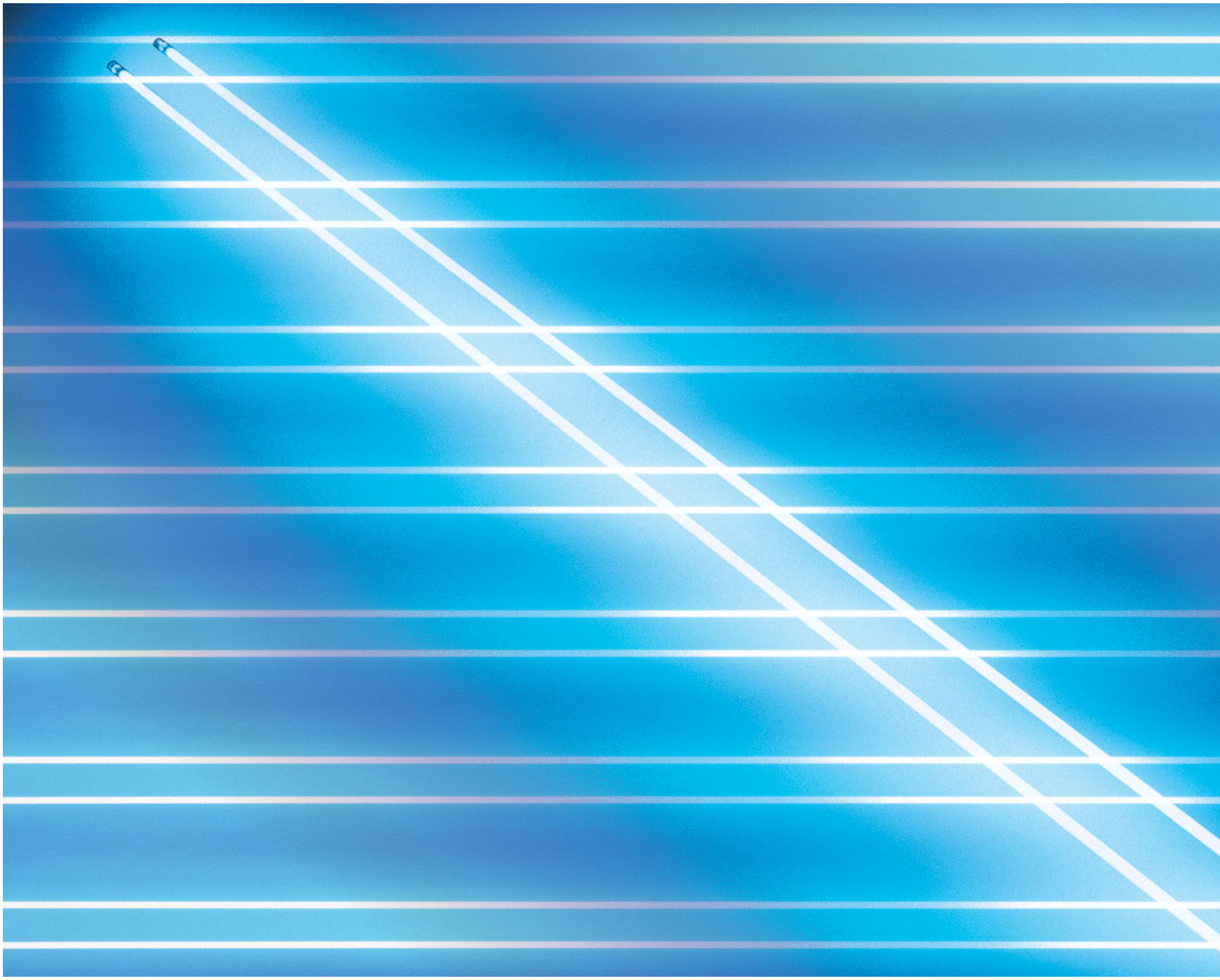


Major Factors Boosting Earnings

- Higher sales of CCFLs
- Increased revenues of Allegro MicroSystems
- Improved profitability of switching power supply business segment
- Benefits of production reshuffling



Entering New Markets through Products with Innovative Functions



The Sanken Electric Group will strive to maximize corporate value and meet the expectations of all shareholders.

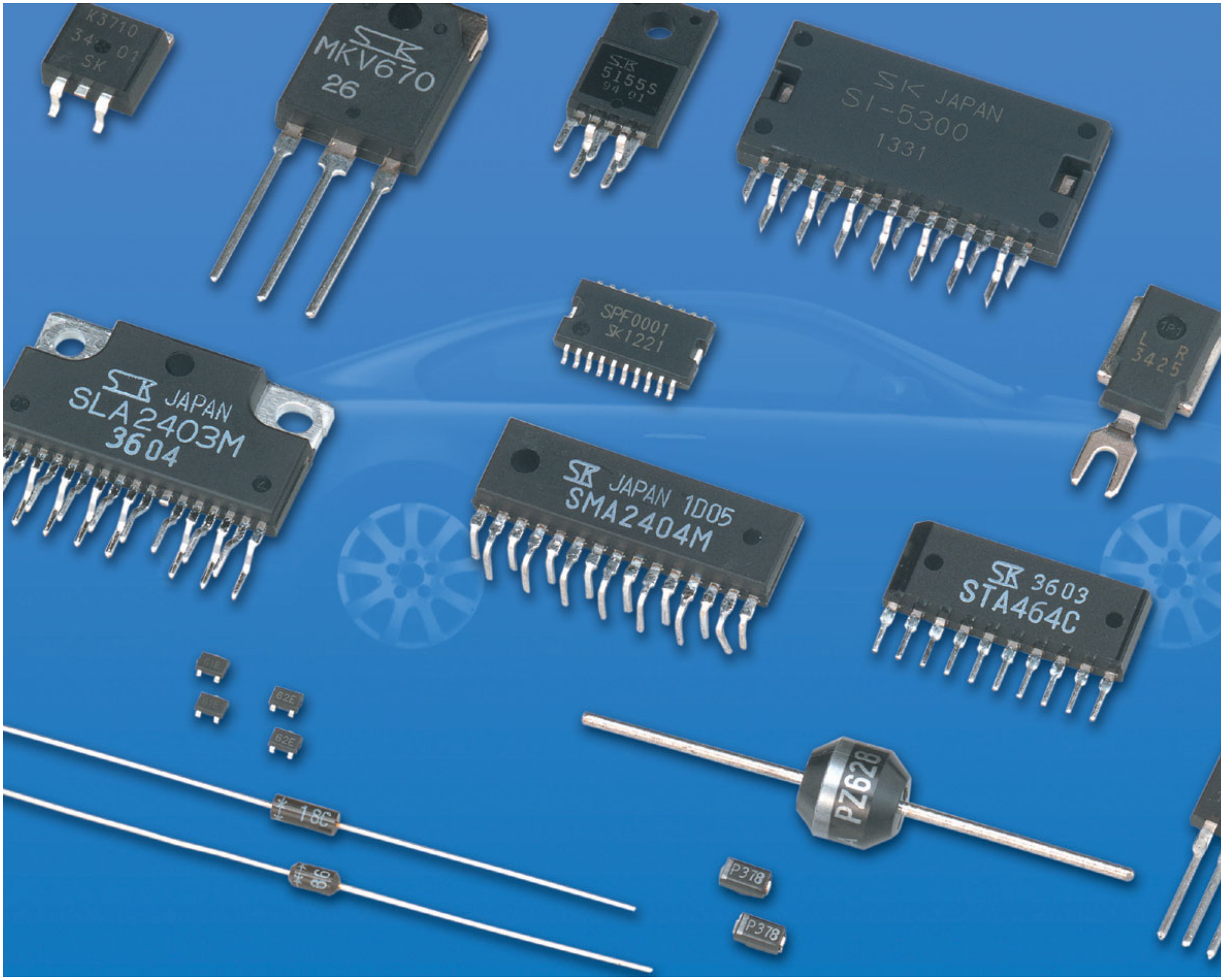
Cultivate New Markets with Innovative Power Semiconductor Technologies

In our semiconductor business, we look forward to solid demand for our new "partial resonance converters," which incorporate original Sanken circuit element technologies related to switching power supplies. These converters—used in such items as LCD televisions, PDP-TVs and multifunctional printers—feature a power IC and transformer with multiple functions. Compact, quiet and highly efficient, they also consume minimal power in standby mode, thereby addressing the needs of digital consumer electronics. In 2004, Yamagata Sanken Co., Ltd., which is increasing its IC wafer production capacity, will commence precision processing using submicron technologies (one micron equals one-thousandth of a millimeter). By achieving further advances in IC integration, we plan to cultivate new markets for mobile and other devices.

