

ANNUAL REPORT 2005

Sanken Electric Co., Ltd.
For the Year Ended March 31, 2005



PROFILE

Sanken Electric Co., Ltd. began operations in 1946 by conducting R&D activities in semiconductors, which was then a new field of electronics. Technology gained through these activities was used to manufacture a growing line of power supply products, enabling the company to grow in tandem with the electronics industry. Today, Sanken Electric is one of the leading names in the field of power electronics, offering customers products incorporating highly advanced technology.

Sanken Electric supplies power supplies and associated devices for electrical products, office equipment, automobiles, factory equipment and many other applications. This diverse product lineup underpins high-quality total solutions targeting a variety of customer needs. Solutions are centered on expertise in three business domains: the core semiconductor field, switching mode power supplies and power supply equipment. A global organization, Sanken Electric has manufacturing and sales bases in Asia, including China, North America and Europe.

The company's shares are listed on the Tokyo Stock Exchange first section (securities code 6707).

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Cautionary Statement

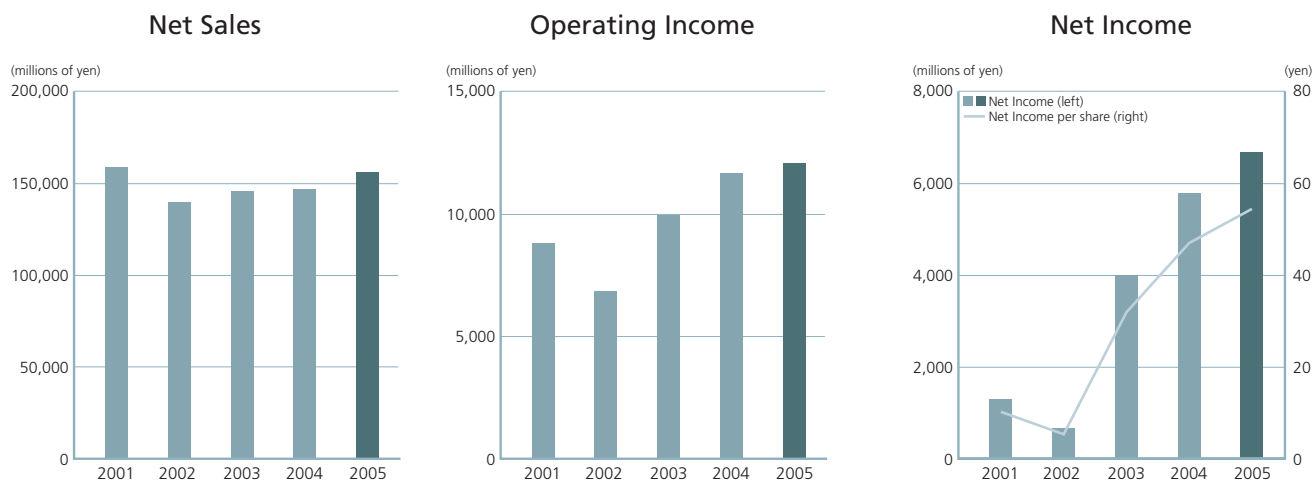
This annual report contains forecasts and other forward-looking statements concerning the Sanken Electric Group's future plans and results. Such statements reflect assumptions and beliefs based on information available to the Group at the time of this report's writing. The Group's actual performance 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.

FINANCIAL HIGHLIGHTS

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note)
	2005	2004	2005
For the year:			
Net sales	¥156,216	¥147,176	\$1,454,660
Operating income	12,082	11,687	112,505
Net income	6,682	5,784	62,221
Per share (Yen and U.S. dollars):			
Net income	54.50	47.07	0.50
Cash dividends	10.00	10.00	0.09
At year-end:			
Total assets	140,917	144,383	1,312,198
Total shareholders' equity	68,121	62,518	634,332

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 ¥107.39 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2005. See Note 2 of the Notes to Consolidated Financial Statements.



DEAR FELLOW SHAREHOLDERS



Fiscal 2004 Highlights

Growth continued in sales and earnings in fiscal 2004. Net sales increased 6.1% to ¥156.2 billion, operating income rose 3.4% to ¥12.1 billion and net income was up 15.5% to ¥6.7 billion. Significantly, earnings once again surpassed the records set in the immediately preceding fiscal year. Furthermore, our ROE improved from 9.6% to 10.2%.

Fiscal 2004 was the second year of the three-year medium-term management plan that began in 2003. Our record-setting performance was due to the benefits of new products and gains in operating efficiency as set forth in this plan. The rate of improvement in profitability, however, is still below the plan's target. More work is yet to be done to build a base for self-sustained growth that withstands sharp fluctuations in market conditions. In fiscal 2005, the final year of the medium-term plan, we will continue to focus our energy on these remaining issues in order to reach even higher goals in the years ahead.

Digital Consumer Electronics—An Important Source of Earnings Growth

The flat panel display market, primarily liquid crystal displays (LCDs) and plasma display panels (PDPs), is a driving force behind our sales growth. Demonstrating this most is the sharp increase in sales of cold cathode fluorescent lamps (CCFLs) which are a light-source in backlights for LCDs, and which currently have the greatest growth potential of all our products. As production of LCD televisions climbs and screen sizes grow, we are seeing demand soaring for our long CCFLs. As a result, total CCFL sales surged 49.3% to ¥14.9 billion in the past fiscal year. To meet this demand, we have been steadily expanding output capacity. Our latest investment raised monthly CCFL output from 7.5 million units in April 2004 to 10.0 million units in October 2004. Work now under way will boost output further to 15.0 million units by October 2005.

Although there was a brief period of inventory adjustments in the second half of fiscal 2004 by LCD television manufacturers causing our monthly CCFL shipments to drop below 5 million units per month at one point, orders quickly rebounded in the fourth quarter. Our CCFL production lines are now operating at full capacity. We are further stretching output capacity of long CCFLs to keep pace with mounting orders from our customers. Technologically, Sanken Electric has acquired a solid reputation for excellence in the CCFL market. This is exemplified by our 50% share of the market for notebook PC CCFLs, which require an extremely slender profile. For the LCD television market, we are striving to improve the existing extra-long CCFLs for further acceptance in the market place and to develop next generation CCFLs that can establish the *de facto* industry standard for brightness, long-life, and color reproducibility.

In addition to CCFLs, other products in flat panel displays are also contributing to our sales growth. In particular, we achieved a substantial sales increase of power supplies for PDPs, an accomplishment backed by our expertise in offering high-to-low multi-voltage power supplies. We foresee even greater need for CCFL-driving inverters required to maximize the performance of CCFLs custom made in accordance with specifications from each television manufacturer. Driving this demand is the increasing popularity and picture quality of flat panel televisions. Our technological skills are ideally suited to meeting these needs, and we are currently channeling even more resources to this market sector.

The Three “News”: New Products, New Markets and New Applications

At present, a majority of our earnings comes from semiconductors, used in audio, visual, automotive and office equipment products. But now, we are forecasting less than adequate returns from some of these product sectors because of price competition from manufacturers in other Asian nations. This is why we are now switching over to next-generation products in fields where we can supply customers with new forms of value-added products. Applications for our power semiconductors are extremely broad: audio/visual products, white-goods appliances, office equipment, communications equipment, automobiles and much more. By shifting the application mix of our business portfolio, I believe we can tap this well of considerable growth potential. In this regard, we are trying to do everything to move ever faster to develop new products, to penetrate new markets and to propose new applications; the central theme of our medium-term management plan. We want to mobilize resources to products that can contribute the most at the earliest time to earnings growth.

Automotive semiconductors are one illustration. We see many opportunities for growth. For example, contact-free Hall-effect sensor products made by our U.S. subsidiary, are posting solid sales growth made possible by concentrating on products where our R&D activities have a competitive advantage, and are outstanding examples of how an up-front investment in burgeoning technology brought out a successful product. The same process is taking place in other markets as well. We have started marketing unique products, such as power management ICs for strobe units on digital still cameras and truly innovative current sensors based on an entirely breakthrough architecture.

Our operations in China are also projected for more growth. As this nation’s economy expands, there is no doubt that enormous investments in social infrastructure will continue. We thus foresee steady growth in demand for power supplies, particularly for communications equipment and motors. Sanken L.D. Electric (Jiangyin) Co., Ltd., which became a consolidated subsidiary in 2003, substantially increased output of motor-controlling variable voltage & variable frequency (VVVF) inverters during fiscal 2004. Skills gained in Japan in optimizing quality and reliability, as well as expertise in reducing costs by combining circuit design and production technology, set these products apart from those of competitors. By leveraging these strengths, Sanken L.D. Electric is well positioned to increase its market share in China.

Progress in Management Reforms

Sanken Electric has taken initiatives in management reforms contained in our medium-term management plan at the same time as we shift resources to growing market sectors.

Reforms have yielded many benefits. Most significant is the turnaround at our switching mode power supply business where we succeeded in transforming this business to produce sound profit, in line with the

roadmap contained in the management plan. We moved all production of SMPS products to our Indonesian factory to become more cost competitive. Additionally, we optimized the flow of information between the head office sales division and the production facilities to raise manufacturing efficiency, resulting in reduced inventories of products. Procuring more parts and materials locally also contributed to the cost reduction. Also worthy note is a dramatic improvement in quality following the adoption of visible "Eye quality management."

We are using a similar approach to improve earnings in the Power Supply Equipment business sector. We have started the transfer of the manufacturing of compact-size uninterruptible power supply (UPS) products to Indonesia to achieve production synergies with SMPS products. In turn, large-size power supply equipments and rectifiers are kept in Japan to accommodate the varied needs of the customers. Furthermore, all sales and marketing functions are now unified in a single organization with the Power Supply Equipment Sales Headquarters merged into the Sales Headquarters. This provides a strong base for maximizing sales opportunities by applying expertise in one area to another.

To streamline administrative operations and mobilize resources more toward planning and management, we are reforming business processes to eliminate a significant amount of routine in the general affairs and personnel divisions. And to concentrate this reduced clerical work in one entity, Sanken Business Services Co., Ltd. was established in April 2005 to perform these functions. Other administrative functions will also be shifted to this company in the near future to curtail selling, general and administrative expenses.

Looking Ahead to More Growth

We have made a lot of technological and financial progress under the goals set out in the medium-term management plan. We were successful in realizing a company which is responsive to the expectations of the investing public and in bringing about a transformation in the way our employees see themselves. Our people have become more self-reliant, performing their jobs with even greater pride and confidence.

The world of power semiconductors, our core business, is a unique field of electronics that is positioned to flourish in the global economy which has come to be more conscious of the need to conserve limited resources, and further mindful of the most efficient use of electricity. That means that our business horizons are ever expanding in fields that match the competitive strengths of our company. We will capitalize on those opportunities while at the same time retaining a tighter focus on customers' needs, swifter advances in technology and higher levels of product quality. Through our effort to pursue these goals, we are confident that we can build a company able to achieve self-sustained growth.

