



Sanken Electric Co., Ltd.

Annual Report 2008

Sanken Electric Co., Ltd.

ANNUAL REPORT 2008

For the year ended
March 31, 2008

Profile

Sanken Electric Co., Ltd. began operations as a spin off from a research institute in 1946 by continuing to conduct 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.

Having grown in tandem with the electronics industry since then, today Sanken Electric has forged a commanding presence as a manufacturer in the field of power electronics. This reputation enables the Company to offer customers high-quality solutions in

power supplies and peripheral business domains that meet their diverse needs. Along with a focus on growth in its core business of semiconductor devices, Sanken Electric is determined to enhance the competitiveness of products for the fast-growing field of flat-screen televisions. Underpinned by an extensive track record and expertise gained over the years, Sanken Electric will strive to supply products that are more original and advanced than ever before, consistently rising to meet any challenge by remaining a consummate innovator in power electronics.

Management Principles

At the dawn of the 21st century Sanken Electric marked more than a half century of operations. We have designated this era of major change as the “second founding” for Sanken Electric and the Sanken Group, and established the following principles to guide us on the path to success.

- We, with semiconductors as our core business, make it our corporate mission to provide optimal solutions in fields including power electronics and peripheral businesses, and will contribute to the advancement of industry, economies, and culture throughout the world.
- We will strive for constant innovation in technological and creative capabilities, and pursue assured quality. We will further attain a shared sense of value with our customers, and with our original technologies develop our business globally.
- We will respect each and every employee, and treat all employees fairly. We will also strive to help employees become trusted individuals, and grow as an integral part of the Company.
- We, as business people respectful of technology and creativity, will conduct our business in accordance with high ethical standards, and treat our customers and business partners in a fair and principled manner.
- We will endeavor to maximize the value of the Company for our shareholders, and will strive to fulfill our social responsibilities, and achieve harmony with the environment.

Action Guidelines

- Seek to attain a shared sense of value with customers, and provide optimal solutions.
- Be aware of global trends, and conduct business with an international outlook.
- Demonstrate flexible thinking and originality, and create a new corporate culture.
- Pursue daily reform at 21st century speed, and respond to changes in the business climate.
- Strive for constant refinement as professionals, and approach work in the spirit of self-reliance.
- Gain the trust of each individual, and produce the best results through teamwork.
- Make compliance with rules a priority, and act in a fair and impartial manner in accordance with high ethical standards.

Contents

Profile	Inside Cover
Management Principles	Inside Cover
Action Guidelines	Inside Cover
Financial Highlights	02
Financial Performance	03
Dear Fellow Shareholders	04
Feature — Reaffirming Our Strengths	08
At a Glance	12
Review of Operations	14
Semiconductor Business — Semiconductor Devices	14
Semiconductor Business — CCFLs	16
Power Module Business	18
Power System Business	19
Global Management	20
R&D and Intellectual Property	22
R&D and Intellectual Property — Topics	24
Corporate Governance	26
Environmental Initiatives	28
Financial Section	30
Management's Discussion and Analysis	30
Consolidated Balance Sheets	36
Consolidated Statements of Income	38
Consolidated Statements of Changes in Net Assets	39
Consolidated Statements of Cash Flows	40
Notes to Consolidated Financial Statements	41
Report of Independent Auditors	56
Board of Directors	57
Investor Information	57

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, 2008, 2007, 2006, 2005, 2004, and 2003

	Millions of yen					
	2008	2007	2006	2005	2004	2003
Statements of income						
Net sales	¥184,309	¥203,815	¥173,527	¥156,216	¥147,176	¥146,070
Cost of sales	149,064	160,859	135,876	121,052	113,716	114,925
Gross profit	35,244	42,956	37,650	35,164	33,460	31,144
Selling, general and administrative expenses	26,975	27,941	25,642	23,081	21,772	21,174
Operating income	8,269	15,014	12,008	12,082	11,687	9,970
Other expenses	(3,997)	(2,693)	(712)	(1,890)	(2,942)	(4,397)
Income before income taxes and minority interests	4,271	12,320	11,295	10,191	8,745	5,572
Net income	1,776	7,499	7,035	6,682	5,784	4,002

Balance sheets						
Total current assets	¥104,050	¥112,464	¥100,736	¥ 88,684	¥ 94,855	¥ 90,752
Total investments and long-term receivables	6,321	7,719	10,214	7,767	9,189	8,032
Property, plant and equipment, net	61,600	71,755	59,348	42,826	38,780	48,563
Other assets	1,556	1,847	2,027	1,638	1,558	1,396
Total assets	173,529	193,787	172,327	140,917	144,383	148,745
Total current liabilities	88,262	91,153	70,880	50,984	53,808	59,121
Total long-term liabilities	7,185	19,547	24,821	21,580	27,818	31,194
Minority interests	291	314	297	231	237	177
Total net assets	78,081	83,086	76,329	68,121	62,518	58,251
Total liabilities and shareholders' equity	173,529	193,787	172,327	140,917	144,383	148,745

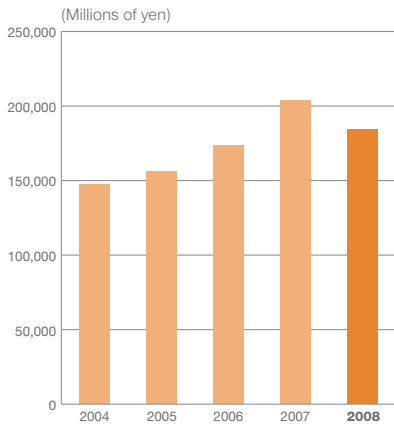
	%					
Financial indicators						
Return on assets	2.44	6.96	7.35	6.97	5.89	4.69
Return on equity	2.22	9.43	9.74	10.23	9.58	6.77
Return on sales	0.96	3.68	4.05	4.28	3.93	2.74
Equity ratio	44.7	42.7	44.3	48.3	43.3	39.2
Current ratio	117.9	123.4	142.1	173.9	176.3	153.5

	Yen					
Per share						
Total net assets per share	¥638.73	¥680.11	¥627.66	¥560.07	¥513.56	¥477.87
Net income per share	14.62	61.69	57.41	54.50	47.07	31.96
Cash dividends per share	14.00	14.00	15.00	10.00	10.00	10.00