Targeting the Flat Panel Display Market

Being an Olympic year, 2004 is expected to provide a major impetus to the digital consumer electronics industry, boosting proliferation of large-screen LCD televisions in particular. CCFLs are an essential part of the backlighting systems for such LCD televisions. Sanken is a prominent manufacturer of CCFLs and achieved ¥10 billion in sales of these products in fiscal 2003, representing a 43% year-on-year jump.

Sanken is renowned for its fluorescent material coating technologies for long tubes, as well as long-life niobium electrode technologies. Fukushima Sanken Co., Ltd., and Korea Sanken Co., Ltd., already make CCFLs, and Ishikawa Sanken Co., Ltd., will commence production in autumn 2004. In October 2004, therefore, monthly output will grow to 10 million units, from the current level of 7.5 million. In the process, annual CCFL sales will jump 70%, to ¥17 billion in fiscal 2004. We expect this figure to grow to ¥25 billion in fiscal 2005, ending March 31, 2006, supported by our supply of such products to prominent domestic and overseas manufacturers.



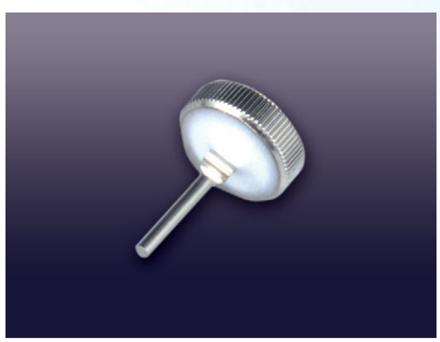
Maximizing corporate value

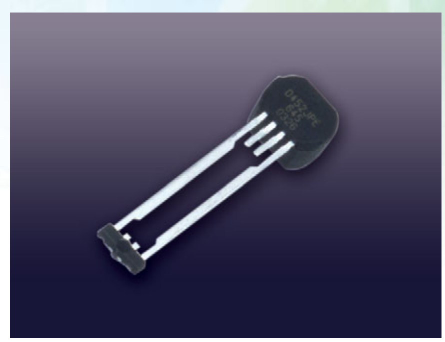
Challenging the Automotive Market

The Sanken Electric Group has a long association with the automotive equipment market, dating back to the 1960s. We have accumulated a wealth of experience and an impressive track record, and have earned the trust of customers. Previously, we focused on expanding our line of devices related to electric charging and engine control, including alternators, ignition systems, fuel injection systems and throttle control. In the latter half of the 1990s, we established a strong position in Bipolar–CMOS–DMOS (BCD) process technologies, allowing us to significantly expand the scope of applications for our products in the automotive equipment market.

In the year ending March 31, 2005, we will continue to exploit our strengths in traditional markets. At the same time, we will focus on providing ICs for automobile safety and cruising systems, such as automatic transmissions, electronic control throttles, high-intensity discharge (HID) lamps, adaptive front lighting systems (AFS), anti-lock braking systems (ABS) and power steering systems. For the year, we are targeting ¥19.5 billion in sales of these products, up 9.6% from the period under review.

Due to strong results in the sensor business, Allegro MicroSystems, our U.S. subsidiary, has performed well, generating an 8.7% sales increase in fiscal 2003 in local currency terms. We anticipate expansion in demand for our automotive-use sensors from vehicle manufacturers in North America and Europe. In response, in November 2003 Allegro MicroSystems relocated and expanded its sensor development operations, doubled the number of related employees, to 250, and raised by 50% the capacity of its assembly facility in Manila, Philippines. Through these proactive measures, we are projecting a further 8.7% revenue gain in the current fiscal year, to US$288 million.





Maximizing corporate value

Expanding Our Line of Switching Power Supplies

Our switching power supply business segment has lagged behind the others in becoming profitable. In the year under review, however, we reaped the benefits of closer integration with the semiconductor business segment, as outlined in our mid-term management plan. In the process, we shifted from a strong dependence on the office automation (OA) market to cultivate new demand for such products as power supplies for LCD televisions and invertors for CCFLs, as well as low-noise, high-efficiency power supplies for PDP-TVs. As a result, this segment reported a 6.5% increase in sales in fiscal 2003, to ¥26.3 billion, and also became profitable.

The capacity requirements of power supplies have continued to increase, in line with the growing performance of PCs, LCD monitors and other equipment. In response, we have developed power supply control ICs specifically for AC adapters. During the summer of 2004, we will release a series of medium- and large-capacity adaptors with outputs of 100 watts and higher. We also plan to expand monthly production to 700,000 units, from the current level of 500,000.

In the PDP-TV power supply business, which we entered during the latter half of the period under review, we are producing units at the rate of 20,000 per month. Owing to increased orders, we doubled output to 40,000 in the first quarter of the current fiscal year, and by March 2005 we plan a further ramp, to 50,000 units—2.5 times that of our original capacity. Meanwhile, we will also exploit growing business opportunities for inverters for CCFLs, which serve as a key backlighting source for LCD televisions.

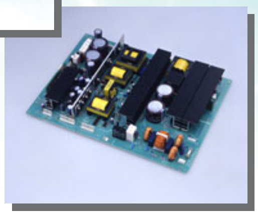
In the year ending March 31, 2005, we are targeting a 15.5% increase in switching power supply business segment sales, to ¥30.4 billion, and a 61.7% surge in operating income, to ¥1.3 billion.

Strategies for the Chinese Market

Sanken has been active in Asian markets for many years. In March 1994, we set up a semiconductor technology center in Seoul, and in July 2002 we established a similar facility in Hong Kong. In these ways, we have sought to reinforce technical support for local companies. In October 2003, we opened a technical center in Shanghai, reflecting our strategic focus on the Chinese market. The new facility provides semiconductor-related technical support to local television manufacturers, and has commenced full-scale operations with a view toward penetrating the domestic market in that country. To assist Taiwanese companies, many of which are actively entering China, in August 2004 we opened a semiconductor technology center in Taipei.

In the power supply equipment segment, in September 2003 we obtained a 60% equity stake in a joint venture in China's Jiangsu Province. This company produces motor control inverters for sale to local companies. By revamping the design methods and total parts requirements for these products, we have increased our price-competitiveness in the local market and expect to generate new demand. In April 2004, we expanded the building space of the new company and raised production capacity 2.7 times.

By reinforcing both our semiconductor and power supply equipment business capabilities, we are targeting a 28.6% increase in sales in China in the year ending March 31, 2005, to ¥31.9 billion. For the following fiscal year, we project sales of ¥40.6 billion.



Environmental Initiatives

In April 2000, Sanken Electric created a set of basic principles and action policies for protecting the environment. The principles clarify our commitment to acting in harmony with the environment and placing top priority on the environment with a sense of sincerity and creativity in all of our activities. We also formulated our Environmental Charter, as well as our Environmental Action Plan, which specifies waste reduction targets. In these ways, we have been working as a united Group to protect the natural environment.

In April 2004, we modified the Charter and the Action Plan to better clarify our commitment toward the environment. This entailed the addition of new targets, including quantitative monitoring of the environmental impact of our products, as well as achievement of a total recycling ratio of 95% or higher by March 2006.

Through these Groupwide efforts to address environmental issues, Yamagata Sanken, our main production base for semiconductor chips, achieved a recycling ratio of more than 99% in January 2004—well above and in advance of the Group's target. Based on this success, Yamagata Sanken has declared a "zero waste" statement (consistent average annual waste recycling ratio of 99% or higher over more than three months). Previously, our biggest challenge was recycling sludge, which accounts for 50% of total waste, but we now harden and granulate this waste for use as road-paving materials. We also meticulously separate and reuse other materials, including plastics, vinyl and nylon. Our policy here is that "mixed waste is trash, but separated waste can be reused."