August 2005



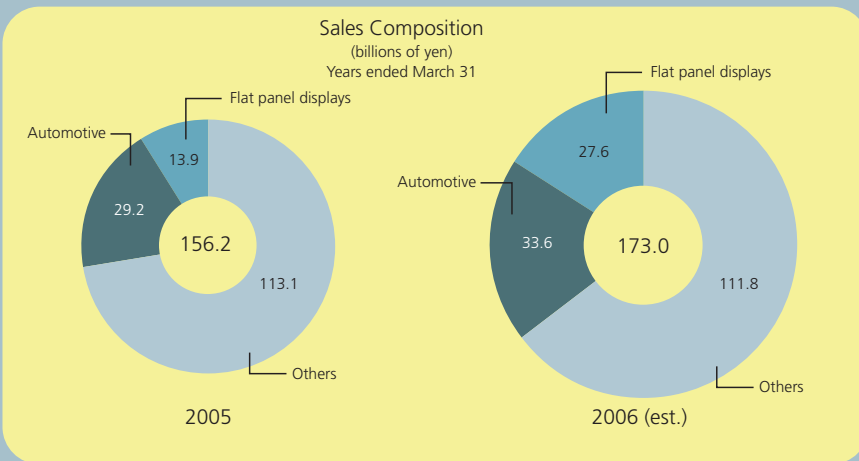
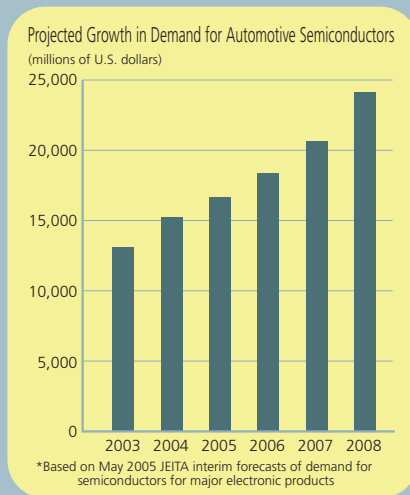
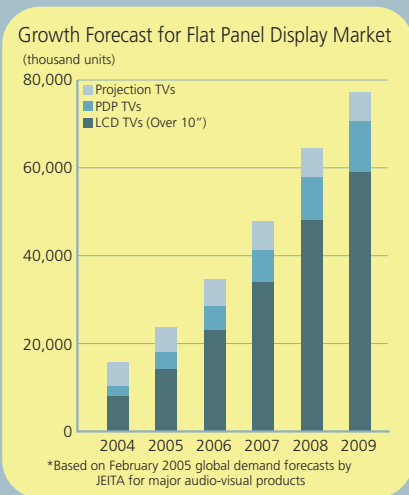
Yuji Morita
President

SANKEN ELECTRIC'S DUAL GROWTH DRIVERS

Sanken Electric is positioned to generate the majority of its growth from two strategic markets: FPD products and automotive products. Both of these markets have immense potential for growth in demand for power semiconductors, our core business.

The FPD market is expanding along with the rising popularity of televisions that use LCDs, plasma displays or rear-projection systems instead of a picture tube. Sales of FPDs are rising fast worldwide. Sanken Electric estimates that annual growth in global FPD output will average 40% over the next four years through 2008. In the past, we generated substantial sales by supplying ICs to control power supplied to PCs, conventional televisions and office equipment. Now we are turning our attention to flat panel displays. Two key products are CCFLs for LCD televisions and SMPS for LCD and plasma display televisions.

Semiconductors used in cars fall into another area of our strategic business. Demand for these semiconductors is growing for two reasons. One is rising global automobile output. The other reason is growth in semiconductors used per vehicle in order to make cars that are safer, easier to operate comfortable to ride in and more environmentally responsible. Due to these trends, Sanken Electric expects to play an increasingly important role in the automobile industry.



GROWTH DRIVER 1: FPD PRODUCTS

Sanken Electric's Products for Flat Panel Displays

Although FPDs represent a comparatively new category of the electronics industry, Sanken Electric already supplies a number of key products. Of particular interest are CCFLs, which are used for backlighting of LCD televisions. Our share of the market for these sophisticated components is rising rapidly.

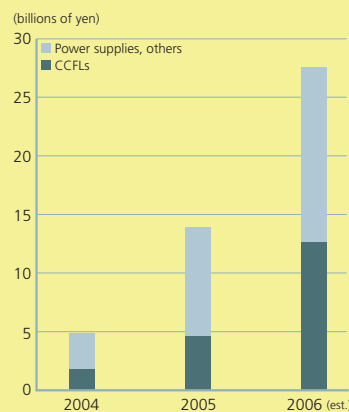
As screen sizes of LCD televisions grow, panel manufacturers need to use increasingly longer length CCFLs. Meeting this demand requires sophisticated fluorescent tubes capable of producing uniform brightness over their entire length. A long service life is another requirement. Sanken Electric's CCFLs

can meet these exacting needs. We will continue to raise output capacity in line with demand, with the goal of becoming the world's top supplier of CCFLs for large-screen LCD televisions.

Switching mode power supplies (SMPS) are another strategic product for flat panel displays. Sanken Electric for many years supplied power semi-conductors for CRT televisions. Flat panel televisions require power supplies that are smaller, lighter and less costly while delivering power with less electronic interference. Success therefore demands the ability to manufacture even more sophisticated power supplies. This is particularly true of plasma displays, which need a broad range of voltages. We are one of the world's

few suppliers able to use proprietary technologies to provide the high-performance power supplies that meet these demands. That means growth in FPDs is certain to create more opportunities for Sanken Electric.

Sales of Products for Flat Panel TVs
Years ended March 31



Cold Cathode Fluorescent Lamps (CCFLs)

Sanken Electric manufactures CCFLs for desktop PC monitors, notebook PC panels and LCD televisions, a product sector that is expanding at a remarkable pace. About one in every five CCFLs sold worldwide is made by Sanken Electric. We command a particularly high share of the market for lamps used in notebook PCs and LCD televisions, applications that demand highly sophisticated technology. This is proof of the outstanding technology that underpins our CCFL product line.

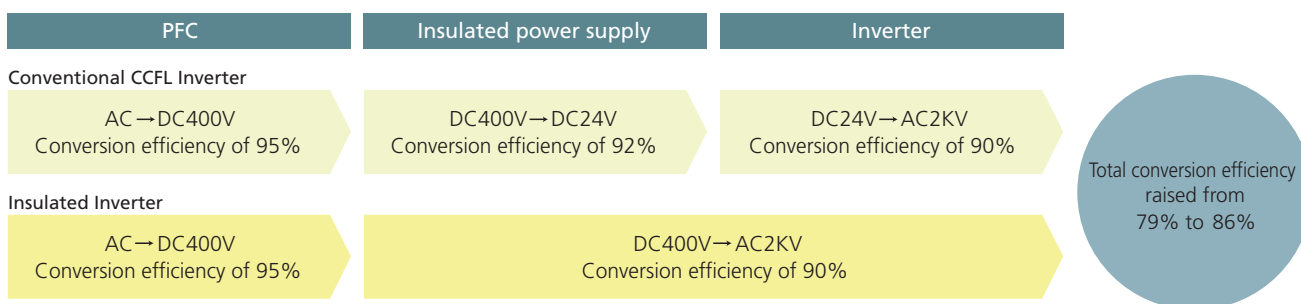
Multi-lamp Inverter

Since a single LCD television requires many CCFLs, it is impractical to provide a separate inverter and transformer for each lamp. Sanken Electric solved this problem by creating an exclusive technique for using a single inverter and transformer to light

many CCFLs. One advantage is a dramatic improvement in power conversion efficiency. Making this possible is an innovative technology that reduces from three to two the number of times commercial power needs to be converted to light the CCFLs. This breakthrough also makes

the inverter smaller. As a new *de facto* standard for CCFLs, this revolutionary Sanken Electric technology is positioned to gain widespread acceptance among manufacturers of finished products.

Conventional CCFL Inverter vs. Insulated Inverter



Sanken Electric has come up with many innovative ideas and breakthroughs for CCFLs, helping establish standards for the entire CCFL industry. Manufacturers of LCD televisions are constantly seeking CCFLs incorporating the latest technological advances. They want the best possible performance in terms of brightness, efficiency, service life and other specifications. We also need to respond to relentless demands to cut costs, since lower prices are essential to gaining widespread acceptance of LCD

televisions over a shorter time. Our response is a CCFL with ø3.4mm diameter tubes, a design that is technologically superior to the ø4.0mm tubes that are the current industry standard. Smaller tubes need less glass and are thereby cost-effective, and a smaller amount of mercury, and are thereby more environmentally friendly. We are determined to remain the leader in CCFL innovation by being first to commercialize more innovative ideas like the ø3.4mm tube.

GROWTH DRIVER 2: AUTOMOTIVE PRODUCTS

Sanken Electric's Semiconductors for Automobiles

Auto makers are constantly searching for ways to design vehicles that are safer, more comfortable, easier to handle and have a minimal environmental impact. Progress often comes in the form of electronics. Replacing mechanical parts with electronic devices gives automobile engineers greater design flexibility while reducing a vehicle's weight. As cars become more reliant on electronics, auto makers are making increasing use of automotive LAN and other IT technology to link various devices. With interest in hybrid and all-electric vehicles growing, the

Sanken Electric's Automotive Products

Sanken Electric's product line is centered on our core power semiconductor business. We supply a diverse lineup of power ICs. We have a long history of manufacturing regulator ICs for automotive alternators. Our automotive ICs also include power supply ICs, motor control ICs, high-side/low-side ICs, automatic transmission ICs, and driver ICs for high-output metal-hydride headlamps. We can satisfy user demands by drawing on a host of advanced semiconductor and process technologies. Illustrating our expertise is our Bipolar-CMOS-DMOS (BCD) technology, which places analog, digital and high-current technologies,

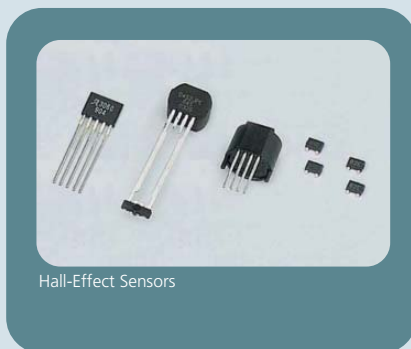
outlook is for continuing growth in demand for automotive electronics.

We serve the automobile industry through products made by Sanken Electric and Allegro MicroSystems, Inc. of the United States. This gives us a structure that can provide excellent services to customers in Japan and the United States, the world's two largest automobile markets. We already have a solid position in the automotive market, having supplied products to auto and auto parts makers in Japan and overseas for many years. This experience is our greatest competitive advantage in this market. Through constant interaction with these manufacturers, we

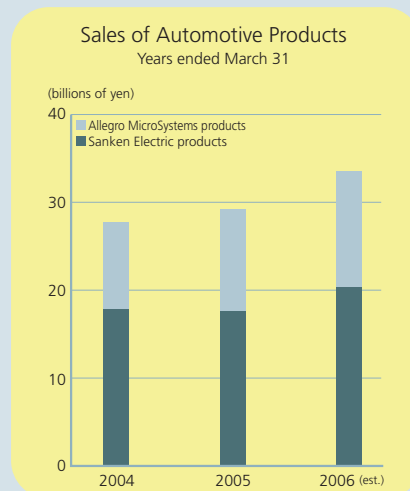
each of which requires a different production process, on a single chip.