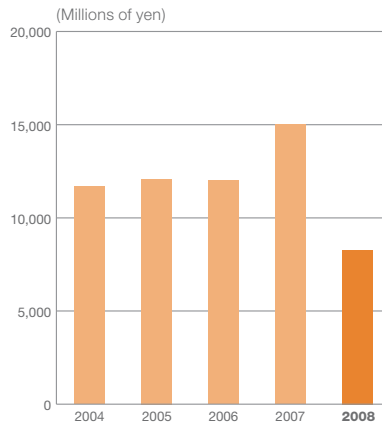
Financial Performance

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2008, 2007, 2006, 2005, and 2004

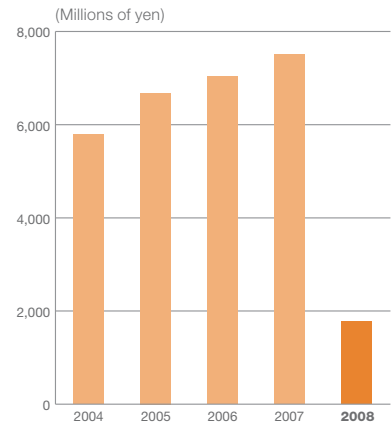
Net Sales
 Years ended March 31



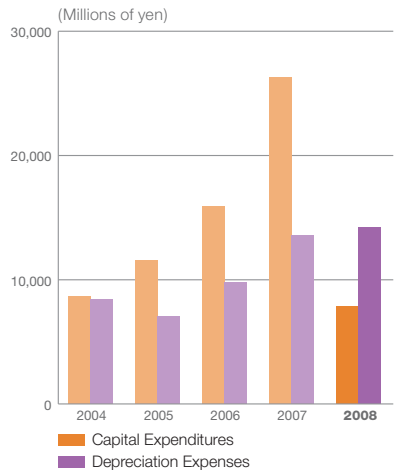
Operating Income
 Years ended March 31



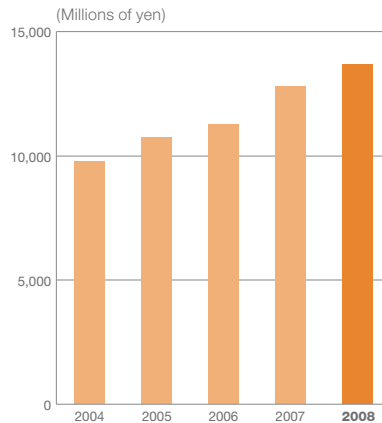
Net Income
 Years ended March 31



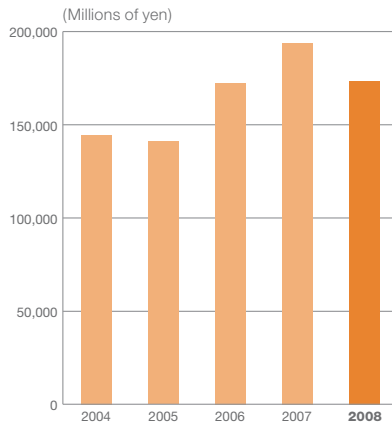
**Capital Expenditures/
 Depreciation Expenses**
 Years ended March 31



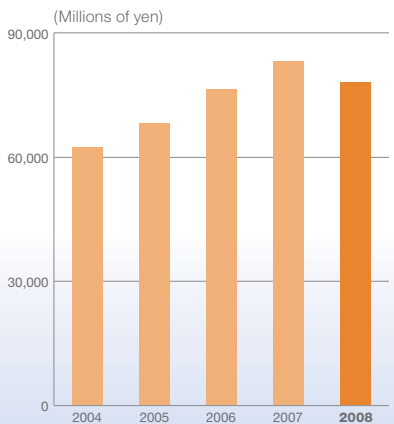
R&D Expenses
 Years ended March 31



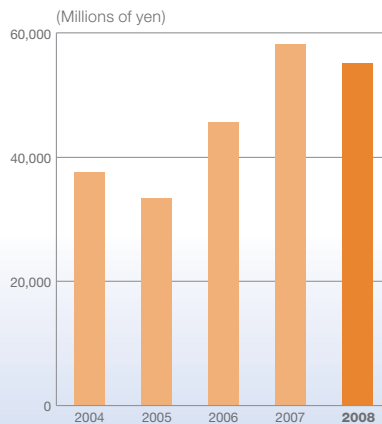
Total Assets
 As of March 31



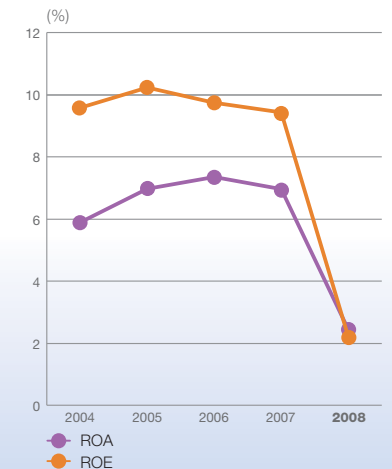
Total Net Assets
 As of March 31



Interest-bearing Debt
 As of March 31



ROA/ROE
 Years ended March 31



Dear Fellow Shareholders



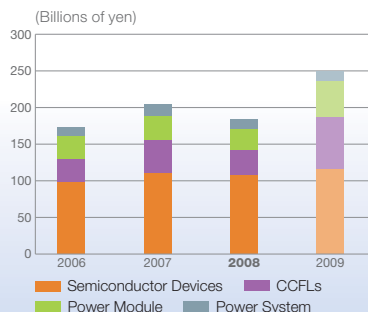
Sadatoshi Iijima
President

Fiscal 2007, the fiscal year under review, marked the second year of Sanken Electric's medium-term management plan, which is set to conclude in March 2009. Under the slogan of "Leadership through Innovative Power and Optical Solutions," we have taken bold steps to realize a faster, more aggressive style of management. To support these efforts, Sanken Electric has reformed its semiconductor business, targeted further expansion in the cold cathode fluorescent lamp (CCFL) business, and enhanced global management. In spite of these initiatives, however, both sales and earnings declined for the year. This result notwithstanding, positive outcomes have emerged in some areas from the second half of the year thanks to measures enacted in response to these unfavorable results. As a result, Sanken Electric is now standing on an even stronger footing, and is poised to achieve a V-shaped recovery in financial performance this year.