In fiscal 2003, the Group achieved a recycling ratio of 94.6%. Spurred by the zero waste statement by Yamagata Sanken, we will strive together to operate in harmony with the environment, with the aim of exceeding our Groupwide goal of 95% in fiscal 2004.

Waste Recycling at Yamagata Sanken

Years ended March 31

	2004	2003	2002	2001	2000
Total waste volume (Tons)	**745 (7,018)**	723	618	726	719
Volume recycled (Tons)	**739 (6,642)**	700	579	381	308
Recycling ratio (%)	**99.2 (94.6)**	96.8	93.8	52.5	42.8

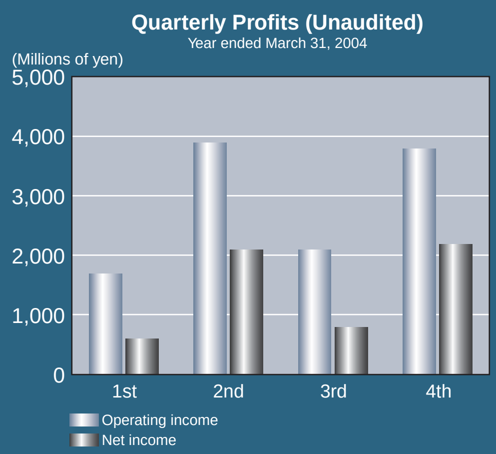
Note: Figures in parentheses are for the entire Sanken Electric Group.

Consolidated Five-Year Summary

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003, 2002, 2001 and 2000

	Millions of yen				
	2004	2003	2002	2001	2000
Statements of income					
Net sales	**¥147,176**	¥146,070	¥140,088	¥158,710	¥136,529
Cost of sales	**113,716**	114,925	112,279	127,202	111,586
Gross profit	**33,460**	31,144	27,808	31,507	24,942
Selling, general and administrative expenses	**21,772**	21,174	20,975	22,700	20,240
Operating income	**11,687**	9,970	6,833	8,807	4,701
Other expenses	**(2,942)**	(4,397)	(5,201)	(5,833)	(2,227)
Income before income taxes and minority interests	**8,745**	5,572	1,631	2,924	2,474
Current income taxes	**3,424**	2,632	437	4,468	1,946
Net income	**5,784**	4,002	670	1,294	803
Balance sheets					
Total current assets	**¥ 94,855**	¥ 90,752	¥ 91,661	¥109,067	¥107,737
Total investments and long-term receivables	**9,189**	8,032	9,362	10,629	8,085
Property, plant and equipment, net	**38,780**	48,563	55,444	54,520	50,250
Other assets	**1,558**	1,396	1,430	1,341	1,645
Total assets	**144,383**	148,745	157,899	175,558	170,766
Total current liabilities	**53,808**	59,121	49,691	61,112	62,013
Total long-term liabilities	**27,818**	31,194	48,028	54,856	47,182
Minority interests	**237**	177	220	189	168
Total shareholders' equity	**62,518**	58,251	59,958	59,400	61,402
Total liabilities and shareholders' equity	**144,383**	148,745	157,899	175,558	170,766

Per share	Yen				
Shareholders' equity per share	**¥513.56**	**¥477.87**	¥478.07	¥472.92	¥485.57
Net income per share	**47.07**	31.96	5.34	10.24	6.34
Cash dividends per share	**10.00**	10.00	10.00	0.00	10.00



Management's Discussion and Analysis

Results of Operations

In fiscal 2003, ended March 31, 2004, consolidated net sales reached ¥147.1 billion, up 0.8% from the previous year.

Of this total, overseas sales—sales to customers outside of Japan—amounted to ¥74.1 billion. Asia accounted for ¥52.5 billion, North America ¥9.6 billion and Europe ¥11.5 billion. The figure declined slightly due to the yen's appreciation against various currencies during the year. As a result, the ratio of overseas sales to net sales slipped to 50.4%, down one percentage point.

Cost of sales declined to ¥113.7 billion. The ratio of cost of sales to net sales settled at 77.3%, down 1.4 percentage points. Selling, general and administrative expenses, however, rose to ¥21.7 billion, up 2.8%, stemming from the increase in the number of entities newly consolidated.

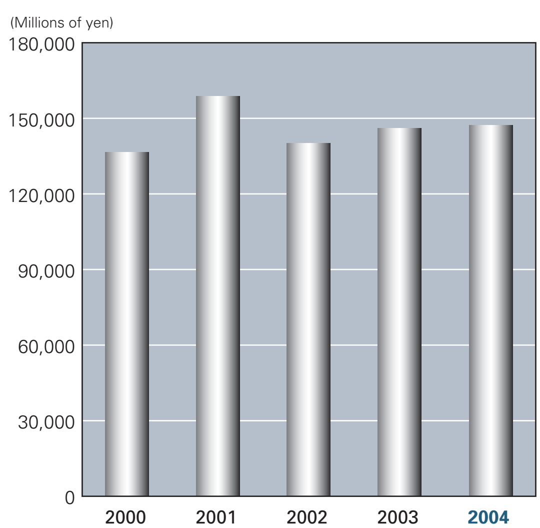
Operating income advanced to ¥11.6 billion, up ¥1.7 billion or 17.2%, to reach a new historical record. Sources of this profitability boost included ¥3.0 billion from manufacturing process reformulation at semiconductor fabrication facilities, a ¥1.6 billion profitability improvement, owing to our switching power supply business finally churning out profits, a ¥0.9 billion increase in earnings at Allegro Microsystems, and a year-on-year improvement in CCFL sales. These advances were partially offset by ¥3.2 billion in aggregate price declines.

In the other income/expenses category, the Company achieved a ¥0.6 billion decline in interest expense, thanks to a reduction of interest-bearing debt. This was offset by ¥1.3 billion in foreign exchange loss, caused by the yen's sharp appreciation.

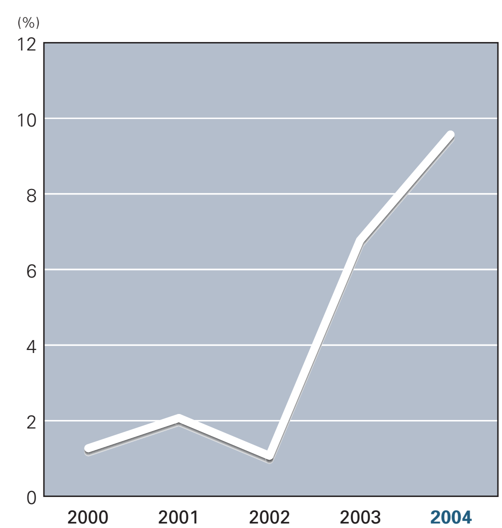
As a consequence, income before income taxes and minority interests jumped to ¥8.7 billion, up 56.9%. Net income also surged to ¥5.7 billion, up 44.5%. Both totals were new all-time highs.

Net income per share rose to ¥47.07 from ¥31.96. Return on equity (ROE) jumped significantly, to 9.6% from 6.8%.

Net Sales
Years ended March 31



Return on Equity
Years ended March 31



Financial Position

As of March 31, 2004, the Company had consolidated total assets of ¥144.3 billion, down 2.9% from a year earlier.

Total current assets rose to ¥94.8 billion, up ¥4.1 billion. Within this total, cash and deposits amounted to ¥18.1 billion, up ¥1.5 billion; notes and accounts receivable ¥40.3 billion, up ¥2.4 billion; and inventories ¥32.3 billion, down ¥0.3 billion.

Total fixed assets declined to ¥49.5 billion, down ¥8.4 billion. Of this aggregate, total investments and long-term receivables reached ¥9.1 billion, up ¥1.1 billion. This increase was caused by a ¥1.9 billion upward revaluation in investments in other securities. On the other hand, property, plant and equipment closed at ¥38.7 billion, down ¥9.7 billion, mainly owing to a ¥5.6 billion sale-and-leaseback transaction for machinery and equipment.

Total current liabilities came to ¥53.8 billion, down ¥5.3 billion. This was due to the repayment of commercial paper and other short-term debt. Total long-term liabilities amounted to ¥27.8 billion, down ¥3.3 billion, resulting from a ¥4.8 billion reduction in long-term debt and a ¥1.3 billion increase in accrued employees' retirement benefits. Consequently, interest-bearing debt outstanding fell significantly, to ¥37.6 billion, down from ¥51.7 billion a year earlier.