Allegro MicroSystems' Automotive Products

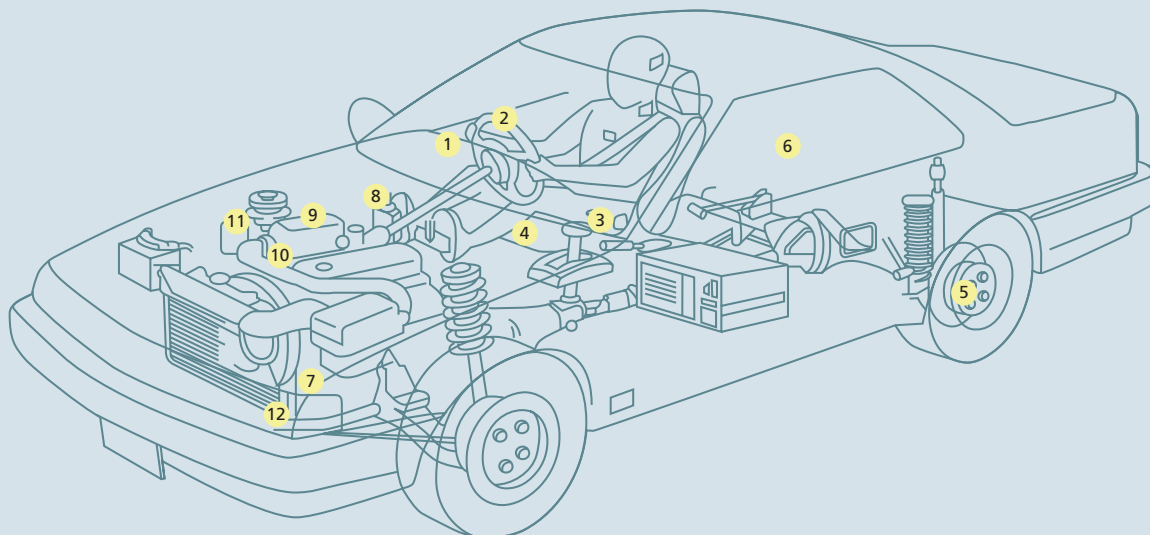
Allegro MicroSystems specializes in the manufacture of Hall-effect sensors that boast excellent performance, precision and reliability. Activated by magnetism



can participate in the development of next-generation automotive electronics products. This ability to serve as a trusted partner is unquestionably our most valuable asset in the automotive electronics business.



for contactless operation, these sensors feature low energy consumption and high sensitivity. Primary uses include position sensing, such as for tires and gears, direction detection, linear sensing, speed sensing and contactless switching. Sensors for automatic transmissions, for example, perform the vital role of detecting the speed of the engine and gears. This information is then sent to a computer that determines the proper gear ratio. Allegro MicroSystems makes Hall-effect sensors for gear change levers, door locks, power windows, motorized seats and many other automotive requirements. These sensors are sold to auto makers in Japan, the United States and Europe.



- 1 Displays**
LED
- 2 Electric Power Steering**
Motor Driver MOS FET for EPS
- 3 Automatic Transmission**
Driver IC for AT
Hall-Effect Sensor
- 4 Car Audio**
Transistor for Audio Amplifier
MOS FET for DC-DC Converter
- 5 Antilock Brake System**
Driver IC for ABS
- 6 Power Window, Sun Roof**
Hall-Effect Sensor
- 7 Adaptive Front Lighting System**
Stepper Motor Driver IC for AFS
- 8 Throttle System**
Motor Driver IC for Throttle System
Hall-Effect Sensor
- 9 Ignition System**
High-Voltage Diode for Igniter
- 10 Fuel injection**
Driver IC for Injector
Transistor Array for Injector
- 11 Alternator**
Rectifier Diode for Alternator
Regulator IC for Alternator
- 12 High Intensity Discharge Lamp System**
High-Voltage Driver IC for HID Lamp
Thyristor for HID Lamp Ignition

Profile of Allegro MicroSystems

Allegro MicroSystems is a semiconductor manufacturer based in the U.S. state of Massachusetts. Sanken Electric purchased this company in 1990. Automotive sensors are the company's core business. Allegro MicroSystems also has considerable expertise in the manufacture of power ICs for motor driver needs of printers, facsimile machines and copiers, as well as scanners. Currently, the company is increasing its sales of power manage-

ment ICs, such as drivers for digital camera flash units.

Allegro MicroSystems handles the sales of Sanken Electric semiconductor products in the United States and Europe. The company has two plants in the United States and a production subsidiary in the Philippines that performs back-end processes for semiconductors. Sales, design and marketing offices are located in Scotland, England, France and Argentina.



Allegro MicroSystems, Inc.

A CLOSELY INTEGRATED GLOBAL MANUFACTURING NETWORK

The worldwide manufacturing bases of Sanken Electric are all highly competitive operations. Adding more strength is the close collaboration among our overseas sales, product development, research and manufacturing bases. This framework makes it possible to leverage the strengths of the entire Sanken Electric Group. In response to the increasing globalization of our markets, we are building a centralized customer service system that covers customers by geographic region and user category. In recent years, particular emphasis has been placed on building a manufacturing and sales network in China.

JAPAN

Subsidiary Yamagata Sanken Co., Ltd., the nucleus of Sanken Electric's semiconductor product business, performs the front-end processes required to manufacture diodes, transistors, MOS FET ICs and other devices. Back-end processes, which primarily involve assembly and packaging, are the responsibility of Ishikawa Sanken Co., Ltd., which has five factories in Ishikawa prefecture. Kashima Sanken Co., Ltd. performs the assembly of automotive ICs and ICs for

television power supplies.

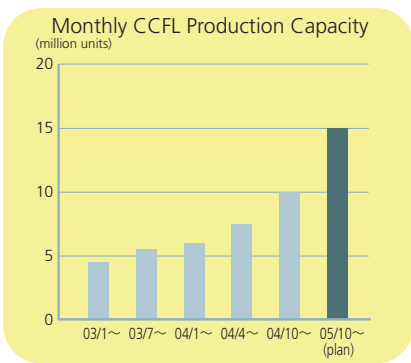
Fukushima Sanken Co., Ltd., initially a manufacturer only of LEDs, began producing CCFLs in 1999 for use as LCD panel backlights. This company is currently raising its output capacity in response to burgeoning orders as the popularity of LCD televisions grows.

The Kawagoe Plant of Sanken Electric is a fully integrated facility that performs the development, manufacture and shipment of power supplies.

ties with these companies to meet their needs for components that help make panels larger, improve their performance and lower costs.

INDONESIA

PT. Sanken Indonesia is the core of Sanken Electric's switching power supply business, handling all production activities in a manner that optimizes quality while holding down costs. To achieve more improvements in production efficiency, this company is shortening production lines to reduce inventories of work in process and significantly increasing local procurement to bring down the cost of sales. Another goal is enhancing the ability of sales and factory personnel to view the same information. This is vital to operating a manufacturing system able to function at peak efficiency from a group-wide



SOUTH KOREA

Korea Sanken Co., Ltd., which began as a manufacturer of switching power supplies, began producing CCFLs in 2002 to meet growing demand. As in Japan, LCD panel manufacturers in South Korea and Taiwan are making massive investments to increase output. Korea Sanken is maintaining close

THE GLOBAL PRODUCTION NETWORK





perspective. This company has a number of switching power supply products that target fast-growing markets. Two examples are switching power supplies for plasma display televisions and inverters for LCD televisions. By supplying leading-edge products, PT. Sanken Indonesia is playing a central role in making Sanken Electric's products more competitive worldwide.

CHINA

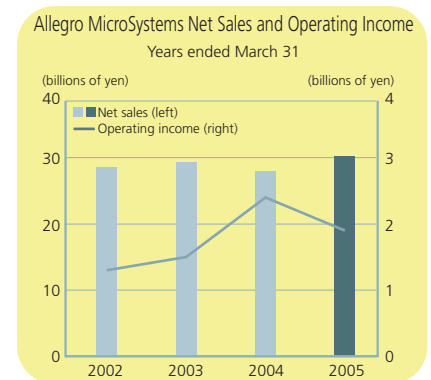
Established in 2001, Sanken L.D. Electric (Jiangyin) Co., Ltd. became a 60%-owned consolidated subsidiary in 2003. This company manufactures and sells power supplies for use in China. With an eye on projected growth in China, Sanken L.D. Electric (Jiangyin) is increasing output capacity and manufacturing more types of products. In 2004, output of the VVVF (variable voltage

& variable frequency) inverter, one of this company's most promising products, was raised by 170%. China is home to many factories of manufacturers of electronic products based in Japan, South Korea and Taiwan. With technical support centers in Hong Kong, Shanghai and Taiwan, Sanken Electric is able to extend engineering support directly to these manufacturers.

U.S.A.

Allegro MicroSystems, Inc. conducts the Sanken Electric Group's operations in the United States. With an excellent reputa-

tion for reliability and performance, its products are also exported to users in Europe, Asia and other markets.



Global Manufacturing Matrix

Product	Development/Design	Front-end processes	Back-end processes
Semiconductor	Sanken Electric	Yamagata Sanken Niiza Plant	Ishikawa Sanken Kashima Sanken
Allegro semiconductor	Allegro MicroSystems Allegro MicroSystems Philippines		
Product	Development/Design	Manufacture	
CCFL	Sanken Electric	Fukushima Sanken Korea Sanken Ishikawa Sanken	
LED		Fukushima Sanken	
Product	Development/Design	Manufacture	
SMPS	Sanken Electric	Korea Sanken PT. Sanken Indonesia	
Power supplies	Kawagoe Plant	Sanken L.D. Electric (Jiangyin)	



A MANAGEMENT FRAMEWORK WITH MORE POWER AND VIGOR

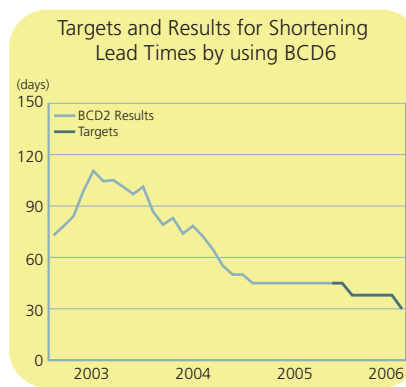
Sanken Electric is currently executing a three-year medium-term management plan that calls for us to become an organization that is able to “achieve further strength amid constant challenge.” One objective is to become more profitable by taking the offensive in conducting business activities. Another is to achieve self-sustained growth that is not susceptible to fluctuations in economic conditions.

The fundamental policy is raising earnings by creating new products and markets. To accomplish this, we are improving operations in many respects. Our goals include managing operations with greater speed and efficiency; using cash flows wisely; reinforcing compliance systems; and making operations more global. With the plan now in its final year, Sanken Electric is starting to build a base for the next medium-term plan. Accomplishments of the current plan are certain to position us for much more progress during the next plan.

Using BCD to Improve Manufacturing by Shortening Lead Times

BCD process technology integrates bipolar, CMOS (complementary metal oxide semiconductor) and DMOS (double-diffused MOS) devices on a single chip. Bipolar processes are used for analog circuit control circuitry, CMOS for high-speed digital circuit control circuitry, and DMOS for high-power circuitry.

BCD technology is particularly valuable for the production of power ICs used in automobiles, audio-visual equipment and office equipment. Furthermore, this innovative technology cuts production lead times, a critical advantage in becoming more competitive and profitable as users of these ICs demand better quality, lower costs and faster production speeds.



Structural Reforms in the Two Power Supply Businesses

Power supplies have been a core product at Sanken Electric for most of the company’s history. Returning the power supply business to profitability is thus a major goal of the current medium-term management plan. Concentrating resources on strategic product and market sectors is how

we intend to achieve this goal. In Japan, we will manufacture exclusively large power supplies, a field where we are highly competitive. The manufacture of small, UPS products with outputs below 1kW has been integrated with our SMPS business and shifted to PT. Sanken Indonesia. Furthermore, the power supply and semiconductor/SMPS

product sales organizations have been combined. This will allow us to sell more power supplies to private-sector users in industries like broadcasting, industrial plants and construction. Along with these measures, we have strengthened our maintenance and service operations, allowing us to back up our customers with a 24-hour, 365-day infrastructure.



Motor Driver IC



AC Adapters



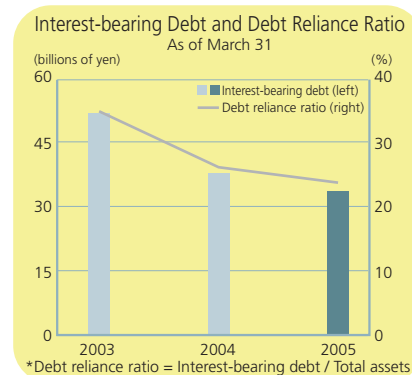
UPS

Debt Reductions Build a Sounder Balance Sheet

Increasing cash flows and using cash effectively are central themes of the ongoing medium-term management plan. This does not mean generating cash at the expense of cutting back on investments in the company's future. During the plan, we intend to make significant investments that target rapidly growing new product categories and new markets. Under our effective-use policy, we

plan to fund the required capital expenditures and business investments using internal resources rather than additional debt.