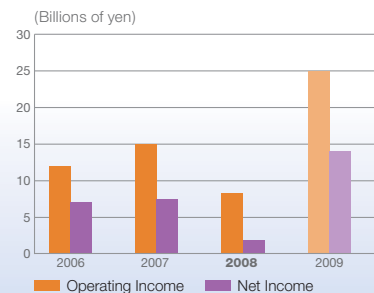
The Medium-term Management Plan Targets



Net Sales
Years ended March 31



Operating Income/Net Income
Years ended March 31



Lower Sales and Earnings as Prior Year's Momentum Falters

In fiscal 2007, the global economy witnessed healthy overall performance as demand grew steadily in China and other newly emerging economies. This growth, in fact, proved strong enough to overcome the increasing economic weakness caused by the U.S. economic slowdown. The Japanese economy continued to fare well due in large part to a robust export sector and generally strong corporate performances. These positives offset an otherwise progressively worsening economic environment that witnessed the yen's sharp appreciation, lackluster consumer spending, and soaring raw material prices. In this climate, the electronics industry saw global growth in demand for finished products such as flat-panel TVs, with demand for LCD televisions showing particularly rapid expansion.

Amid these conditions, the Sanken Electric Group focused on honing its competitive edge, paring back material costs and other expenses and reducing drainage of value added by reining in outsourced production. Unfortunately, the CCFL business, which had grown steadily through the previous fiscal year, recorded weak results through the third quarter due to shortfalls in anticipated demand for large-screen LCD TVs, the failure to design-in to some new TV models, and accelerating decline in television prices. Although there was a rebound in orders in the fourth quarter, this was not enough to cover earlier shortfalls. As a result, net sales were down 9.6% year on year to ¥184.3 billion, with operating income falling 44.9% to ¥8.2 billion. Net income was 76.3% lower at ¥1.7 billion. In summary, the middle year of our medium-term management plan oversaw a downturn in top- and bottom-line performance.

Progress Report: Year Two of the Medium-term Management Plan

As year two of our medium-term plan, fiscal 2007 was intended as a time for record sales and earnings prefaced on sharp expansion in our core growth drivers—power electronics and optical devices. However, in regard to net sales, operating income and net income targets of ¥223.0 billion, ¥19.0 billion and ¥9.0 billion, respectively, forecast last year, we managed to meet only 82.6%, 43.5% and 19.7% of these goals, respectively. The end-result was substantially lower revenues and earnings for the year than we initially anticipated.

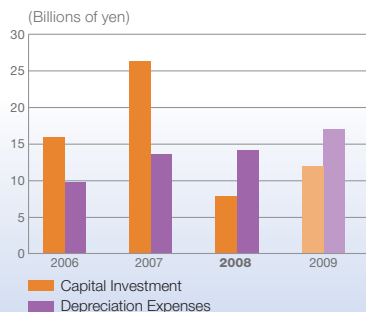
In the semiconductor devices business, we achieved 91.9% of the ¥116 billion in sales planned for this business, a shortfall of ¥9.3 billion. While electrical and electronic systems for automobiles continued to perform strongly along with household appliances, this was undercut by declining sales of products for CRT- TVs and office equipment. In the CCFL business, sudden price drops stemming from oversupply as well as lackluster orders, conditions which persisted from the first half through to the third quarter of the year, caused performance to dip far short of targets. We met just 61.0% of the ¥58.0 billion we initially targeted in this business, representing a shortfall of ¥22.6 billion.

In the PM (Power Module) business, we reached only 81.1% of our planned target of ¥34.0 billion in sales, coming up ¥6.4 billion short despite efforts to reduce export shipments by air and other irregular costs that we encountered in the previous fiscal year. This large shortfall masked some signs of improved profitability in this business realized from our restructuring efforts.

In the PS (Power System) business, sales were 97.3%, or just ¥0.4 billion shy of our target of ¥15.0 billion. This result came as

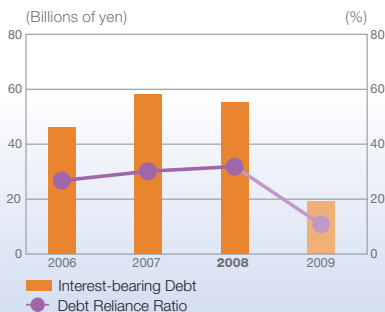
Capital Investment/ Depreciation Expenses

Years ended March 31



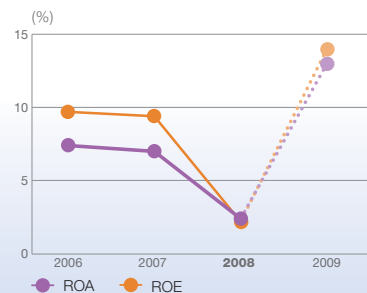
Interest-bearing Debt/ Debt Reliance Ratio

Years ended March 31



ROA/ROE

Years ended March 31



growth in sales and profits from power supplies for telecommunications equipment for mobile phone base stations was overshadowed by flagging sales from airport equipment projects and other large sources of one-time special demand.

The external business environment we now face is expected to worsen as the yen's appreciation, soaring raw material prices and other prevailing conditions linger. This environment will no doubt prove extremely challenging to achieving our final medium-term plan targets of ¥250.0 billion in net sales, operating income of ¥25.0 billion, and net income of ¥14.0 billion. Nevertheless, we have already clearly analyzed the causes of our significant fiscal 2007 performance declines and implemented various countermeasures which have started to be partially effective. We intend not only to halt any further declines in performance but to make a significant rebound in the final year of our medium-term plan. At present, mounting a V-shaped recovery is a buzzword in the mind of every member of the Sanken Electric Group, and every employee is taking part in ramping up our collective ability to respond to changes more rapidly.

Lessons to Be Learned From Dynamic Changes in the Market and Mounting a V-shaped Recovery

In what was typically a year of notable growth for most of the electronics industry, Sanken Electric was virtually alone in posting lackluster results in fiscal 2007. Upon analysis, it was clear that our failure to keep pace with the dynamic changes of this win-or-lose digital era was one reason for this outcome. A clear example of this is the sudden structural change that television-related markets, which account for a good portion of our business, underwent during the second half of the year. First, orders for Sanken Electric's power supply ICs for these products, following rapid contraction in the CRT-TV market, fell rapidly. Meanwhile, market prices for LCD televisions, to which attention has now shifted, fell 30% due to the entry of overseas manufacturers. Hard hit by these factors, orders for our CCFLs struggled, sparking a drop in sales. The fact that the most popular screen sizes did not shift larger, thus triggering a subsequent slide in the average sales price of

CCFLs, was another factor behind the lower sales. But the fundamental reason for this decline was that although we anticipated these changes in the business environment, their speed was far greater than we had predicted. After posting record earnings for the previous fiscal year, we were suddenly faced with the reality that first-half forecasts would be missed by a significant margin. It was then that we decided to make a V-shaped recovery our objective, realizing this would demand both a complete break with how we conducted our business in the past and the development of a framework more responsive to a present-day dynamic business world.