Total shareholders' equity increased to ¥62.5 billion, up ¥4.2 billion. The equity ratio rose to 43.3% from 39.2%, and the ratio of ordinary income to total assets climbed to 5.9% from 4.7%.

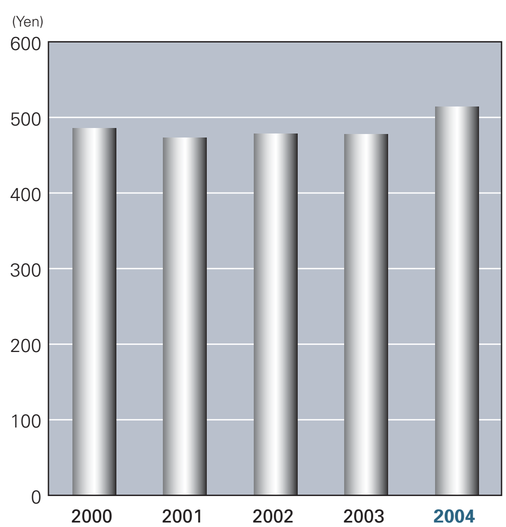
Capital Expenditures

In fiscal 2003, total capital expenditures amounted to ¥7.8 billion, up ¥1.0 billion from the previous year.

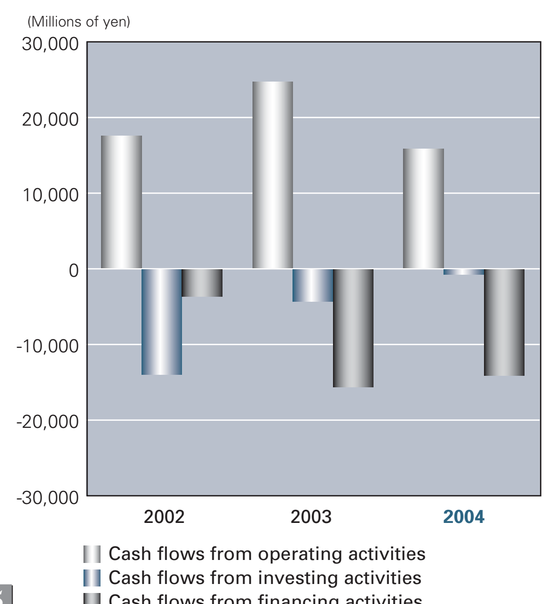
During the year, the Company concentrated investments in its core semiconductor business segment, with emphasis on such areas as new product development, production capacity expansion, reliability upgrades and operational rationalization. Of the ¥7.8 billion total, ¥7.0 billion was disbursed to the semiconductor business, ¥0.6 billion to the switching power supply business, ¥0.1 billion to the power supply equipment business and ¥0.1 billion to other areas.

The largest programs were ¥2.1 billion to expand CCFL production lines at Fukushima Sanken and Korea Sanken, and ¥2.1 billion to enlarge Allegro Microsystems' principal product development facility.

Shareholders' Equity per Share
Years ended March 31



Cash Flows
Years ended March 31



Cash Flows

Net cash provided by operating activities amounted to ¥15.8 billion, down ¥8.8 billion from the previous year. This shrink was largely due to a slight increase in inventories and larger income taxes paid, but was somewhat mitigated by the increase in income before income taxes and minority interests.

Net cash used in investing activities totaled ¥0.1 billion, a substantial decline from ¥4.2 billion the previous year. This reflected the large amount of cash generated by the sale-and-leaseback transaction of existing equipment, which absorbed the impact of cash used for new capital expenditures.

Net cash used in financing activities was ¥14.1 billion, down ¥1.3 billion. This decrease resulted mainly from the temporary suspension of the Company's share repurchase program, although a significant amount of outflow was recorded for the repayment of long-term debt.

As a result, cash and cash equivalents at the end of the year stood at ¥17.8 billion, up ¥1.4 billion from a year earlier.

Segment Information

• Semiconductor Business

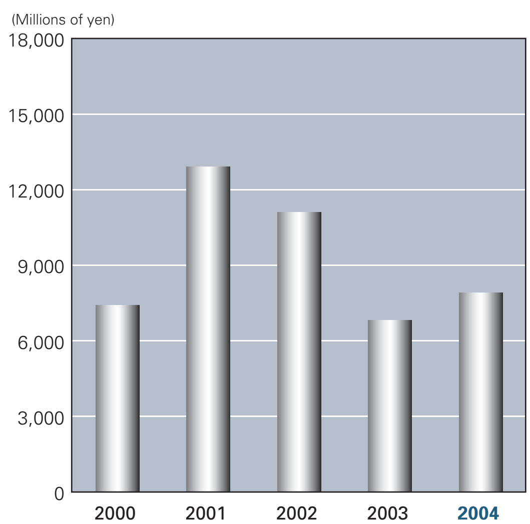
In fiscal 2003, orders for semiconductors amounted to ¥102.2 billion, down 6.8%, and the year-end order backlog was ¥14.7 billion, down 4.5% from a year earlier.

Sales of ICs, diodes, transistors and other semiconductor products languished, due to the depressed audio-visual market and in particular the demand shift toward lower-priced products, exacerbated further by the effects of the SARS outbreak in the first half. Optoelectronic devices, however, performed well, benefiting from ramping-up demand for CCFLs for use in LCD televisions, as well as a significant increase in demand for use in notebook PCs.

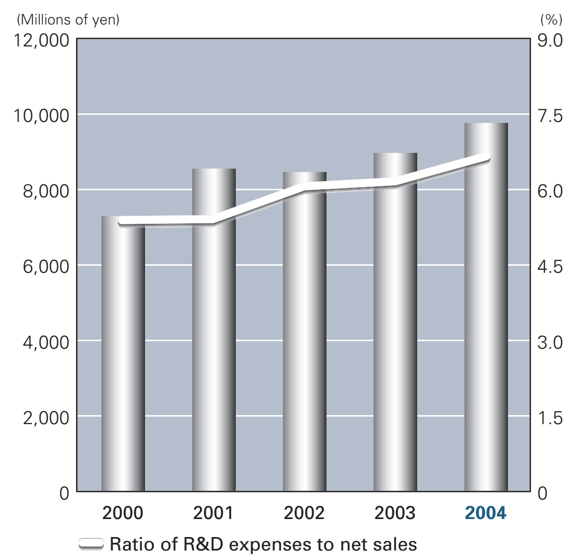
Sales of light-emitting diodes (LEDs) rose, thanks to a recovery in domestic and overseas demand for outdoor displays. Allegro Microsystems, whose principal markets are North America and Europe, enjoyed firm demand for products for the automotive market, together with favorable sales in markets for mobile phones and office automation equipment.

Sales in this segment fell to ¥106.5 billion, down 0.1%, and operating income slipped to ¥13.2 billion, down 2.1%.

Capital Expenditures
Years ended March 31



R&D Expenses
Years ended March 31



• Switching Power Supply Business

Orders for switching power supplies climbed to ¥26.3 billion, up 5.1%, and the backlog at fiscal year-end stood at ¥2.9 billion, up a solid 76.9% from the previous year.

Despite a decline in sales of switching power supplies for use in printers, sales for use in PDP-TVs took off in the second half, in tandem with significant expansion of sales of AC adapters for notebook PCs, induced by strong replacement demand and a shift toward high-performance models. PT. Sanken Indonesia, the Company's principal production facility in this segment, recorded a substantial gain in earnings and eliminated its cumulative losses, owing to the expanded output of AC adapters and an improved cost structure brought about by a joint cost reduction campaign launched by the manufacturing and sales sections of the Indonesian subsidiary.

Moreover, Sanken Power Systems (UK) Limited improved its profitability, owing to growth in demand from the audio-visual market as well as management initiatives to enhance its operations, which compensated for a decline in sales to the mainstay white goods market.

As a result, sales in this segment increased to ¥26.3 billion, up 6.5%. The segment also became profitable, with operating income of ¥0.8 billion, compared with an operating loss of ¥0.8 billion in the previous year.