We strongly believe that a sound financial base is essential for business expansion. This is why reducing our debt reliance ratio, which is interest-bearing debt as a percentage of total assets, is one of our highest priorities. We therefore can make capital expenditures that exceed depreciation while steadily bringing down debt.



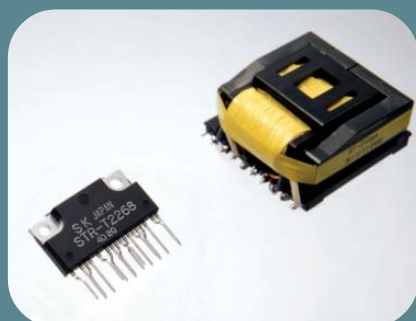
The Establishment of Sanken Business Services

One of the basic policies of the medium-term management plan is to "pursue both speedy and effective management." We have reformed business processes of administrative divisions to this end. By thoroughly evaluating each step of business processes and analyzing costs, we have successfully reduced administrative tasks by approximately 20%.

In a related move, we established Sanken Business Services

Co., Ltd. in February 2005. By handling all administrative tasks for business units on an outsourcing basis, this company aims to lower the cost of performing clerical procedures while raising operating efficiency for all business units. Centralizing administrative and clerical tasks will allow Sanken Electric and group companies to eliminate overlapping functions and streamline operations. In addition, we merged Sanken Business Services with Sanken Logistics Co., Ltd., which performs warehouse

and logistics operations, and Sanken Techno-Research Co., Ltd., which manages patents and other intellectual property, to further boost efficiency.



IC and Transformer for SMPS



LED



LED

AT A GLANCE

Semiconductor Business

Main Products: Power ICs, Hall-Effect ICs, Driver ICs, Transistors, Diodes, Light Emitting Diodes (LEDs), Cold Cathode Fluorescent Lamps (CCFLs)

Markets: AV, home appliances, automotive, OA, industrial



Regulator IC

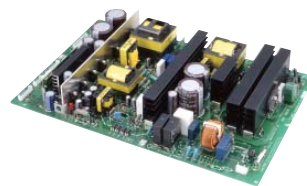


HID Lamp Driver IC

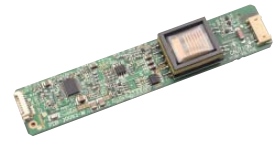
Switching Mode Power Supply Business

Main Products: Switching Mode Power Supplies (SMPS), AC Adapters, Transformers, Reactors, Modules

Markets: Office equipment, automated factory equipment, flat panel TVs



SMPS for PDP



CCFL-Inverter

Power Supply Equipment Business

Main Products: Uninterruptible Power Supplies (UPS), Inverters, DC Power Supplies, New Energy Resources, High-intensity Airway Beacon Systems

Markets: Telecommunications equipment

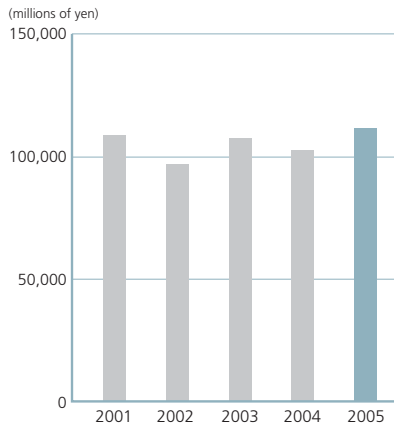


UPS

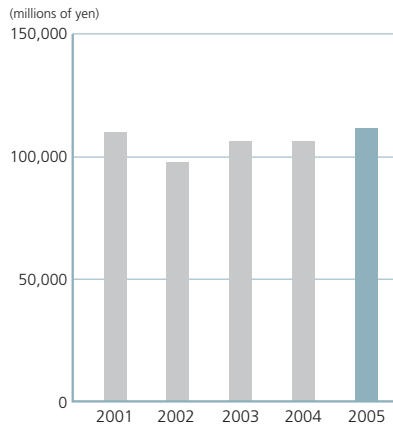


UPS

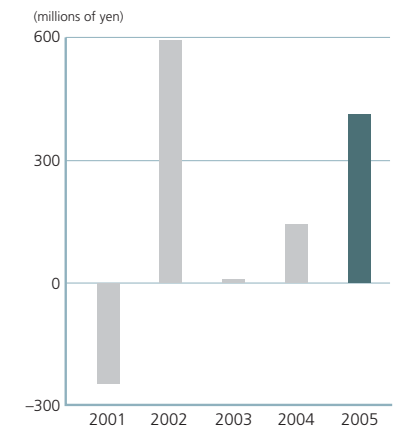
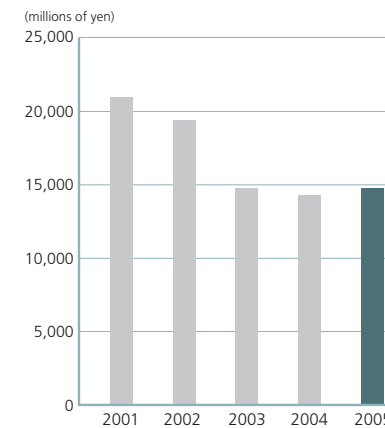
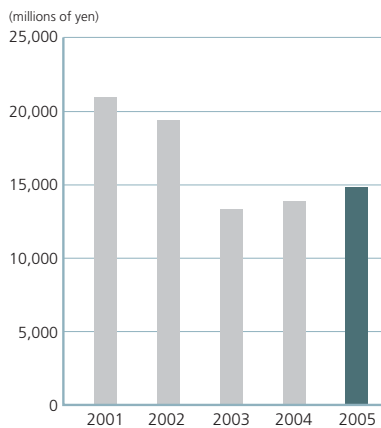
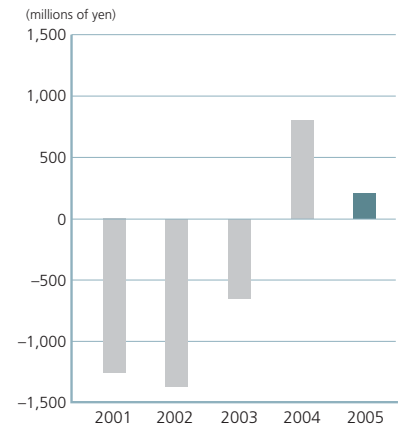
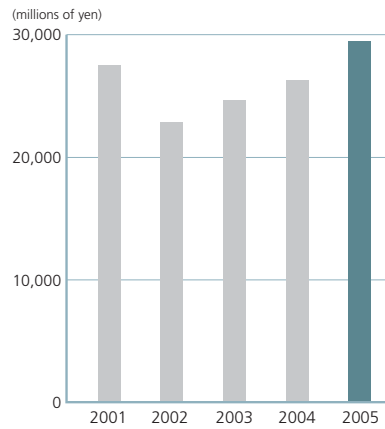
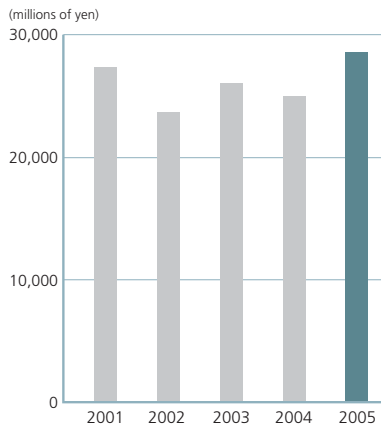
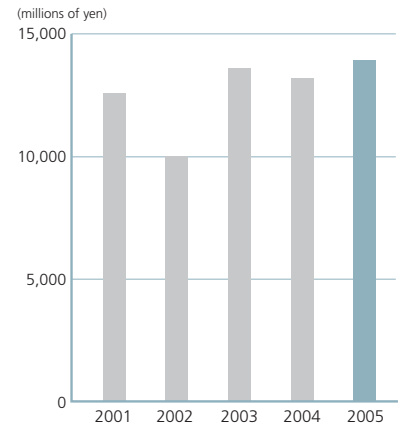
Orders Received
years ended March 31



Net Sales
years ended March 31



Operating Income
years ended March 31



ENVIRONMENTAL INITIATIVES

Sanken Electric positions environmental protection as an important management issue. Fukushima Sanken Co., Ltd. led the way by acquiring ISO 14001 certification in April 1998, and the other Group companies then proceeded to acquire this certification. As of March 2005, the domestic Sanken Group (Sanken Electric and subsidiaries) has completed acquisition of this certification, and continues to implement environmental protection initiatives.

In 2000, the Sanken Group formulated the Sanken Group Environmental Charter and announced both inside and outside the Group its philosophy and basic principles for protecting the environment. Since then, the Group has yearly issued the Sanken Group Environmental Action Plan to provide concrete targets for all Group companies' environmental protection activities.

One result of acquiring the ISO 14001 certification has been that the entire domestic Sanken Group achieved a recycling ratio for waste materials of 97%, thereby already surpassing the fiscal 2005 target of 95%. Moreover, Yamagata Sanken Co., Ltd. and Kashima Sanken Co., Ltd. have achieved their targets of zero emissions (a stable recycling ratio for waste materials of 99% or more). In particular, in recognition of its environmental protection

initiatives, Yamagata Sanken, as described above, has been awarded the Yamagata Governor's Award and the Fuji Sankei Business i Prize at the Global Environmental Protection Grand Prix.

In recent years, the European Union's RoHS Directive which prohibits the use of six substances, including cadmium and lead, in electrical and electronic equipment from July 2006 onwards has been an important issue in the industry. In collaboration with all Group companies, Sanken Electric has been energetically working for several years to use lead-free solder. Since fiscal 2003, the Group has been strengthening controls on products containing chemical substances, particularly through green procurement. As a result, client companies with advanced environmental policies recognize the Group as a supplier that uses green procurement. The Group has almost completed establishing a framework that produces compliance with the RoHS Directive.

Sanken Electric and the Sanken Group recognize harmony with the environment as a fundamental duty, and will continue to work proactively to preserve the environment, with integrity and ingenuity, in all their business activities.

Milestones

April 1998

Started to obtain ISO 14001 certification for environmental management systems

April 2000

Formulated Sanken Group Environmental Charter and Sanken Group Environmental Action Plan

June 2004

Yamagata Sanken awarded the Yamagata Prefectural Governor's Award, sponsored by Yamagata Prefecture Environmental Protection Council

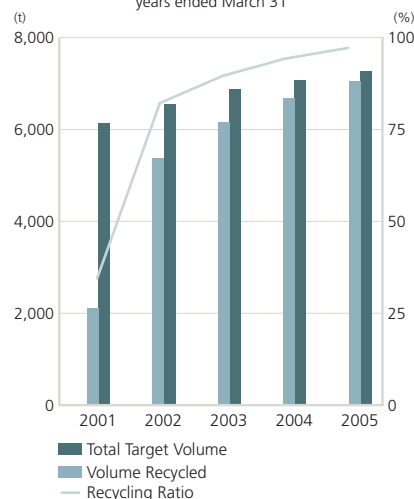
February 2005

Yamagata Sanken awarded the Fuji Sankei Business i Prize at the Global Environmental Protection Grand Prix, sponsored by the Fuji Sankei Group

March 2005

The domestic Sanken Group companies achieved target of recycling 97% of waste materials in fiscal 2004
Yamagata Sanken and Kashima Sanken achieve target of zero emissions

Waste Volume and Recycling Progress of the Domestic Sanken Group
years ended March 31



CORPORATE GOVERNANCE

1. Basic Approach to Corporate Governance

With the aim of enhancing management efficiency, transparency and soundness, Sanken Electric has reinforced the Board of Directors' ability to make prompt and appropriate decisions and supervise business execution, while introducing a corporate officer system to create a more flexible business execution system and upgrade management functions. The Company has also established a Compliance Office and Investor Relations Office as part of efforts to strengthen its corporate governance system.