Key Factors in Performing a V-shaped Recovery

What are the key factors in attaining the recovery we seek? To identify them, we first asked the question, "What is it that underlies Sanken Electric's fundamental strengths?" The answer was unique advantages cultivated by the Company's 60-year history. Of these, we identified three that can be leveraged to support our recovery.

1. Sanken Electric is a powerful brand independent of any larger corporate group.
2. Our global R&D team consists largely of young engineers.
3. Sanken Electric has modularization and mounting technologies.

Keeping these advantages firmly in mind as we try to keep pace with the speed of the present-day dynamic market will enable Sanken Electric, through its core business domains, to develop outstanding technology to offer comprehensive solutions. This is as true for power conversion and management, a field that encompasses everything from power supplies to controls for motors, as it is for backlighting. This mindset, in turn, will also lead to the broad capabilities that will enable us to develop systems for providing optimal solutions across the entire power semiconductor domain.

The next step for Sanken Electric is to match its operations to the dominant trends of the times. Eco-friendliness and thin screens are the most visible trends in the world of electrical and electronic products today. Currently, manufacturers of finished LCD televisions have geared up development efforts with the aim of reducing the power consumption of these products by 15 to 30%. But while

lower power consumption is the goal, no amount of individual innovation in semiconductor devices, or in CCFLs or LEDs, will allow manufacturers to reach this degree of reduction. Sanken Electric has a product lineup that begins with the starting point for all electrical products—power supplies—all the way through inverters for CCFLs. Our lineup even consists of end-products such as CCFLs and LEDs. This position enables Sanken Electric to offer optimal solutions (in this case, lower power consumption) for an entire product system. This range of technologies, moreover, is not easily matched by industry peers, and indeed typifies the “comprehensive solutions” that have long been our strength. Put differently, both eco-friendliness and the shift to thinner screens are, in fact, two of the most remarkable business opportunities that Sanken Electric has ever witnessed.

Correctly understanding these key factors is what will make our V-shaped recovery possible. Comparing our outlook for fiscal 2008 to those of other electronic component makers, many are forecasting lower revenues and earnings for the year. The apparent reason for the downturn is a greater depreciation burden stemming from increased investments made through last year, coupled with the impact of substantial fluctuations in currency exchange rates due to the yen’s appreciation. Sanken Electric, in contrast, is expecting higher revenues and earnings thanks to a lighter depreciation burden, and minimal impact from exchange rates. Considering this outlook, I am confident that we can achieve our sought-after V-shaped recovery.

Enhancing Corporate and Shareholder Value

Sanken Electric has seized on M&A opportunities in Japan and overseas in previous years. These have since become major forces behind the Company’s current growth potential. Given this history, it follows that we view the pursuit of growth potential through M&As as one of the viable options for further capitalizing on our advantages, whenever and wherever we recognize further synergies with existing business fields. I believe that such M&As, by extension, can be instrumental in maximizing our corporate value. Looking ahead, we will strive for a speedier style of management and take

bold steps towards realizing our V-shaped recovery. We intend to do this while working to better strengthen the Company’s business base to meet medium-term plan targets and to further enhance our competitiveness. We will also strive to achieve the policy goal of providing stable dividend payments.

As shareholders in Sanken Electric, I ask for your continued understanding and support of our plans for the Company.

July 2008



Sadatoshi Iijima
President

- 1 Powerful stand-alone brand strength
- 2 Worldwide R&D team staffed with young engineers
- 3 Modularization and assembly technology

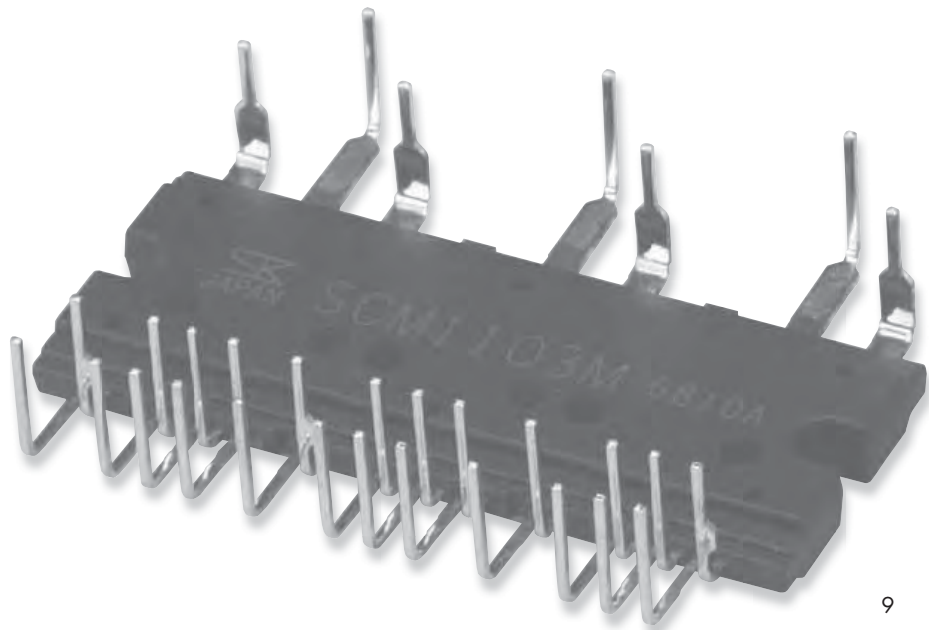
Reaffirming Our Strengths

1 Powerful stand-alone brand strength

This is Sanken Electric's first and foremost strength. The key merit of independence from any larger corporate group is that we can freely do business in any country, and with firms in any industry, without the constraints imposed by the corporate relationships intrinsic to belonging to such a group. In fact, our current business partners consist almost entirely of leading names from a spectrum of industries, including the home electronics, automotive, office equipment and telecommunications sectors. Companies that lead their industries obviously have extremely rigorous demands when it comes to technology, quality, cost and delivery schedules. At Sanken Electric, we take these requirements seriously, continuously striving to offer solutions to each of these issues and conducting R&D to deliver the products that our clients need. The result of this has been confidence among customers in Sanken products and trust in the Company's technological capabilities. As one might expect, this has led to the enhancement of the Sanken brand over

the years. In automotive products, for example, we initiated joint technology development with manufacturers of electrical automotive system components some 40 years ago, long before semiconductors for onboard automotive systems were given the attention they command today. Sanken's long-held reputation for clearing rigorous quality benchmarks is a vital component of how we have achieved our solid position today without commitments to any larger corporate group. Brands, as we know, are the end-result of repeated success. Our diligence since the Company's founding, and many years of hard work producing our brand of power semiconductors and power modules, is undoubtedly the reason why the name "Sanken" continues to enjoy the recognition that it does in the global market for power electronics.