• Power Supply Equipment Business

Orders for power supply equipment rose to ¥13.6 billion, up 2.3%, but the year-end backlog fell to ¥1.7 billion, down 10.2%.

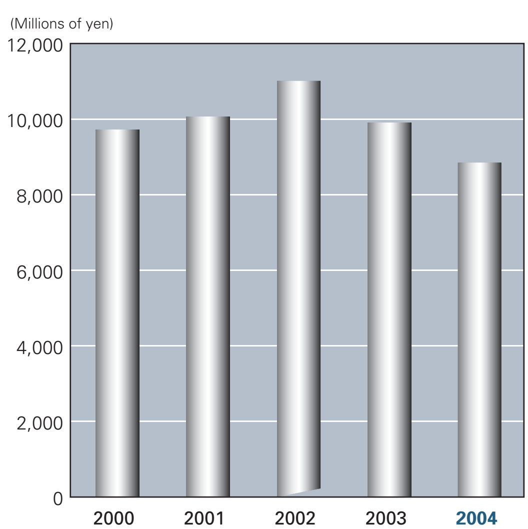
Despite firm sales of mainstay power supplies for the telecommunications sector, especially base stations for third-generation (3G) mobile phone networks, sales of custom-made power supply equipment languished, owing to curtailment of public works spending and intense price competition.

Furthermore, sales of general-purpose power supply equipment were lower than expected, reflecting depressed domestic demand for uninterruptible power supplies (UPSs) and inverters for motor control.

Despite the domestic difficulties above, China-based Sanken L.D. Electric (Jiangyin) Co., Ltd., which makes motor-control inverters and sells them locally in China as well as in Southeast Asia, posted solid results. Although the segment as a whole recorded a drop in sales to ¥14.3 billion, down 2.9%, it nevertheless posted operating income of ¥0.1 billion, compared with an operating loss of ¥0.1 billion the previous period.

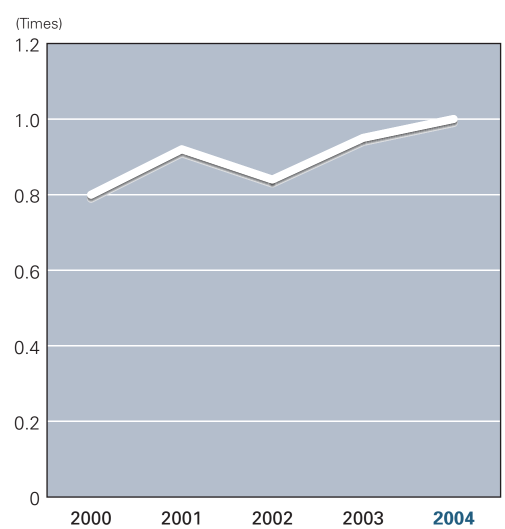
Depreciation Expense

Years ended March 31



Asset Turnover

Years ended March 31



Consolidated Balance Sheets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
ASSETS			
Current assets:			
Cash and deposits (Note 3)	**¥ 18,165**	¥ 16,596	**$ 171,870**
Notes and accounts receivable:			
Trade and other	**40,460**	38,013	**382,817**
Less allowance for doubtful receivables	**(87)**	(81)	**(823)**
	40,373	37,932	**381,994**
Inventories (Note 5)	**32,306**	32,647	**305,667**
Deferred tax assets (Note 8)	**2,318**	2,013	**21,932**
Other current assets	**1,691**	1,562	**15,999**
Total current assets	**94,855**	90,752	**897,483**
Investments and long-term receivables:			
Investments in unconsolidated subsidiaries and affiliates	**1,048**	1,013	**9,915**
Investments in other securities (Note 4)	**5,187**	3,214	**49,077**
Deferred tax assets (Note 8)	**1,896**	2,261	**17,939**
Other long-term receivables	**1,262**	1,742	**11,940**
Less allowance for doubtful receivables	**(205)**	(199)	**(1,939)**
Total investments and long-term receivables	**9,189**	8,032	**86,942**
Property, plant and equipment, at cost (Note 6)**:**			
Land	**3,973**	3,904	**37,591**
Buildings	**45,801**	45,584	**433,352**
Machinery and equipment	**66,046**	122,555	**624,903**
Construction in progress	**1,581**	1,939	**14,958**
	117,402	173,983	**1,110,814**
Less accumulated depreciation	**(78,621)**	(125,419)	**(743,883)**
Property, plant and equipment, net	**38,780**	48,563	**366,922**
Other assets	**1,558**	1,396	**14,741**
Total assets	**¥144,383**	¥ 148,745	**$1,366,098**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 6)	**¥ 4,388**	¥ 4,102	**$ 41,517**
Current portion of long-term debt (Note 6)	**14,238**	16,701	**134,714**
Commercial paper	**—**	7,000	**—**
Notes and accounts payable:			
Trade and other	**22,806**	19,289	**215,782**
Construction	**659**	582	**6,235**
	23,466	19,872	**222,026**
Accrued expenses	**7,665**	7,524	**72,523**
Income taxes payable (Note 8)	**2,182**	2,325	**20,645**
Deferred tax liabilities (Note 8)	**6**	—	**56**
Other current liabilities	**1,860**	1,595	**17,598**
Total current liabilities	**53,808**	59,121	**509,111**
Long-term liabilities:			
Long-term debt (Note 6)	**19,041**	23,933	**180,158**
Accrued retirement benefits for directors	**333**	403	**3,150**
Accrued employees' retirement benefits (Note 7)	**7,999**	6,671	**75,683**
Deferred tax liabilities (Note 8)	**15**	36	**141**
Other long-term liabilities	**427**	150	**4,040**
Total long-term liabilities	**27,818**	31,194	**263,203**
Minority interests	**237**	177	**2,242**
Shareholders' equity (Note 9)**:**			
Common stock: Authorized—257,000,000 shares			
Issued and outstanding: 2004—125,490,302 shares	**20,896**	—	**197,710**
2003—125,490,302 shares	**—**	20,896	**—**
Capital surplus	**21,167**	21,167	**200,274**
Retained earnings	**25,651**	21,002	**242,700**
Net unrealized gain (loss) on securities	**1,172**	(105)	**11,089**
Translation adjustments	**(2,961)**	(1,506)	**(28,015)**
Less treasury stock, at cost;			
3,656,606 shares in 2004 and 3,592,585 shares in 2003	**(3,407)**	(3,201)	**(32,235)**
Total shareholders' equity (Note 15)	**62,518**	58,251	**591,522**
Contingent liabilities (Note 10)			
Total liabilities and shareholders' equity	**¥144,383**	¥148,745	**$1,366,098**

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

Consolidated Statements of Income

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
Net sales	**¥147,176**	¥146,070	**$1,392,525**
Cost of sales	**113,716**	114,925	**1,075,939**
Gross profit	**33,460**	31,144	**316,586**
Selling, general and administrative expenses (Notes 7 and 11)	**21,772**	21,174	**205,998**
Operating income	**11,687**	9,970	**110,578**
Other income (expenses):			
Interest expense	**(966)**	(1,560)	**(9,139)**
Interest and dividend income	**238**	103	**2,251**
Gain on sales of marketable and investment securities	**192**	—	**1,816**
Foreign exchange loss	**(1,394)**	(512)	**(13,189)**
Gain on withdrawal from the Welfare Pension Fund Plan	**—**	911	**—**
Loss on revaluation of investment securities	**—**	(1,639)	**—**
Other, net	**(1,012)**	(1,700)	**(9,575)**
	(2,942)	(4,397)	**(27,836)**
Income before income taxes, minority interests	**8,745**	5,572	**82,741**
Income taxes (Note 8):			
Current	**3,424**	2,632	**32,396**
Deferred	**(559)**	(1,093)	**(5,289)**
Income before minority interests	**5,880**	4,033	**55,634**
Minority interests	**(96)**	(31)	**(908)**
Net income (Note 15)	**¥ 5,784**	¥ 4,002	**$ 54,726**