2. Implementation of Corporate Governance Initiatives

Corporate Organizations and Internal Control Systems

In compliance with the provisions of the Commercial Code of Japan, the Company has adopted a Statutory Auditor system. The Board of Directors and Board of Statutory Auditors are composed of seven directors and four statutory auditors (including two external statutory auditors), respectively. The Company has separated decision-making and supervisory functions from executive functions through the introduction of a corporate officer system. This has given Sanken Electric a system capable of responding quickly to changes in the operating environment.

Risk Management

In April 2005, Sanken Electric established the Continuity Management Committee, which reports directly to the president, to strengthen overall risk management

for the entire Group and promote preparedness.

Previously, risk management was performed by operating divisions and the Safety and Health Committee on an individual basis. Moving forward, the Risk Management Committee will be responsible for putting into practice risk management through the investigation, assessment and analysis, planning and implementation of countermeasures for various risks associated with business operations, including natural disasters.

Internal Audits, Audits by Statutory Auditors and Financial Audits

The Compliance Office, operating directly under the president, is responsible for internal audits. The Compliance Office audits and evaluates employee activities across the Company, proposes improvements, provides implementation support, and offers compliance education and training.

The Company has established the Business Guidelines that define rules of recommendable behavior for all employees and the Conduct Guidelines to ensure that employees comply with ethical norms, laws and regulations. The Company has also established a Help Line System to serve as an interface for internal reporting and employee consultations.

The Audit Committee (four members) is responsible for the approval of audit policies, audit plans, and other statutory matters, and shares information with all relevant parties.

Compensation for directors and statutory auditors of the Company and audit fees for the independent auditor in the fiscal year under review were as follows:

	(millions of yen)
Compensation paid to directors and statutory auditors:	
Compensation paid to directors	¥232 *
Compensation paid to statutory auditors	¥ 41
Total	¥274

	(millions of yen)
Audit fees:	
Fees for audit certification	¥ 32

* including ¥50 million in bonuses to directors

MANAGEMENT

As of June 24, 2005

Board of Directors and Statutory Auditors:

Yuji Morita

Director, President

Hirohito Sekine

Director

Kiyoshi Imaizumi

Director

Teruo Esumi

Director

Takahiro Fukushima

Director

Sadatoshi Iijima

Director

Hidejiro Akiyama

Director

Isao Tokiwa

Standing Statutory Auditor

Yoshimi Ono

Statutory Auditor

Yoshio Hashimoto

Statutory Auditor

Hiroshi Ishibashi

Statutory Auditor

Corporate Officers:

Hirohito Sekine

Executive Vice President

Kiyoshi Imaizumi

Senior Vice President

Teruo Esumi

Senior Vice President

Takahiro Fukushima

Senior Vice President

Akiyuki Nakoji

Senior Vice President

Isao Bansaku

Senior Vice President

Shigemichi Ieki

Senior Vice President

Sadatoshi Iijima

Senior Corporate Officer

Hidejiro Akiyama

Senior Corporate Officer

Masaru Sezaki

Senior Corporate Officer

Mitsumasa Sugiyama

Corporate Officer

Yutaka Yoshizawa

Corporate Officer

Yoshinari Kushiro

Corporate Officer

Kinji Kudo

Corporate Officer

Mitsuo Ueki

Corporate Officer

Akira Ota

Corporate Officer

FINANCIAL SECTION

CONSOLIDATED FIVE-YEAR SUMMARY

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004, 2003, 2002 and 2001

	Millions of yen				
	2005	2004	2003	2002	2001
Statements of income					
Net sales	¥156,216	¥147,176	¥146,070	¥140,088	¥158,710
Cost of sales	121,052	113,716	114,925	112,279	127,202
Gross profit	35,164	33,460	31,144	27,808	31,507
Selling, general and administrative expenses	23,081	21,772	21,174	20,975	22,700
Operating income	12,082	11,687	9,970	6,833	8,807
Other expenses	(1,890)	(2,942)	(4,397)	(5,201)	(5,833)
Income before income taxes and minority interests	10,191	8,745	5,572	1,631	2,924
Net income	6,682	5,784	4,002	670	1,294

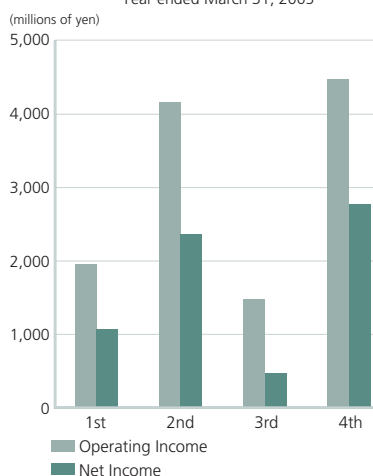
Balance sheets

Total current assets	¥ 88,684	¥ 94,855	¥ 90,752	¥ 91,661	¥109,067
Total investments and long-term receivables	7,767	9,189	8,032	9,362	10,629
Property, plant and equipment, net	42,826	38,780	48,563	55,444	54,520
Other assets	1,638	1,558	1,396	1,430	1,341
Total assets	140,917	144,383	148,745	157,899	175,558
Total current liabilities	50,984	53,808	59,121	49,691	61,112
Total long-term liabilities	21,580	27,818	31,194	48,028	54,856
Minority interests	231	237	177	220	189
Total shareholders' equity	68,121	62,518	58,251	59,958	59,400
Total liabilities and shareholders' equity	140,917	144,383	148,745	157,899	175,558

	Yen				
Per share					
Shareholders' equity per share	¥560.07	¥513.56	¥477.87	¥478.07	¥472.92
Net income per share	54.50	47.07	31.96	5.34	10.24
Cash dividends per share	10.00	10.00	10.00	10.00	10.00

Quarterly Profits (Unaudited)

Year ended March 31, 2005



MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Business Strategy

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 adopting an even more aggressive stance. We are confident that conducting business operations in accordance with this slogan will make us a self-reliant, growing organization whose performance does not depend on macroeconomic trends. We view the keys to achieving the plan's objectives as (1) expanding into key strategic markets, (2) improving the profitability of the switching power supply business and power supply equipment business segments, and (3) placing greater emphasis on cash flows.

Fund Procurement and Liquidity

The methods of fund procurement of the Group are corporate bonds, commercial papers credit facilities and bank loans, etc. As of March 31, 2005, short-term loans totaled ¥8.9 billion, of which ¥3.6 billion is the current portion of long-term debt. Commercial paper totaled ¥9.0 billion and unsecured bonds (due in 2009) totaled ¥10.0 billion. Long-term loans totaled ¥5.4 billion.

The Group is now constructing a global cash management system. Although our basic policy is to fund operating capital and capital expenditures from internal financing, sustaining the Group's growth may require additional operating capital and capital expenditures in the future. Consequently, there is a possibility that, in addition to cash provided by operating activities, we may raise funds by using the unused portion of our commercial paper line (¥21 billion), credit facility (¥10 billion), and a bond shelf registration (¥30 billion, of which ¥10 billion has already been utilized).

Impact from Fluctuation in Exchange Rates

The Group's overseas sales totaled ¥83.1 billion, accounting for more than 50% of consolidated net sales. The bulk of overseas sales were denominated in U.S. dollars. Additionally, the financial statements of major overseas subsidiaries are compiled in U.S. dollars. Consequently, a stronger yen tends to reduce earnings, while a weaker yen has the opposite effect. In fiscal 2004, although the year-end rate for the yen was lower than at the end of the previous fiscal year, the rates used within the company over the course of the fiscal year reflected the yen's appreciation. As a result, the currency fluctuations reduced consolidated net sales by ¥600 million.

Dividend Policy

Sanken Electric recognizes the return of profits to shareholders as one of its most important management policies. As such, the Company aims to provide stable returns by continually improving its earnings capabilities and strengthening its financial position.

Retained earnings are effectively utilized for business expansion and the enhancement of the Company's corporate framework, beginning with capital investment and investment in R&D.

Segment Information

The Group's segments consist of the semiconductor business and the power supply equipment business. The semiconductor business comprises the semiconductor division, with integrated circuits (ICs), diodes, and cold cathode fluorescent lamps (CCFLs) as the main products, and the switching power supply division, with switching power supplies and power supplies for flat panel televisions as the major products. For financial reporting purposes, the three business segments are semiconductors, switching power supply and power supply equipment.

Results of Operations

Summary

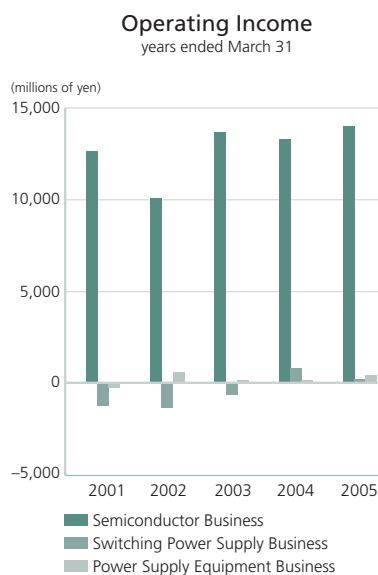
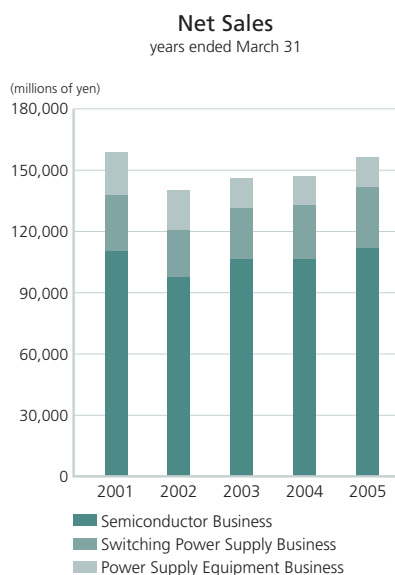
In fiscal 2004, ended March 31, 2005, consolidated net sales reached ¥156.2 billion, up ¥9.0 billion, or 6.1%, from the previous year. Consolidated operating income rose ¥395 million, or 3.4%, to ¥12.0 billion, while net income rose ¥898 million, or 15.5%, to ¥6.6 billion, surpassing the record high reached in the previous fiscal year.

Results of Operations by Segment

Semiconductor Business

Sales, excluding intersegment sales, in the semiconductor segment rose ¥5.3 billion, or 5.1%, to ¥111.9 billion. This mainly reflected a 49.3% jump in sales of CCFLs. Despite an adverse impact from production reductions for LCD panels beginning in the second half, the ratio of sales of CCFLs for application in large-screen televisions increased for the full year, while sales of CCFLs used in PCs also remained brisk.

Meanwhile, sales of ICs, diodes, transistors and other semiconductors were only on par with the level in the previous fiscal year. Sales of products used in amusement equipment and large home appliances, including air conditioners, were brisk, and sales of automotive devices showed steady growth. However, demand for products used in conventional audiovisual equipment declined because of expansion of music distribution through networks. Additionally, Allegro



MicroSystems Inc., our US subsidiary experienced a sharp drop in orders for products used in printers and mobile phones at the beginning of the second half.

Segment operating income rose ¥725 million, or 5.5%, to ¥13.9 billion.