That the Sanken brand has become such a powerful name in the component industry is unquestionably a tremendous asset for the Company.



2 Worldwide R&D team staffed with young engineers

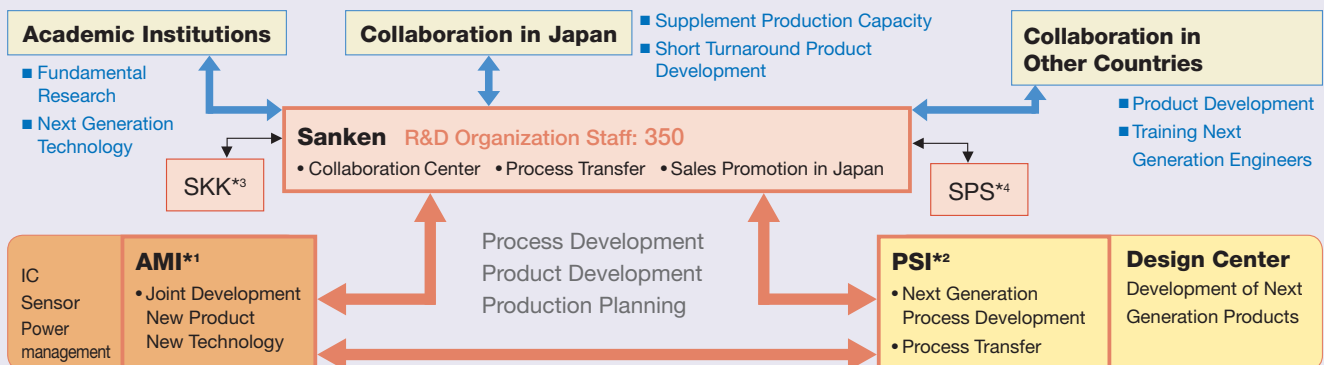
Sanken's second strength is the global diversity and youth of our R&D team.

Engineers with a broad interest in many areas, a sense of curiosity, and the vitality to transform the impossible into reality are indispensable to any technology development program. The benefit of having an R&D program that mainly consists of younger human resources is that it creates an environment where scientific curiosity and vitality can flourish. For a company like Sanken Electric with a global technology development network, we also believe that younger people, who are largely free of the communication barriers with engineers from different cultural backgrounds with which older generations struggled, are better positioned to deliver results by tackling head-on and resolving any issues that emerge. To give an example, several years after joining the Company, younger engineers are sent to overseas affiliates for on-the-job training for a period of about three months. Many of these trainees later express a desire to stay on and continue work overseas. Compared to previous generations, this gives a real sense of how open younger generations are to the world beyond Japan's shores.

Another merit of conducting R&D on a worldwide basis is that first and foremost it enables Sanken Electric to draw from a much broader pool of R&D talent. The pool of people with skills in analog and power semiconductors has always been a small one. The plain fact is that companies will fail to secure the necessary staff in sufficient numbers if they insist on hiring talent solely in Japan. In this regard, we are proud that at Sanken headquarters alone we currently have 350 young and energetic power semiconductor R&D team members from around the globe. Another point to highlight is that having R&D locations across the globe enables Sanken to gather and incorporate information on the latest technology trends on a broad, Group-wide basis. Finally, since the Company's customers consist overwhelmingly of companies with their own global operations, we can leverage our global network to offer solutions attuned to the specific needs of customers' own worldwide business locations. This global network, moreover, helps Sanken to mobilize whatever resources it has in various parts of the Group. This contributes greatly to our capacity to develop new and proprietary Sanken technologies.

Enhancing Collaboration Faster Development, New Products, Next Generation Element Technology, Training of Engineers. Trilateral Relationship of AMI-PSI-Sanken Serves as Core of Wider Collaboration.

*1: Allegro MicroSystems, Inc. *2: Polar Semiconductor, Inc. *3: Sanken Electric Korea Co., Ltd. *4: Sanken Power Systems (UK) Limited



3 Modularization and assembly technology

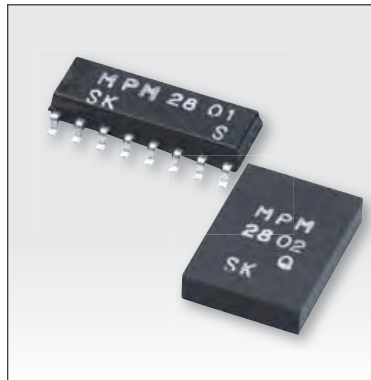
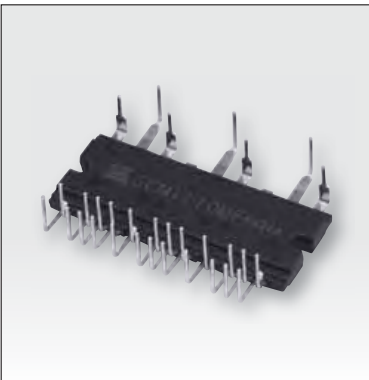
This is our third major strength. Above all else, possessing advantages in terms of modularization and assembly technologies means the ability to provide comprehensive solutions in the truest sense. From the customer's standpoint, this means they have to consider only input and output to the module—the component in which all of the desired functions are contained. This eliminates, in other words, the need for the customer to undertake power supply design work of any kind, from having to choose circuitry methods or to actually design circuits, or even the need to select individual components. This truly “design free” option is of enormous benefit to our customers.

From our perspective, these advantages also enable Sanken to build a true “black box” around its technologies. Even the outside assembly of high-performance power supply boards that incorporate our unique expertise can result in the swift and complete copy of our technology if components are left visible on the circuit board. Making circuitry invisible by enclosing it entirely within a modularized unit is thus critical to preventing the relatively effortless development of rival products. This is what building a “black box”

around technology means. Indeed, modularization and assembly technology of this kind is a feature that sets Sanken apart from its industry peers. The technology to combine certain components into one competitive product and let them function more than the mere aggregate of individual components is an advantage that other firms cannot match.