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

Consolidated Statements of Shareholders' Equity

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

		Millions of yen					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on securities	Translation adjustments	Treasury stock at cost
Balance at March 31, 2002	125,457,910	¥20,881	¥21,103	¥ 18,313	¥ (125)	¥ (188)	¥ (26)
Acquisition of treasury stock	—	—	—	—	—	—	(4,133)
Conversion of convertible bonds	32,392	15	63	—	—	—	969
Bonuses to directors and statutory auditors	—	—	—	(50)	—	—	—
Cash dividends paid	—	—	—	(1,226)	—	—	—
Net income for the year ended March 31, 2003	—	—	—	4,002	—	—	—
Net change during the year	—	—	—	—	19	(1,317)	—
Other	—	—	—	(37)	—	—	(11)
Balance at March 31, 2003	125,490,302	20,896	21,167	21,002	(105)	(1,506)	(3,201)
Acquisition of treasury stock	—	—	—	—	—	—	(206)
Bonuses to directors and statutory auditors	—	—	—	(50)	—	—	—
Cash dividends paid	—	—	—	(1,218)	—	—	—
Net income for the year ended March 31, 2004	—	—	—	5,784	—	—	—
Net change during the year	—	—	—	—	1,277	(1,455)	—
Adjustment for inclusion in consolidation	—	—	—	133	—	—	—
Balance at March 31, 2004	**125,490,302**	**¥20,896**	**¥21,167**	**¥ 25,651**	**¥1,172**	**¥(2,961)**	**¥(3,407)**

	Thousands of U.S. dollars (Note 2)					
	Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on securities	Translation adjustments	Treasury stock at cost
Balance at March, 31, 2003	$197,710	$200,274	$198,713	$ (993)	$(14,249)	$(30,286)
Acquisition of treasury stock	—	—	—	—	—	(1,949)
Bonuses to directors and statutory auditors	—	—	(473)	—	—	—
Cash dividends paid	—	—	(11,524)	—	—	—
Net income for the year ended March 31, 2004	—	—	54,726	—	—	—
Net change during the year	—	—	—	12,082	(13,766)	—
Adjustment for inclusion in consolidation	—	—	1,258	—	—	—
Balance at March 31, 2004	**$197,710**	**$200,274**	**$242,700**	**$11,089**	**$(28,015)**	**$(32,235)**

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

Consolidated Statements of Cash Flows

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2004	2003	**2004**
Operating activities			
Income before income taxes and minority interests in earnings of affiliates	**¥ 8,745**	¥ 5,572	**$ 82,741**
Depreciation and amortization	**8,852**	9,939	**83,754**
Reversal of allowance for doubtful receivables	**18**	173	**170**
Interest and dividend income	**(238)**	(103)	**(2,251)**
Interest expense	**966**	1,560	**9,139**
Provision for (reversal of) retirement benefits for employees	**1,170**	(102)	**11,070**
Gain on sales of investment securities	**(192)**	(3)	**(1,816)**
Loss on revaluation of investment securities	**—**	1,639	**—**
Increase in notes and accounts receivable	**(4,003)**	(894)	**(37,874)**
(Increase) decrease in inventories	**(435)**	4,723	**(4,115)**
Increase in notes and accounts payable	**3,783**	2,433	**35,793**
Other	**1,753**	2,134	**16,586**
Subtotal	**20,419**	27,072	**193,197**
Interest and dividends received	**133**	104	**1,258**
Interest paid	**(1,136)**	(1,614)	**(10,748)**
Income taxes paid	**(3,610)**	(940)	**(34,156)**
Net cash provided by operating activities	**15,806**	24,621	**149,550**
Investing activities			
Purchases of property, plant and equipment	**(8,439)**	(6,013)	**(79,846)**
Proceeds from sales of property, plant and equipment	**8,589**	1,952	**81,265**
Purchases of investment securities	**(5)**	(11)	**(47)**
Proceeds from sales of investment securities	**368**	21	**3,481**
Increase in loans	**(37)**	(204)	**(350)**
Proceeds from loans	**24**	220	**227**
Other	**(624)**	(231)	**(5,904)**
Net cash used in investing activities	**(123)**	(4,266)	**(1,163)**
Financing activities			
Increase (decrease) in short-term bank loans	**645**	(1,924)	**6,102**
(Decrease) increase in commercial paper	**(7,000)**	7,000	**(66,231)**
Proceeds from issuance of long-term bank loans	**10,056**	2,836	**95,146**
Repayment of long-term debt	**(16,444)**	(18,059)	**(155,587)**
Proceeds from sales of treasury stock	**1**	—	**9**
Redemption of treasury stock	**(206)**	(4,133)	**(1,949)**
Proceeds from issuance of stock to minority interests	**70**	—	**662**
Cash dividends paid	**(1,222)**	(1,243)	**(11,562)**
Dividends paid to minority interests	**(99)**	(53)	**(936)**
Net cash used in financing activities	**(14,199)**	(15,578)	**(134,345)**
Effect of exchange rate changes on cash and cash equivalents	**(152)**	(418)	**(1,438)**
Net increase in cash and cash equivalents	**1,330**	4,358	**12,583**
Cash and cash equivalents at beginning of the year	**16,410**	12,350	**155,265**
Decrease in cash and cash equivalents due to change in fiscal year of a consolidated subsidiary	**—**	(298)	**—**
Increase in cash resulting from exclusion of subsidiaries	**129**	—	**1,220**
Cash and cash equivalents at end of the year (Note 3)	**¥ 17,871**	¥ 16,410	**$ 169,088**

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

Notes to Consolidated Financial Statements

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements of Sanken Electric Co., Ltd. (the "Company") and consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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

The accompanying 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 the 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 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

The 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, Intangible Assets and Depreciation

Property, plant and equipment is recorded at cost. Depreciation at the Company and its domestic subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the respective assets except that the straight-line method is applied to the buildings acquired on or after April 1, 1998. The estimated useful lives are as follows:

Building	4–60 years
Machinery and equipment	3–11 years

Intangible assets are amortized over 5 years by the straight-line method.

(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 overseas 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 its risk exposure arising from adverse fluctuation in foreign currency exchange rates and interest rates. Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income.

(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 income taxes are based on the differences between the amounts determined for financial reporting purposes 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 (see Note 9).

(l) Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit 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 overseas consolidated subsidiaries principally have defined contribution pension plans.

Accrued retirement benefits for employees have been provided principally 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, net unrecognized actuarial gain or loss, and unrecognized prior service cost.

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 16 years).

Net unrecognized actuarial gain or loss 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).

In addition, officers of the Company are entitled to lump-sum payments under an unfunded retirement benefit plan. The provision for retirement allowances for these officers has been made at estimated amounts based on the Company's internal rules.

(m) 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 ¥105.69=U.S.$1.00, the approximate exchange rate prevailing on March 31, 2004. This 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, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2004**	2003	**2004**
Cash and deposits	**¥18,165**	¥16,596	**$171,870**
Time deposits with a maturity of more than three months	**(294)**	(186)	**(2,781)**
Cash and cash equivalents	**¥17,871**	¥16,410	**$169,088**

The conversion of convertible bonds for the years ended March 31, 2004 and 2003 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2004**	2003	**2004**
Conversion of convertible bonds	**¥—**	¥1,018	**¥—**

4. Securities

Marketable securities classified as other securities at March 31, 2004 and 2003 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Net unrealized gain (loss)	Acquisition cost	Carrying amount	Net unrealized gain (loss)
Year ended March 31, 2004						
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥1,989	¥3,957	¥1,967	$18,819	$37,439	$18,611
Bonds and debentures	—	—	—	—	—	—
Other securities	10	17	6	94	160	56
	2,000	3,974	1,973	18,923	37,600	18,667
Securities whose acquisition cost exceeds their fair value:						
Equity securities	127	120	(7)	1,201	1,135	(66)
Bonds and debentures	—	—	—	—	—	—
Other securities	—	—	—	—	—	—
	127	120	(7)	1,201	1,135	(66)
	¥2,128	¥4,094	¥1,966	$20,134	$38,735	$18,601

	Millions of yen		
	Acquisition cost	Carrying amount	Net unrealized gain (loss)
Year ended March 31, 2003			
Securities whose fair value exceeds their acquisition cost:			
Equity securities	¥ 352	¥ 492	¥ 140
Bonds and debentures	—	—	—
Other securities	—	—	—
	352	492	140
Securities whose acquisition cost exceeds their fair value:			
Equity securities	1,888	1,573	(314)
Bonds and debentures	—	—	—
Other securities	29	26	(2)
	1,917	1,599	(317)
	¥2,269	¥2,092	¥(177)

Sales of securities classified as other securities for the years ended March 31, 2004 and 2003 amounted to ¥334 million ($3,160 thousand) and ¥21 million, with an aggregate gain of ¥192 million ($1,816 thousand) and ¥3 million, respectively.