Switching Mode Power Supply Business

Sales rose ¥3.2 billion, or 12.2%, to ¥29.5 billion. In addition to higher demand from the office automation and factory automation markets, sales of switching power supplies for use in FPD televisions increased, reflecting efforts to expand sales through entry into the consumer electronics market, which has been positioned as another strategic sector. Sales of CCFL inverters for use in LCD televisions registered sharp year-on-year growth.

However, segment operating profit plunged ¥592 million, or 73.6%, to ¥212 million because of a steep rise in prices for transformer raw materials, which caused significant earnings deterioration at Sanken Transformer Co., Ltd.

Power Supply Equipment Business

Sales in the power supply equipment business rose ¥437 million, or 3.1%, to ¥14.7 billion. Sales of customer power supply equipment for use in private-sector facilities and public-sector facilities, such as regional airports, registered strong growth. However, due to weak demand for mainstay

power supplies for the telecommunications sector, sales of powers supplies on the whole were flat year on year. General-purpose power supply equipment helped earnings rise. This performance reflected firm demand for general-purpose uninterruptible power supplies (UPS) due to the rebound in domestic IT investment coupled with strong sales at Sanken L.D. Electric (Jiangyin) Co., Ltd., which produces and sells variable voltage & variable-frequency (VVVF) inverters.

As a result, segment operating income surged ¥270 million, or 187.5%, to ¥414 million.

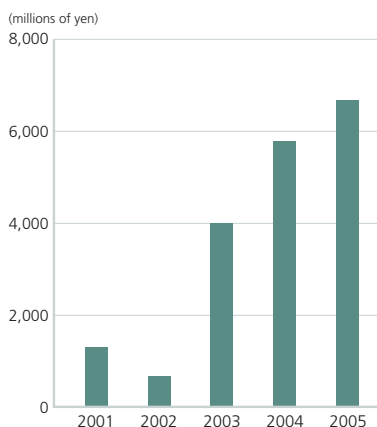
Other Income (Expenses)

Interest expenses declined mainly on two factors. First, interest-bearing liabilities for the Group as a whole were reduced by ¥4.2 billion. Second, some corporate bonds were replaced with commercial paper at lower interest rates. On the other hand, loss for product compensation costs increased because of quality issues with some products.

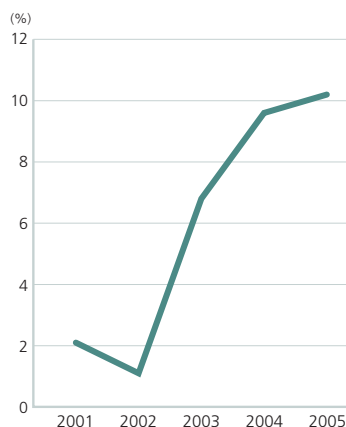
The yen’s weakness against the U.S. dollar produced an exchange gain compared with an exchange loss in the previous fiscal year.

Sales of some investment securities yielded a ¥455 million gain.

Net Income
years ended March 31



Return on Equity
years ended March 31



Cash Flows

Cash and cash equivalents at the end of the year stood at ¥11.3 billion, down ¥6.5 billion from ¥17.8 billion at the end of the previous year.

Net cash provided by operating activities amounted to ¥9.5 billion, down ¥6.2 billion from the previous year because of payments to cover reserve shortfalls in the corporate pension fund.

Net cash used in investing activities totaled ¥11.0 billion, ¥10.8 billion more than in the previous fiscal year. This large increase was mainly due to increased investment in manufacturing facilities and reverse impact of the sale-and-lease back transaction of existing equipment in the previous year.

Net cash used in financing activities totaled ¥5.7 billion, compared with ¥14.1 billion used in the previous fiscal year. The main uses were a reduction in interest-bearing liabilities to strengthen the financial position and the payment of cash dividends.

Interest-bearing liabilities at the end of the fiscal year totaled ¥33.3 billion, the debt reliance ratio was 24%. To further enhance the Company's financial position, management plans to aggressively reduce the balance even more. The current three-year medium-term management plan calls for a reduction in interest-bearing liabilities to ¥30 billion by the end of March 2006 and the dependency rate at 20%.

Business Risks

Management has identified the following issues as posing potential risks to the Group's business performance and financial condition.

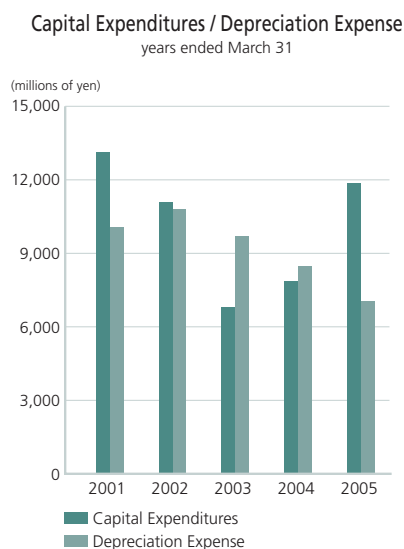
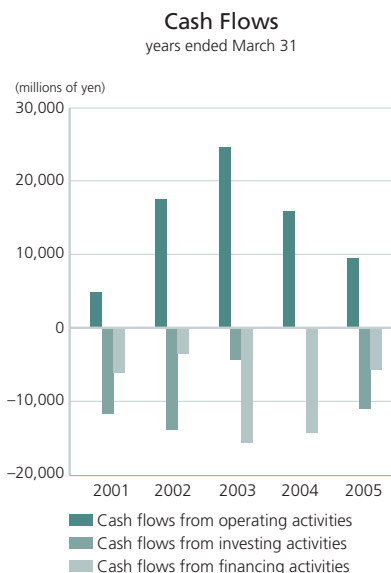
Strategy Risk

New Product Development

The Sanken Electric Group has to develop and introduce products that correspond to market needs in the electronics industry, which is characterized by drastic changes in the pace of technical progress and product cycles. Although the Group conducts R&D while continually monitoring market trends, profitability, earnings, and financial condition could suffer if the Group fails to introduce products in a timely manner.

Price Competition

Price competition in the electronics industry is escalating. The emergence of competitors using production bases in Southeast Asia, and particularly China, has had a major impact on the determination of prices for the Company's products. While price competition is expected to continue escalating, the Group is responding by working to further reduce cost of sales and to introduce high-value-added products that leverage its inherent technologies. However, the Group's profitability, earnings, and financial condition



could suffer due to the appearance of products produced by companies with a greater ability to respond to price reductions and/or to changes in demand by its customers.

Funds Procurement

The Group procures funds necessary for capital investment and R&D through the issue of corporate bonds, the issue of commercial paper, and through commitment lines of credit and bank loans. In the event that the Company's credit standing is judged to have declined by the bond market and/or by financial institutions, there may be restrictions in fund procurement methods and/or an increase in procurement costs, which could adversely affect the earnings and financial condition of the company.

Intellectual Property

The Group takes steps to differentiate its products from those of competitors by using our proprietary technology and know-how. Although the Company files and records intellectual property rights as necessary to protect these technologies, such protections are inadequate in some nations and regions. As such, in some cases it may be impossible to effectively prohibit third parties from manufacturing analogous products that use the Group's intellectual property.

Should a third party gain intellectual property rights through association with the Group's business and/or possess such intellectual property rights without the express consent of the Group, legal actions against such incidents may increase costs or limit the development and sales of products.

External Risks

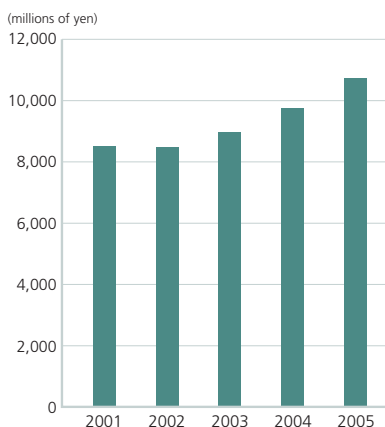
Economic Environment

In addition to Japan, the Group produces products in several other nations and regions, including Asia, North America, and Europe. Overseas production value accounted for 33.6% of consolidated production value in fiscal 2002, 35.3% in fiscal 2003, and 38.6% in fiscal 2004. As a consequence, the Group's earnings and financial condition could be adversely affected by changes in the operating environment, including economic trends, in the relevant areas.

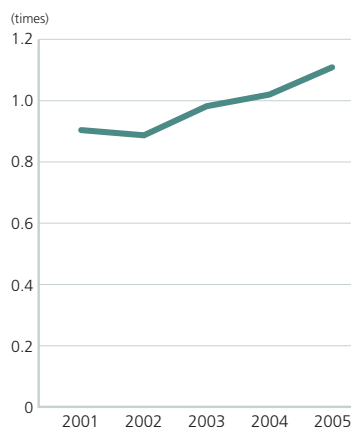
Exchange Rates

The Group derives a portion of its earnings from production and sales in nations and regions outside of Japan, and related accounts are settled in U.S. dollars or the local currencies of the corresponding nations or regions. Consequently, exchange rates prevailing at the time of conversion into Japanese yen may affect earnings.

R&D Expenses
years ended March 31



Asset Turnover
years ended March 31



As for exchange risk associated with foreign currency-denominated transactions, because the Group is expanding overseas procurement of products and raw materials, it engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover, and through the use of forward currency contracts. By doing so, the Company aims to minimize the impact of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar and the Japanese yen.

Additionally, appreciation of the currencies in the regions and nations, where the Group has production bases, may drive up manufacturing and procurement costs. Higher costs would have the impact of lower margins and diminished price competitiveness, which may adversely affect earnings.

Internal Risks

Quality Issues

The Group provides a variety of products that satisfy its own internal quality standards as well as those of the customer. To sustain and improve the quality control system, the Company has acquired ISO 9001 certification, an international standard for quality management, and, when necessary, acquires certification of product safety based on relevant standards, including those of Underwriters Laboratories Inc. However, these efforts do not guarantee

that any or all products will not be defective, recalled, or require repair. Large-scale recalls or product defects that require repair or result in liability for damage could potentially result in substantial costs and diminished public confidence, which in turn could adversely affect the Group's earnings and financial condition.

Environmental Problems

The Group complies with all regulations pertaining to the prevention of environmental damage and pollution in the nations where it has production bases. As part of its own environmental activities, the Group pursues ISO 14001 certification, an international standard for environmental management systems. Also, the Group works to better understand and reduce the use of substances that carry environmental burdens and that are used in its production processes or contained in its products. The failure to comply with these regulations; the occurrence of an accident that results in the discharge of a large volume of hazardous substances; or the elimination of prohibited substances from products could result in substantial costs to rectify these situations. In addition, this could result in restrictions on business activities, liability for reparations to customers, and loss of public confidence, all of which could adversely affect the Company's earnings and financial position.