The emerging trend in modularization is to develop technology to overcome challenges deemed inherent to power products, i.e., large electric currents and high temperatures. Such technologies will unquestionably generate enormous value. The beautiful sound of a good chorus comes not from the individual tenor of the separate voices but from the harmony made as they are integrated in unison. Similarly, modularization and assembly technology are the high-value harmony that comes from integrating individual technologies.

Modularization and assembly technology



SEMICONDUCTOR BUSINESS

Main Products

Power ICs, Hall-effect Sensors, Driver ICs, Transistors, Diodes, Light Emitting Diodes (LEDs), Cold Cathode Fluorescent Lamps (CCFLs)

Markets

Audio/visual, home appliances, automotive, OA, industrial

POWER MODULE BUSINESS

Main Products

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

Markets

OA, industrial, flat-panel TVs

POWER SYSTEM BUSINESS

Main Products

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

Markets

Telecommunications equipment, industrial

In the Home

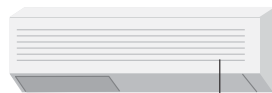
Flat panel TVs

- Semiconductors
- CCFL



Air conditioners

- Semiconductors



Notebook PCs

- Semiconductors
- CCFL
- AC adapters



*Also used in a wide array of other consumer electronic products.

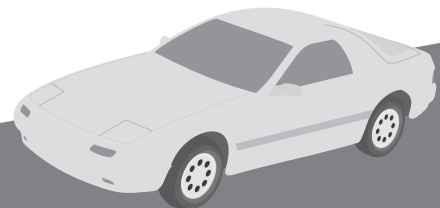
In Automobiles

Fuel-Related Alternators, Fuel injectors, Ignition systems, etc.

- Semiconductors
- Sensors

Driving/Safety-Related Automatic transmissions, Power steering, etc.

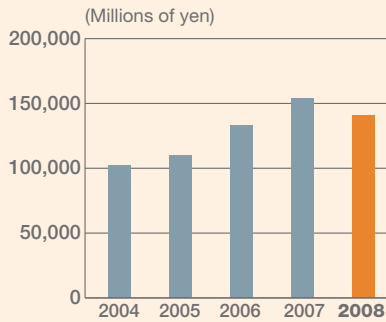
- Semiconductors
- Sensors



*Also used in a wide array of other automotive electrical components.

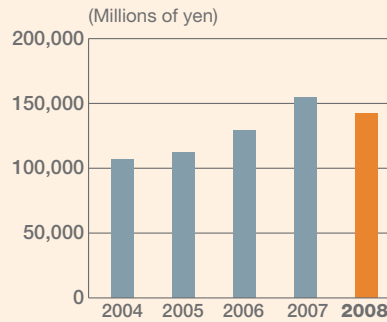
Orders Received

Years ended March 31



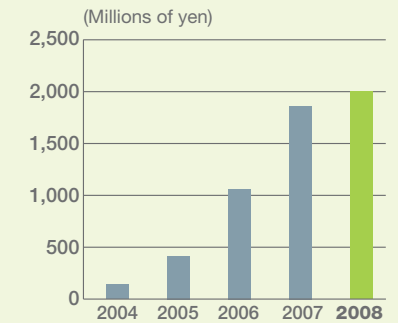
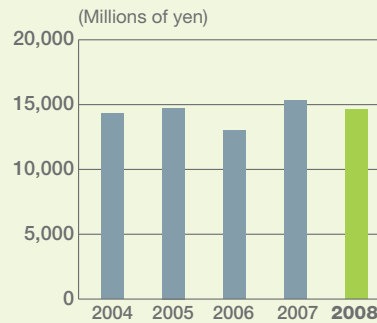
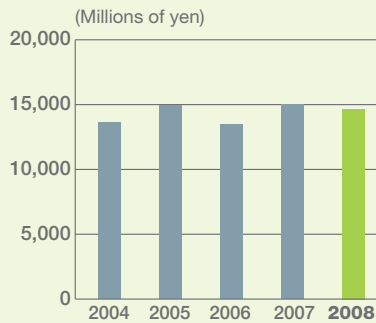
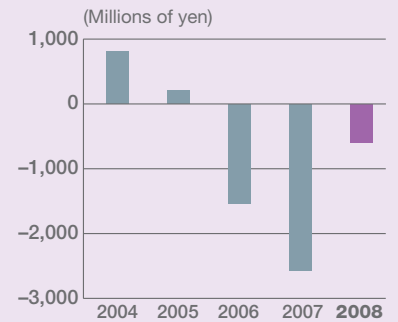
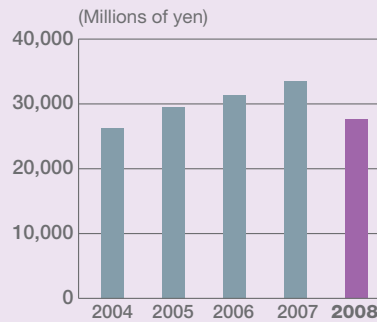
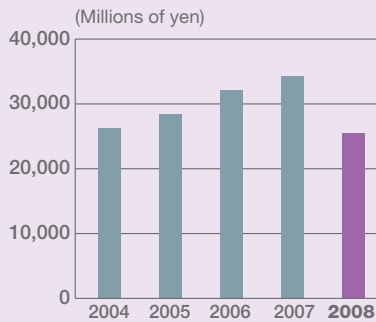
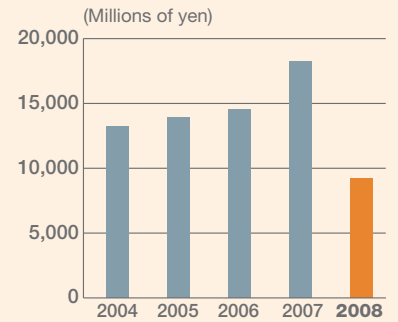
Net Sales

Years ended March 31



Operating Income (Loss)

Years ended March 31



● In Communication Base Stations

- DC power supplies

● In Data Centers

- Uninterruptible power supplies (UPSs)

● On Bridges

- High-intensity aircraft warning lights

● In Large-Screen Displays

- LEDs (light-emitting diodes)