5. Inventories

Inventories at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished products	¥11,315	¥11,688	$107,058
Work in process	11,580	12,324	109,565
Raw materials and supplies	9,411	8,634	89,043
	¥32,306	¥32,647	$305,667

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, 2004 and 2003 were approximately 1.52% and 1.80%, respectively.

Long-term debt at March 31, 2004 and 2003 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Secured:			
Loans payable in yen due serially through 2009 at rates ranging from 1.1% to 9.29%	**¥ 13,280**	¥ 20,635	**$ 125,650**
Unsecured:			
2.1% bonds due 2003	**—**	10,000	**—**
2.22% bonds due 2004	**10,000**	10,000	**94,616**
0.69% bonds due 2009	**10,000**	—	**94,616**
	33,280	40,635	**314,883**
Less current portion	**(14,238)**	(16,701)	**(134,714)**
	¥ 19,041	¥ 23,933	**$ 180,158**

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 any 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.

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥14,238	$134,714
2006	3,655	34,582
2007	2,498	23,635
2008	2,392	22,632
2009 and thereafter	10,494	99,290
	¥33,280	$314,883

At March 31, 2004, 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	¥15,524	$146,882

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 at March 31, 2004 and 2003 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Retirement benefit obligation	**¥(22,677)**	¥(21,636)	**$(214,561)**
Plan assets at fair value	**13,386**	8,957	**126,653**
Unfunded retirement benefit obligation	**(9,291)**	(12,678)	**(87,908)**
Unrecognized actuarial loss	**2,938**	6,010	**27,798**
Unrecognized prior service cost	**(1,646)**	(2)	**(15,573)**
Net retirement benefit obligation	**(7,999)**	(6,671)	**(75,683)**
Prepaid pension cost	**—**	—	**—**
Accrued retirement benefits	**¥ (7,999)**	¥ (6,671)	**$ (75,683)**

The components of retirement benefit expenses for the years ended March 31, 2004 and 2003 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	**¥1,225**	¥1,487	**$11,590**
Interest cost	**506**	627	**4,787**
Expected return on plan assets	**(12)**	(357)	**(113)**
Amortization of actuarial loss	**890**	565	**8,420**
Amortization of prior service cost	**(78)**	(46)	**(738)**
Total	**¥2,531**	¥2,275	**$23,947**

For the years ended March 31, 2004 and 2003, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥262 million ($2,478 thousand) and ¥95 million.

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

	Fiscal year 2003 (as of March 31, 2004)		Fiscal year 2002 (as of March 31, 2003)	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	2.0% – 2.5%	6.25%	2.0% – 2.5%	6.50%
Expected rate of return on plan assets	0.0% – 0.6%	7.0%	2.0% – 3.5%	7.0%

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 2004 and 2003.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2004 and 2003 differed from the statutory tax rate for the following reasons:

	2004	2003
Statutory tax rate	**41.7%**	41.7%
Effect of:		
Expenses permanently not deductible for income tax purposes	**0.5**	2.2
Dividend income deductible for income tax purposes	**(0.4)**	(0.2)
Inhabitants' per capita taxes	**0.3**	0.4
Changes in valuation allowance	**(5.9)**	(7.3)
Foreign tax rate differential	**(4.0)**	(1.6)
Tax credit for research and development expenses	**(4.4)**	(2.2)
Elimination of dividends received from overseas subsidiaries	**3.2**	4.9
Investment loss on liquidation of a consolidated subsidiary	**—**	(10.2)
Deferred tax effect of change in statutory tax rate	**0.5**	0.7
Equity in (gain) loss of an affiliate	**(0.1)**	0.2
Other, net	**1.2**	(1.0)
Effective tax rates	**32.6%**	27.6%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 991**	¥ 2,112	**$ 9,376**
Accrued bonuses	**957**	923	**9,054**
Accrued retirement benefits	**3,108**	2,528	**29,406**
Net unrealized holding gain	**215**	180	**2,034**
Inventories	**619**	516	**5,856**
Other	**1,997**	1,957	**18,894**
Gross deferred tax assets	**7,890**	8,219	**74,652**
Valuation allowance	**(1,068)**	(1,664)	**(10,105)**
Total deferred tax assets	**6,821**	6,554	**64,537**
Deferred tax liabilities:			
Fixed assets	**(1,066)**	(1,462)	**(10,086)**
Reserve for special depreciation	**(353)**	(402)	**(3,339)**
Other	**(1,208)**	(451)	**(11,429)**
Total deferred tax liabilities	**(2,628)**	(2,315)	**(24,865)**
Net deferred tax assets	**¥ 4,192**	¥ 4,239	**$ 39,663**

9. Shareholders' Equity

The retained earnings account includes a legal reserve provided in accordance with the Commercial Code. In principle, this reserve is not available for dividends, but it may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code, however, does provide that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

Appropriations of retained earnings for the year ended March 31, 2004 were duly approved at the annual general meeting of the shareholders held on June 25, 2004 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends ¥5 (U.S.$0.04) per share	¥609	$5,762
Bonuses to directors	50	473

10. Contingent Liabilities

Contingent liabilities at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorsers of trade notes discounted	¥68	$643
As guarantors of indebtedness of employees	19	179
	¥87	$823

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2004 and 2003 were ¥9,761 million ($92,355 thousand) and ¥8,969 million, respectively.

12. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2004 and 2003, 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
	2004	2003	2004
Acquisition costs	¥1,492	¥1,482	$14,116
Accumulated depreciation	831	657	7,862
Net book value	¥ 660	¥ 825	$ 6,244

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, 2004 and 2003 and future minimum payments subsequent to March 31, 2004 and 2003 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Lease expenses	¥336	¥312	$3,179
Future minimum payments:			
Within one year	¥303	¥316	$2,866
Over one year	357	509	3,377
	¥660	¥825	$6,244

Total expenses for all operating leases in 2004 and 2003 amounted to ¥8,026 million ($75,939 thousand) and ¥2,038 million, respectively.

13. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's derivatives positions at March 31, 2004 and 2003:

	Millions of yen				Thousands of U.S. dollars	
	2004		2003		2004	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts:						
To sell U.S. dollars	¥5,717	¥5,644	¥3,880	¥3,904	$54,092	$53,401
To sell pounds sterling	498	498	526	526	4,711	4,711

14. Segment Information

a. Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 is summarized as follows:

	Millions of yen					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations	Consolidated
Year ended March 31, 2004						
I. Sales:						
(1) Sales to third parties	¥106,544	¥26,329	¥14,302	¥147,176	¥ —	¥147,176
(2) Intersegment sales	114	93	1	209	(209)	—
Total sales	106,658	26,423	14,303	147,385	(209)	147,176
Operating expenses	93,427	25,619	14,158	133,205	2,283	135,489
Operating income	13,231	804	144	14,180	(2,493)	11,687
II. Assets, depreciation expense, capital expenditures:						
Assets	81,818	27,921	10,147	119,887	24,495	144,383
Depreciation expense	7,838	679	223	8,743	109	8,852
Capital expenditures	7,001	616	119	7,737	132	7,869
Year ended March 31, 2003						
I. Sales:						
(1) Sales to third parties	¥106,622	¥24,716	¥14,731	¥146,070	¥ —	¥146,070
(2) Intersegment sales	167	23	—	191	(191)	—
Total sales	106,790	24,739	14,731	146,261	(191)	146,070
Operating expenses	93,275	25,612	14,912	133,800	2,299	136,099
Operating income (loss)	13,515	(873)	(181)	12,461	(2,490)	9,970
II. Assets, depreciation expense, capital expenditures:						
Assets	89,750	26,872	9,996	126,620	22,125	148,745
Depreciation expense	8,714	736	250	9,701	237	9,938
Capital expenditures	5,897	717	150	6,764	42	6,806