CONSOLIDATED BALANCE SHEETS

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Current assets:			
Cash and deposits (Note 3)	¥ 11,546	¥ 18,165	\$ 107,514
Notes and accounts receivable:			
Trade and other	40,557	40,460	377,660
Less allowance for doubtful receivables	(94)	(87)	(875)
	40,463	40,373	376,785
Inventories (Note 5)	32,167	32,306	299,534
Deferred tax assets (Note 8)	2,384	2,318	22,199
Other current assets	2,122	1,691	19,759
Total current assets	88,684	94,855	825,812
Investments and long-term receivables:			
Investments in unconsolidated subsidiaries and affiliates	973	1,048	9,060
Investments in other securities (Note 4)	4,588	5,187	42,722
Deferred tax assets (Note 8)	1,086	1,896	10,112
Other long-term receivables	1,327	1,262	12,356
Less allowance for doubtful receivables	(208)	(205)	(1,936)
Total investments and long-term receivables	7,767	9,189	72,325
Property, plant and equipment, at cost (Note 6):			
Land	3,869	3,973	36,027
Buildings	46,964	45,801	437,321
Machinery and equipment	73,865	66,046	687,820
Construction in progress	2,545	1,581	23,698
	127,245	117,402	1,184,886
Less accumulated depreciation	(84,418)	(78,621)	(786,088)
Property, plant and equipment, net	42,826	38,780	398,789
Other assets	1,638	1,558	15,252
Total assets	¥140,917	¥144,383	\$1,312,198

CONSOLIDATED STATEMENTS OF INCOME

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Net sales	¥156,216	¥147,176	\$1,454,660
Cost of sales	121,052	113,716	1,127,218
Gross profit	35,164	33,460	327,442
Selling, general and administrative expenses (Notes 7 and 11) . . .	23,081	21,772	214,926
Operating income	12,082	11,687	112,505
Other income (expenses):			
Interest expense	(579)	(966)	(5,391)
Interest and dividend income	258	238	2,402
Gain on sales of marketable and investment securities	455	192	4,236
Product compensation costs	(1,077)	(288)	(10,028)
Foreign exchange gain (loss)	235	(1,394)	2,188
Other, net	(1,182)	(724)	(11,006)
	(1,890)	(2,942)	(17,599)
Income before income taxes, minority interests	10,191	8,745	94,897
Income taxes (Note 8):			
Current	2,343	3,424	21,817
Deferred	1,013	(559)	9,432
Income before minority interests	6,834	5,880	63,637
Minority interests	(151)	(96)	(1,406)
Net income (Note 15)	¥ 6,682	¥ 5,784	\$ 62,221

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Number of shares of common stock	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on securities	Translation adjustments	Treasury stock at cost
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)
Acquisition of treasury stock	—	—	—	—	—	—	(135)
Bonuses to directors and statutory auditors	—	—	—	(50)	—	—	—
Cash dividends paid	—	—	—	(1,217)	—	—	—
Net income for the year ended March 31, 2005	—	—	—	6,682	—	—	—
Net change during the year	—	—	—	—	(134)	384	—
Adjustment for inclusion in consolidation	—	—	—	72	—	—	—
Balance at March 31, 2005	125,490,302	¥ 20,896	¥ 21,167	¥ 31,139	¥ 1,037	¥ (2,576)	¥ (3,542)

	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, 2004	\$194,580	\$197,104	\$238,858	\$10,913	\$(27,572)	\$(31,725)
Acquisition of treasury stock	—	—	—	—	—	(1,257)
Bonuses to directors and statutory auditors	—	—	(465)	—	—	—
Cash dividends paid	—	—	(11,332)	—	—	—
Net income for the year ended March 31, 2005	—	—	62,221	—	—	—
Net change during the year	—	—	—	(1,247)	3,575	—
Adjustment for inclusion in consolidation	—	—	670	—	—	—
Balance at March 31, 2005	\$194,580	\$197,104	\$289,961	\$ 9,656	\$(23,987)	\$(32,982)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Operating activities			
Income before income taxes and minority interests in earnings of affiliates	¥ 10,191	¥ 8,745	\$ 94,897
Depreciation and amortization	7,422	8,852	69,112
Reversal of allowance for doubtful receivables	8	18	74
Interest and dividend income	(258)	(238)	(2,402)
Interest expense	579	966	5,391
(Reversal of) provision for retirement benefits for employees	(2,928)	1,170	(27,265)
Gain on sales of investment securities	(455)	(192)	(4,236)
Decrease (increase) in notes and accounts receivable	795	(4,003)	7,402
Decrease (increase) in inventories	759	(435)	7,067
(Decrease) increase in notes and accounts payable	(2,983)	3,783	(27,777)
Other	(221)	1,753	(2,057)
Subtotal	12,910	20,419	120,216
Interest and dividends received	251	133	2,337
Interest paid	(724)	(1,136)	(6,741)
Income taxes paid	(2,929)	(3,610)	(27,274)
Net cash provided by operating activities	9,508	15,806	88,537
Investing activities			
Purchases of property, plant and equipment	(11,437)	(8,439)	(106,499)
Proceeds from sales of property, plant and equipment	145	8,589	1,350
Purchases of investment securities	—	(5)	—
Proceeds from sales of investment securities	824	368	7,672
Increase in loans	(25)	(37)	(232)
Proceeds from loans	24	24	223
Other	(542)	(624)	(5,047)
Net cash used in investing activities	(11,010)	(123)	(102,523)
Financing activities			
Increase in short-term bank loans	948	645	8,827
Increase (decrease) in commercial paper	9,000	(7,000)	83,806
Proceeds from issuance of long-term bank loans	—	10,056	—
Repayment of long-term debt	(14,255)	(16,444)	(132,740)
Proceeds from sales of treasury stock	0	1	0
Redemption of treasury stock	(135)	(206)	(1,257)
Proceeds from issuance of stock to minority interests	—	70	—
Cash dividends paid	(1,219)	(1,222)	(11,351)
Dividends paid to minority interests	(64)	(99)	(595)
Net cash used in financing activities	(5,725)	(14,199)	(53,310)
Effect of exchange rate changes on cash and cash equivalents	277	(152)	2,579
Net (decrease) increase in cash and cash equivalents	(6,950)	1,330	(64,717)
Cash and cash equivalents at beginning of the year	17,871	16,410	166,412
Increase in cash resulting from inclusion of subsidiaries	381	129	3,547
Cash and cash equivalents at end of the year (Note 3)	¥ 11,302	¥ 17,871	\$ 105,242

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2005 and 2004

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 buildings acquired on or after April 1, 1998. The estimated useful lives are as follows:

Buildings 4 – 60 years

Machinery and equipment 3 – 10 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 22 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 ¥107.39 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2005. 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, 2005 and 2004:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Cash and deposits	¥11,546	¥18,165	\$(107,514)
Time deposits with a maturity of more than three months	(243)	(294)	(2,262)
Cash and cash equivalents	¥11,302	¥17,871	\$ 105,242

4. SECURITIES

Marketable securities classified as other securities at March 31, 2005 and 2004 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, 2005						
Securities whose fair value exceeds their acquisition cost:						
Equity securities	¥1,592	¥3,360	¥1,767	\$14,824	\$31,287	\$16,454
Bonds and debentures	—	—	—	—	—	—
Other securities	10	20	9	93	186	83
	1,603	3,381	1,777	14,926	31,483	16,547
Securities whose acquisition cost exceeds their fair value:						
Equity securities	154	119	(34)	1,434	1,108	(316)
Bonds and debentures	—	—	—	—	—	—
Other securities	—	—	—	—	—	—
	154	119	(34)	1,434	1,108	(316)
	¥1,758	¥3,501	¥1,742	\$16,370	\$32,600	\$16,221

	Millions of yen		
	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
Bonds and debentures	—	—	—
Other securities	10	17	6
	2,000	3,974	1,973
Securities whose acquisition cost exceeds their fair value:			
Equity securities	127	120	(7)
Bonds and debentures	—	—	—
Other securities	—	—	—
	127	120	(7)
	¥2,128	¥4,094	¥1,966

Sales of securities classified as other securities for the years ended March 31, 2005 and 2004 amounted to ¥369 million (\$3,436 thousand) and ¥334 million, with an aggregate gain of ¥455 million (\$4,236 thousand) and ¥192 million, respectively.

5. INVENTORIES

Inventories at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished products	¥10,466	¥11,315	\$ 97,457
Work in process	12,241	11,580	113,986
Raw materials and supplies	9,459	9,411	88,080
	¥32,167	¥32,306	\$299,534

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, 2005 and 2004 were approximately 3.32% and 1.52%, respectively.

Long-term debt at March 31, 2005 and 2004 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Secured:			
Loans payable in yen due serially through 2009 at rates ranging from 1.26% to 11.15%	¥ 9,109	¥ 13,280	\$ 84,821
Unsecured:			
2.22% bonds due 2004	—	10,000	—
0.69% bonds due 2009	10,000	10,000	93,118
	19,109	33,280	177,940
Less current portion	(3,680)	(14,238)	(34,267)
	¥15,429	¥ 19,041	\$143,672

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, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 3,680	\$ 34,267
2007	2,555	23,791
2008	2,373	22,097
2009 and thereafter	10,500	97,774
	¥19,109	\$177,940

At March 31, 2005, 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	¥14,920	\$138,932

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, 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retirement benefit obligation	¥(23,211)	¥(22,677)	\$ (216,137)
Plan assets at fair value	15,662	13,386	145,842
Unfunded retirement benefit obligation	(7,548)	(9,291)	(70,285)
Unrecognized actuarial loss	3,845	2,938	35,804
Unrecognized prior service cost	(1,420)	(1,646)	(13,222)
Net retirement benefit obligation	(5,123)	(7,999)	(47,704)
Prepaid pension cost	—	—	—
Accrued retirement benefits	¥ (5,123)	¥ (7,999)	\$ (47,704)

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥1,237	¥1,225	\$11,518
Interest cost	455	506	4,236
Expected return on plan assets	(206)	(12)	(1,918)
Amortization of actuarial loss	414	890	3,855
Amortization of prior service cost	(223)	(78)	(2,076)
Total	¥1,676	¥2,531	\$15,606

For the years ended March 31, 2005 and 2004, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥259 million (\$2,411 thousand) and ¥262 million.

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

	Fiscal year 2004 (as of March 31, 2005)		Fiscal year 2003 (as of March 31, 2004)	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	2.0%	6.0%	2.0% – 2.5%	6.25%
Expected rates of return on plan assets	0.0% – 3.0%	7.0%	0.0% – 0.6%	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 40.4% and 41.7% in 2005 and 2004 respectively.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2005 and 2004 differed from the statutory tax rate for the following reasons:

	2005	2004
Statutory tax rate	40.4%	41.7%
Effect of:		
Expenses permanently not deductible for income tax purposes	0.5	0.5
Dividend income deductible for income tax purposes	(0.1)	(0.4)
Inhabitants' per capita taxes	0.2	0.3
Changes in valuation allowance	1.1	(5.9)
Foreign tax rate differential	(2.9)	(4.0)
Tax credit for research and development expenses	(4.2)	(4.4)
Elimination of dividends received from overseas subsidiaries	2.1	3.2
Deferred tax effect of change in statutory tax rate	(0.2)	0.5
Equity in gain of an affiliate	(0.2)	(0.1)
Other, net	(3.8)	1.2
Effective tax rates	32.9%	32.6%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Net operating loss carryforwards	¥ 994	¥ 991	\$ 9,255
Accrued bonuses	783	957	7,291
Accrued retirement benefits	1,944	3,108	18,102
Net unrealized holding gain	171	215	1,592
Inventories	844	619	7,859
Other	2,315	1,997	21,556
Gross deferred tax assets	7,053	7,890	65,676
Valuation allowance	(1,357)	(1,068)	(12,636)
Total deferred tax assets	5,695	6,821	53,031
Deferred tax liabilities:			
Fixed assets	(1,094)	(1,066)	(10,187)
Reserve for special depreciation	(339)	(353)	(3,156)
Other	(987)	(1,208)	(9,190)
Total deferred tax liabilities	(2,421)	(2,628)	(22,543)
Net deferred tax assets	¥ 3,274	¥ 4,192	\$ 30,487

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, 2005 were duly approved at the annual general meeting of the shareholders held on June 24, 2005 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends ¥5 (U.S.\$0.04) per share	¥608	\$5,661
Bonuses to directors	50	465

**10. CONTINGENT
LIABILITIES**

Contingent liabilities at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantors of indebtedness of employees	¥15	\$139

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2005 and 2004 were ¥10,733 million (\$99,944 thousand) and ¥9,761 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, 2005 and 2004, 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
	2005	2004	2005
Acquisition costs	¥1,412	¥1,492	\$13,148
Accumulated depreciation	829	831	7,719
Net book value	¥ 582	¥ 660	\$ 5,419

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, lease expenses for the years ended March 31, 2005 and 2004 and future minimum payments subsequent to March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease expenses	¥323	¥336	\$3,007
Future minimum payments:			
Within one year	¥243	¥303	\$2,262
Over one year	338	357	3,147
	¥582	¥660	\$5,419

Total expenses for all operating leases in 2005 and 2004 amounted to ¥5,731 million (\$53,366 thousand) and ¥8,026 million, respectively.