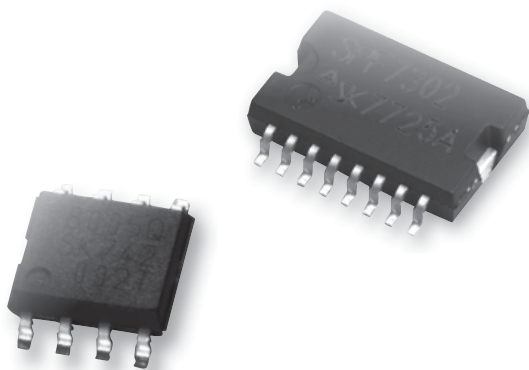
● In Plants

- Motor control inverters



Semiconductor Business Semiconductor Devices

Semiconductor devices form our core business, with main products ranging from power ICs, transistors and diodes, to Hall-effect sensors, etc. Our semiconductor devices belong to a field called power electronics, and are key devices in many areas such as flat-panel televisions and other AV equipment, home appliances, OA equipment, and automobiles. Right now, with a three-way collaborative framework consisting of Sanken Electric, Allegro MicroSystems, Inc. (AMI) and Polar Semiconductor, Inc. (PSI), we are ramping up the pace of development and engineering to offer clients products better suited for their specific needs.



Market Conditions

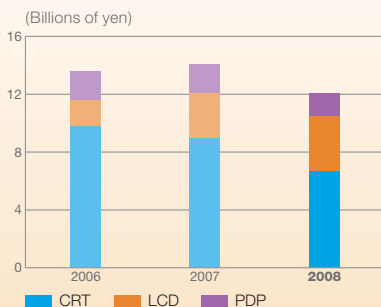
Our semiconductor device business is broadly aimed at the three markets of consumer electronics, automobiles and OA/ industrial machinery. At present, the Group's attention is heavily focused on the FPD-TV, white goods household appliance and automotive markets.

The FPD-TV market, which is rapidly replacing CRT-TV, is expected to grow by 20% annually regardless of economic conditions, as demand for the products rises globally. Behind this trend is an ongoing tension between higher raw material costs and the rush to maintain the cost competitiveness of finished products. In this challenging climate, a new environmental regulatory standard, Energy Star Ver. 3, will formally take effect in the United States on November 1, 2008. To ensure compliance, finished product manufacturers have stepped up their efforts to improve on energy-saving levels, and pursue development aimed at producing more energy-efficient FPD-TVs, among other initiatives.

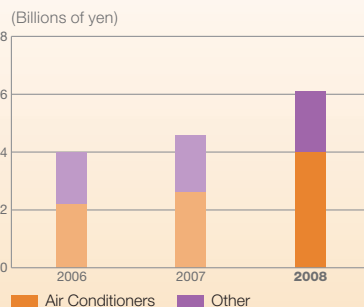
In the white goods household appliances market, the shift to greater energy efficiency is gaining momentum alongside a move toward higher device performance and increasingly large capacities. This situation is triggering both the adoption of inverters and an increased need for compact, yet multifunctional, electronic components. This is particularly the case with air conditioners, which consume large amounts of energy, where the shift to inverter-driven air conditioners in the global market. The shift toward greater inverter use is also expected to pick up momentum in household appliances other than air conditioners.

The automotive market is another area of focus for Sanken Electric. In this market, the auto industry is emphasizing three

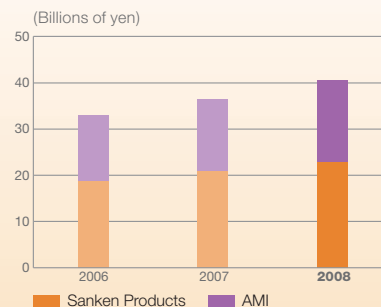
Focus Market: FPD-TV
Years ended March 31



Focus Market: White Goods
Years ended March 31



Focus Market: Automotive
Years ended March 31



Note: Above figures are non-consolidated, excluding Allegro.

distinct characteristics: safety, comfort, and performance. Accordingly, the use of electronic components in automobiles in areas other than the engine has spread rapidly as a means of raising the level of these three essential qualities. Similar to the previous fiscal year, as the pace quickens for increased use of electrical and electronic systems in automobiles, the market for semiconductor devices within the automotive market is expected to post annual growth of 10%.

Fiscal 2007 Results

Sales of semiconductor devices decreased 2.9% year on year to ¥106.7 billion, as robust performances from two markets where Group efforts are currently focused—automotive electronics components and household appliances—were offset by declining sales of semiconductors for CRT-TVs and office equipment.

Sales to the automotive field climbed 11.3% year on year to ¥40.6 billion, mainly reflecting growth in power supplies for ECUs—heavily used in motion- and engine-related systems—as well as ICs for solenoid driver applications and sensors. Sales to the consumer electronics sector were ¥31.5 billion, virtually unchanged from the previous fiscal year. While sales of products for LCD-TVs and ICs for air conditioners increased, with the latter benefiting from unusually high climate temperatures, these gains were largely negated by declines in products for CRT-TVs and plasma televisions. Sales to the OA equipment/industrial machinery field declined 18.2% to ¥34.5 billion, mainly due to a decline in office-automation-related products, specifically printers.

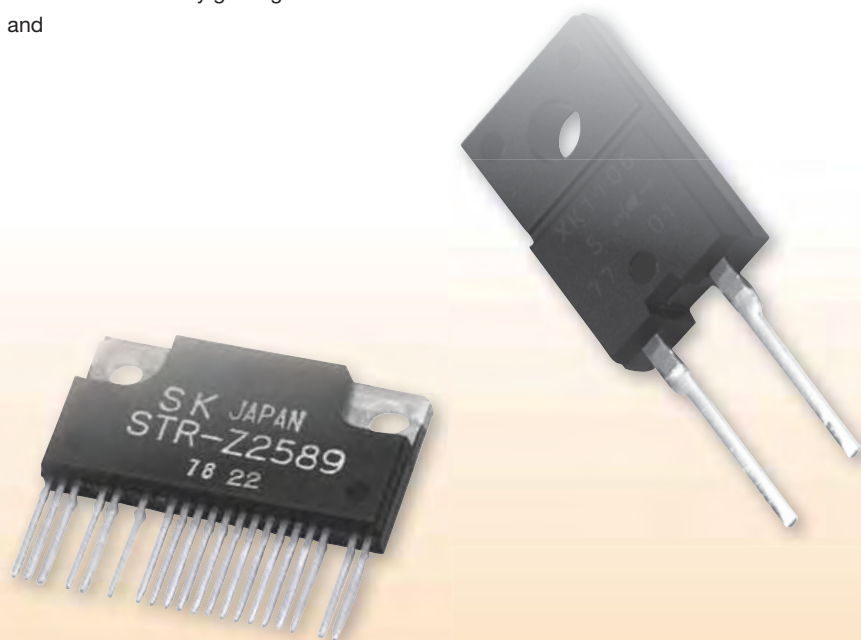
Operating income also declined on the year, attributable mainly to lower earnings at semiconductor device subsidiary AMI and soaring costs for raw materials.