	Thousands of U.S. dollars					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations	Consolidated
Year ended March 31, 2004						
I. Sales:						
(1) Sales to third parties	$1,008,080	$249,115	$135,320	$1,392,525	$ —	$1,392,525
(2) Intersegment sales	1,078	879	9	1,977	(1,977)	—
Total sales	1,009,158	250,004	135,329	1,394,502	(1,977)	1,392,525
Operating expenses	883,971	242,397	133,957	1,260,336	21,600	1,281,947
Operating income	125,186	7,607	1,362	134,165	(23,587)	110,578
II. Assets, depreciation expense, capital expenditures:						
Assets	774,131	264,178	96,007	1,134,326	231,762	1,366,098
Depreciation expense	74,160	6,424	2,109	82,723	1,031	83,754
Capital expenditures	66,240	5,828	1,125	73,204	1,248	74,453

b. Operating revenues by geographic area

Operating revenues by geographic area for the years ended March 31, 2004 and 2003 are summarized as follows:

	Millions of yen						
	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
Year ended March 31, 2004							
I. Sales:							
(1) Sales to third parties	**¥104,417**	**¥16,601**	**¥14,438**	**¥11,719**	**¥147,176**	**¥ —**	**¥147,176**
(2) Intersegment sales	**10,327**	**14,329**	**10,769**	**406**	**35,833**	**(35,833)**	**—**
Total sales	**114,744**	**30,931**	**25,208**	**12,125**	**183,010**	**(35,833)**	**147,176**
Operating expenses	**105,359**	**29,648**	**22,951**	**11,703**	**169,663**	**(34,174)**	**135,489**
Operating income	**9,384**	**1,283**	**2,256**	**422**	**13,346**	**(1,659)**	**11,687**
II. Assets	**89,565**	**17,801**	**16,749**	**5,472**	**129,588**	**14,795**	**144,383**
Year ended March 31, 2003							
I. Sales:							
(1) Sales to third parties	¥101,492	¥17,523	¥15,940	¥11,113	¥146,070	¥ —	¥146,070
(2) Intersegment sales	12,152	12,488	10,520	77	35,239	(35,239)	—
Total sales	113,645	30,012	26,461	11,190	181,309	(35,239)	146,070
Operating expenses	102,943	29,054	25,065	11,048	168,111	(32,011)	136,099
Operating income	10,702	958	1,395	141	13,198	(3,227)	9,970
II. Assets	95,943	16,507	21,871	5,048	139,371	9,374	148,745

	Thousands of U.S. dollars						
	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
Year ended March 31, 2004							
I. Sales:							
(1) Sales to third parties	**$ 987,955**	**$157,072**	**$136,607**	**$110,880**	**$1,392,525**	**$ —**	**$1,392,525**
(2) Intersegment sales	**97,710**	**135,575**	**101,892**	**3,841**	**339,038**	**(339,038)**	**—**
Total sales	**1,085,665**	**292,657**	**238,508**	**114,722**	**1,731,573**	**(339,038)**	**1,392,525**
Operating expenses	**996,868**	**280,518**	**217,153**	**110,729**	**1,605,289**	**(323,341)**	**1,281,947**
Operating income	**88,787**	**12,139**	**21,345**	**3,992**	**126,274**	**(15,696)**	**110,578**
II. Assets	**847,431**	**168,426**	**158,472**	**51,774**	**1,226,114**	**139,984**	**1,366,098**

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 ¥74,145 million ($701,532 thousand) and ¥75,074 million, or 50.4% and 51.4% of the consolidated net sales for the years ended March 31, 2004 and 2003, respectively.

15. Amounts per Share

Amounts per share as of and for the years ended March 31, 2004 and 2003 were as follows:

	Yen		U.S. dollars
	2004	2003	**2004**
Net income—basic	**¥ 47.07**	¥ 31.96	**$0.44**
Net income—fully diluted	**—**	29.96	**—**
Net assets	**513.56**	477.87	**4.85**

Report of Independent Auditors

The Board of Directors
Sanken Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sanken Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

Shin Nihon & Co.

Shin Nihon & Co.

June 25, 2004

Management

Directors

Yuji Morita
President

Jin Ishibashi
Director

Hirohito Sekine
Director

Akiyuki Nakoji
Director

Kiyoshi Imaizumi
Director

Teruo Esumi
Director

Takahiro Fukushima
Director

Auditors

Isao Tokiwa
Standing Statutory Auditor

Yoshimi Ono
Statutory Auditor

Yoshio Hashimoto
Statutory Auditor

Corporate Officers

Jin Ishibashi
Executive Vice President

Hirohito Sekine
Executive Vice President

Akiyuki Nakoji
Senior Vice President

Kiyoshi Imaizumi
Senior Vice President

Teruo Esumi
Senior Vice President

Takahiro Fukushima
Senior Vice President

Isao Bansaku
Senior Vice President

Takayoshi Terashima
Senior Corporate Officer

Hidejiro Akiyama
Senior Corporate Officer

Naoharu Tsujimoto
Senior Corporate Officer

Shigemichi Ieki
Corporate Officer

Sadatoshi Iijima
Corporate Officer

Mitsumasa Sugiyama
Corporate Officer

Masaru Sezaki
Corporate Officer

(As of June 27, 2004)

Reinforcing Our Compliance Framework

According to a proclamation made by its president, the Sanken Electric Group's basic policy is to undertake business activities in an appropriate manner without compromising its commitment to ethical behavior. With this in mind, we set up a Compliance Office in April 2003 to ensure compliance with laws and regulations. Since then, we formulated a set of Contact Guidelines for employees. We also established a Help Line to facilitate exposure of improper conduct.

In addition to providing a guide on conduct for employees, the Contact Guidelines describe how relationships between the Group and its stakeholders—including shareholders, customers, business partners and employees—should be fostered. They also contain specific rules of behavior, including legal compliance in business activities. The Help Line is designed to eliminate improper and illegal activity, and employs a problem-solving system involving a third-party entity.

In April 2004, we launched a full-scale internal auditing system to check whether or not individual employees and organizations are acting properly. The system is designed to uncover and correct various structural inconsistencies and inadequacies within the Group, and to ensure that problems, once fixed, stay fixed. In this way, we are working to reform our corporate culture.

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Headquarters:	6-3, Kitano 3-chome, Niiza-shi, Saitama-ken 352-8666, Japan Tel: 81-48-472-1111 Fax: 81-48-471-6249
Employees:	1,377
Common stock:	Authorized: 257,000,000 shares Issued: 125,490,302 shares
Shareholders:	11,698

Distribution by type of shareholders:

Financial institutions	56.9%
Individuals	15.5%
Foreigners	20.4%
Other	7.2%

Distribution by number of shares owned:

1,000,000 or more	55.3%
100,000 or more	23.8%
10,000 or more	9.4%
Less than 10,000	11.5%

Principal shareholders

Shareholder	Number of shares held (in thousands)	Percentage of voting rights
The Master Trust Bank of Japan, Ltd. (Trust lot)	17,940	14.94%
Japan Trustee Services Bank, Ltd. (Trust lot)	12,945	10.78%
Saitama Resona Bank, Limited	6,013	5.00%
Sanken Electric Co., Ltd.	3,656	2.28%
Mizuho Corporate Bank, Ltd.	2,748	2.20%
The Nomura Trust and Banking Co., Ltd. (Trust lot)	2,649	2.08%
International Rectifier Corporation	2,500	1.83%
NIPPONKOA Insurance Company, Limited	2,205	1.69%
Nippon Life Insurance Company	2,035	1.48%
Sumitomo Mitsui Banking Corporation	1,784	1.37%

Bonds

Type of bonds	Date of issue	Balance of bonds (in yen)	Date of maturity
3rd unsecured bonds	March 9, 2004	10,000,000,000	March 9, 2009

Cautionary Statement

This annual report contains forecasts and other forward-looking statements concerning the Sanken Electric Group's future plans and results. Such statements reflect assumptions and beliefs based on information available to the Group at the time of this report's writing. The Group's actual performance may be affected by a host of factors, such as new competition in the electronics industry, risks and uncertainties related to market demand and conditions in global stock and foreign exchange markets. Readers are therefore reminded that actual results may differ from forward-looking statements in this report.

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

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