13. DERIVATIVES

Summarized below are the contract amounts and estimated fair values of the Company's derivatives positions at March 31, 2005 and 2004:

	Millions of yen				Thousands of U.S. dollars	
	2005		2004		2005	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts:						
To sell U.S. dollars	¥5,847	¥6,074	¥5,717	¥5,644	\$54,446	\$56,560
To sell pounds sterling	424	440	498	498	3,948	4,097

14. SEGMENT INFORMATION

a. Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is summarized as follows:

Year ended March 31, 2005	Millions of yen					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations	Consolidated
I. Sales:						
(1) Sales to third parties . . .	¥ 111,926	¥ 29,550	¥ 14,739	¥ 156,216	¥ —	¥ 156,216
(2) Intersegment sales	74	221	3	299	(299)	—
Total sales	112,001	29,771	14,742	156,516	(299)	156,216
Operating expenses	98,044	29,559	14,327	141,932	2,202	144,134
Operating income	13,956	212	414	14,583	(2,501)	12,082
II. Assets, depreciation expense, capital expenditures:						
Assets	87,888	26,149	8,501	122,539	18,378	140,917
Depreciation expense . . .	6,429	597	200	7,227	194	7,422
Capital expenditures . . .	11,124	483	110	11,718	127	11,846
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, 2005	Thousands of U.S. dollars					
	Semiconductor Business	Switching Power Supply Business	Power Supply Equipment Business	Total	Eliminations	Consolidated
I. Sales:						
(1) Sales to third parties . . .	\$1,042,238	\$275,165	\$137,247	\$1,454,660	\$ —	\$1,454,660
(2) Intersegment sales	689	2,057	27	2,784	(2,784)	—
Total sales	1,042,936	277,223	137,275	1,457,454	(2,784)	1,454,660
Operating expenses	912,971	275,249	133,410	1,321,650	20,504	1,342,154
Operating income	129,956	1,974	3,855	135,794	(23,288)	112,505
II. Assets, depreciation expense, capital expenditures:						
Assets	818,400	243,495	79,160	1,141,065	171,133	1,312,198
Depreciation expense	59,865	5,559	1,862	67,296	1,806	69,112
Capital expenditures	103,585	4,497	1,024	109,116	1,182	110,308

b. Operating revenues by geographic area

Operating revenues by geographic area for the years ended March 31, 2005 and 2004 are summarized as follows:

Year ended March 31, 2005	Millions of yen						
	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
I. Sales:							
(1) Sales to third parties	¥110,305	¥19,147	¥15,581	¥11,182	¥156,216	¥ —	¥156,216
(2) Intersegment sales	11,568	19,036	11,726	281	42,612	(42,612)	—
Total sales	121,874	38,184	27,308	11,463	198,829	(42,612)	156,216
Operating expenses	110,325	37,645	25,292	11,195	184,459	(40,325)	144,134
Operating income	11,548	538	2,015	267	14,370	(2,287)	12,082
II. Assets							
	93,946	18,988	18,171	4,680	135,786	5,131	140,917
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, 2005	Thousands of U.S. dollars						Consolidated
	Japan	Asia	North America	Europe	Total	Eliminations	
I. Sales:							
(1) Sales to third parties	\$1,027,144	\$178,294	\$145,087	\$104,125	\$1,454,660	\$ —	\$1,454,660
(2) Intersegment sales	107,719	177,260	109,190	2,616	396,796	(396,796)	—
Total sales	1,134,872	355,563	254,288	106,741	1,851,466	(396,796)	1,454,660
Operating expenses	1,027,330	350,544	235,515	104,246	1,717,655	(375,500)	1,342,154
Operating income	107,533	5,009	18,763	2,486	133,811	(21,296)	112,505
II. Assets	874,811	176,813	169,205	43,579	1,264,419	47,779	1,312,198

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 ¥83,188 million (\$774,634 thousand) and ¥74,145 million, or 53.3% and 50.4% of the consolidated net sales for the years ended March 31, 2005 and 2004, respectively.

15. AMOUNTS PER SHARE

Amounts per share as of and for the years ended March 31, 2005 and 2004 were as follows:

	Yen		U.S. dollars
	2005	2004	2005
Net income – basic	¥ 54.50	¥ 47.07	\$0.50
Net assets	560.07	513.56	5.21

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Sanken Electric Co., Ltd.

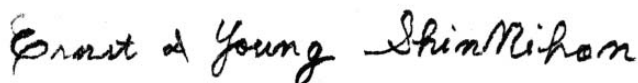
We have audited the accompanying consolidated balance sheets of Sanken Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial 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, 2005 and 2004, 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, 2005 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.

June 24, 2005



ERNEST & YOUNG SHINNIHON

DIRECTORY

SANKEN ELECTRIC CO., LTD.

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Kawagoe Plant

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Niiza Plant

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Sapporo Sales Office

Sapporo MID Bldg.,
9-2, Minami-1-jo-Higashi 3-chome,
Chuo-ku, Sapporo-shi,
Hokkaido 060-0051, Japan
Tel: 81-11-210-0855
Fax: 81-11-210-0877

Sendai Sales Office

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6-18, Kokubun-cho 1-chome, Aoba-ku,
Sendai-shi, Miyagi-ken 980-0803, Japan
Tel: 81-22-263-4168
Fax: 81-22-224-5731

Nagoya Sales Office

Meieki Bldg., 26-22, Meieki 4-chome,
Nakamura-ku, Nagoya-shi,
Aichi-ken 450-0002, Japan
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Fax: 81-52-562-5801

Kanazawa Sales Office

Kita-Yasue Messe Yasuda Bldg.,
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Ishikawa-ken 920-0022, Japan
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Fax: 81-76-223-8792

Hiroshima Sales Office

Miyamoto Bldg., No.2
1-4-7, Nishihara, Asaminami-ku, Hiroshima-shi,
Hiroshima-ken 731-0113, Japan
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Fax: 81-82-846-0169

Kyushu Sales Office

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Fukuoka-ken 812-0011, Japan
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Fax: 81-92-473-5232

SANKEN GROUP COMPANIES

Domestic:

Ishikawa Sanken Co., Ltd.

Ha-5, Aza-Nashitanikoyama,
Shikamachi, Hakui-gun,
Ishikawa-ken 925-0151, Japan
Tel: 81-767-32-1144
Fax: 81-767-32-5777

Yamagata Sanken Co., Ltd.

5600-2, Oaza Higashine-ko,
Higashine-shi,
Yamagata-ken 999-3701, Japan
Tel: 81-237-43-5511
Fax: 81-237-43-4547

Kashima Sanken Co., Ltd.

8073, Yatabe, Kamiso-shi,
Ibaraki-ken 314-0341, Japan
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Fax: 81-479-48-1212

Fukushima Sanken Co., Ltd.

15, Miyado, Nihonmatsu-shi,
Fukushima-ken 964-0811, Japan
Tel: 81-243-22-4300
Fax: 81-243-22-5740

Sanken Transformer Co., Ltd.

677, Shimoakasaka-Ohnohara,
Kawagoe-shi,
Saitama-ken 350-1155, Japan
Tel: 81-49-266-8130
Fax: 81-49-266-8131

Sanken-Airpax Co., Ltd.

6-3, Chiyoda 5-chome, Sakado-shi,
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Fax: 81-49-283-7699

Sanken Densetsu Co., Ltd.

677, Shimoakasaka-Ohnohara,
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Sanken Business Service Co., Ltd.

6-3, Kitano 3-chome, Niiza-shi,
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Fax: 81-48-474-8705

Overseas:**Allegro MicroSystems, Inc.**

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Worcester, MA 01606, U.S.A.
Tel: 1-508-853-5000
Fax: 1-508-856-7434

**Allegro MicroSystems
Philippines, Inc.**

KM16 South Super Highway,
Parañaque, Metro Manila, Philippines
Tel: 63-2-823-2476
Fax: 63-2-823-3582

**Allegro MicroSystems
Europe Limited**

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Walton-on-Thames,
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P.T. Sanken Indonesia

MM2100 Industrial Town,
Block GG-8, Cibitung Brat, Bekasi 17520,
West Java, Indonesia
Tel: 62-21-898-1252
Fax: 62-21-898-1254

Korea Sanken Co., Ltd.

974-17 Yang Duk-Dong Heowon-Gu,
Masan, Korea
Tel: 82-55-292-5961
Fax: 82-55-293-1211

**Sanken Power Systems (UK)
Limited**

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Mid-Glamorgan CF45 4XA, U.K.
Tel: 44-1443-742333
Fax: 44-1443-742100

**Sanken L.D. Electric (Jiangyin)
Co., Ltd.**

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Fax: 86-510-637-6969

Sanken Electric Singapore Pte. Ltd.

150 Beach Road, No. 14-03
The Gateway West, 0718 Singapore
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Sanken Electric Korea Co., Ltd.

MIRAE ASSET LIFE Bldg. 6F, 168 Kongduk-dong,
Mapo-ku, Seoul, 121-705 Korea
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Fax: 82-2-3272-2145

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Room 3202, Mando Centre, Xingyi Road 8,
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Fax: 86-21-5208-1757

Sanken Electric Hong Kong Co., Ltd.

1026 Ocean Centre, Canton Road, Tsimshatsui,
Kowloon, Hong Kong
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Fax: 852-2735-5494

Taiwan Sanken Electric Co., Ltd.

Room 1801, 18th Floor No. 88,
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Taipei, Taiwan R.O.C.
Tel: 886-2-2356-8161
Fax: 886-2-2356-8261

INVESTOR INFORMATION

Company name: Sanken Electric Co., Ltd.

Founded: September 5, 1946

Headquarters: 6-3, Kitano 3-chome, Niiza-shi,
Saitama-ken 352-8666, Japan
Tel: 81-48-472-1111
Fax: 81-48-471-6249

Employees: 9,763

Common stock: Authorized: 257,000,000 shares
Issued: 125,490,302 shares

Shareholders: 10,868

Distribution by type of shareholders:

Financial institutions	49.23%
Individuals	14.51%
Foreigners	27.46%
Other	8.80%

Distribution by number of shares owned:

1,000,000 or more	58.35%
100,000 or more	22.50%
10,000 or more	7.90%
Less than 10,000	11.25%

Principal shareholders

Shareholder	Number of shares held (in thousands)	Percentage of voting rights
The Master Trust Bank of Japan, Ltd. (Trust lot)	18,373	14.64%
Japan Trustee Services Bank, Ltd. (Trust lot)	13,863	11.04%
Saitama Resona Bank, Limited	6,013	4.79%
State Street Bank & Trust Company	3,741	2.98%
International Rectifier Corporation	2,500	1.99%
The Bank of New York Europe Limited Lux Branch Account Client 131800	2,387	1.90%
NIPPONKOA Insurance Company, Limited	2,061	1.64%
Nippon Life Insurance Company	2,005	1.59%
Mizuho Corporate Bank, Ltd.	2,000	1.59%
Calyon, Paris Ordinary Account	1,850	1.47%

Note: The Company owns 3,759,687 shares of treasury stock, but it is excluded from the above list.

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