Toward Success in the Final Year of the Medium-term Management Plan

While the growth in flat-panel televisions is expected to continue during the plan's final year, so too will the decline in the production of CRT-TVs. As a result, we are projecting sales of ¥106.2 billion, on a par with the previous year.

As an ongoing measure, we intend to move ahead with consolidating a number of organizations and developing an integrated framework for each of (a) fabrication processes (i.e., semiconductor front-end) and (b) assembly and packaging (i.e., semiconductor back-end) functions. The goal here is to shorten cycle times and enhance production efficiency. Attention will be focused on building a trilateral fab framework that includes Yamagata Sanken by promoting collaboration with the Company's two U.S.-based subsidiaries.

At Sanken Electric, we recognize that “ecology” and “thinner displays” will be buzzwords for the semiconductor electronics industry in fiscal 2008. Accordingly, steps will be taken to develop low-power-consuming products in order to minimize the Group's environmental footprint, together with a drive to develop thinner products. As we turn our attention to recapturing our share of the television market, we plan to roll out new product lines in the push to offer comprehensive FPD-TV solutions. We will also work to grow Sanken's share of products for the household appliances market, where high-efficiency devices designated for eco-friendly inverters are expected to become dominant. Similar actions are planned for devices targeting the electrical and electronic automotive systems market, where the adoption of electronic systems is steadily gaining traction.

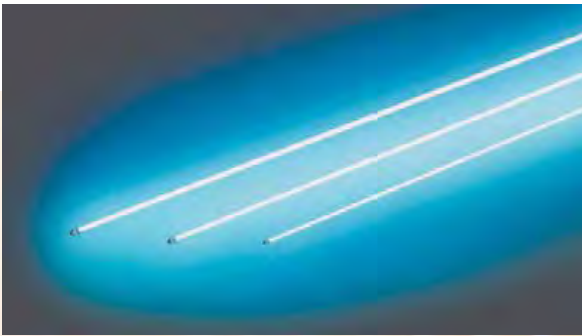


Semiconductor Business CCFLs

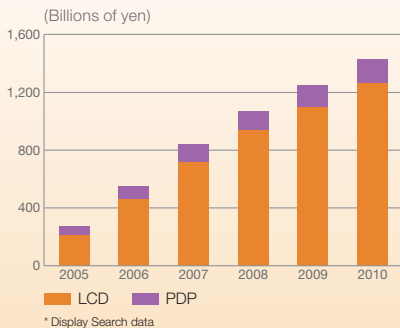
This business is driven by cold cathode fluorescent lamps (CCFLs) used in backlighting systems for LCD displays. There are two application markets; one for the LCD televisions and one for laptop PCs. Rapid growth in the size of the FPD market in recent years has been accompanied by a shift towards brighter and high-efficiency CCFLs. Amid these changes, the Sanken Electric Group is launching third-generation CCFLs in a move that will result in more differentiated products and spur further expansion of the optical devices business.

Market Conditions

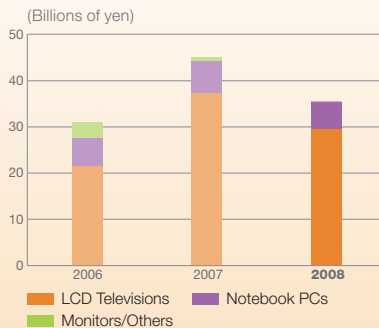
Although we initially projected that the shift to screen sizes of 40 inches or more would accelerate in 2007, the market ultimately trended toward small and middle-range sizes. Sales prices, moreover, fell faster than anticipated due to a temporary slackening of supply and demand as most CCFL manufacturers ramped up production. Consequently, the aggregate total of LCD-TV production across all screen sizes is expected to grow sharply to 110 million units, with the market for 32-inch products becoming the area for intense price competition. Looking ahead, issues such as cost competitiveness and ecological considerations, as well as thinner screens, are likely to become major areas of competition in this market.



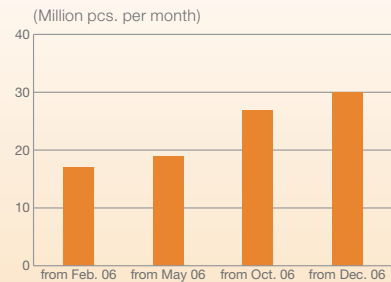
Growth Forecast for Flat Panel Display Market
Years ended March 31



CCFL Sales by Use
Years ended March 31



CCFL Production Capacity Increase



Fiscal 2007 Results

Sales in the CCFL business struggled in fiscal 2007, declining 21.4% year on year to ¥35.4 billion. In line with expansion called for in the medium-term management plan, we continued to implement capital investments aimed at raising the optical devices business as the Company's second core operation. During the year under review, however, the CCFL business was hit hard by several factors. In addition to lower-than-expected demand for large LCD-TVs, temporary deterioration in the supply-demand balance caused market prices to drop. It took longer to roll out new products, missing opportunities in some cases for our products to be incorporated in our customers' latest models. As a result, orders stagnated through the third quarter of the year. Operating income, too, was substantially lower, with earnings impacted by declining sales and increased depreciation expense due to capital expenditures. In response to this outcome, we implemented an organizational restructuring in this business to strengthen the framework for managing closely every aspect of operations, from development through to sales, and unveiled a series of new products. These actions put orders back on schedule in the fourth quarter. The return to a full-capacity, monthly production of 30 million units is set to underscore a rebound in sales already under way.

Elsewhere, the Group-wide initiatives stressing Sanken Electric's tradition of manufacturing excellence culminated in our latest and principal CCFL production subsidiary, Sanken Optoproducts Co., Ltd., receiving the 2007 Nikkei "Monozukuri" (Manufacturing Excellence) Awards.

Toward Success in the Final Year of the Medium-term Management Plan

Given that "ecology" and "thinner displays" have become buzzwords in the electronics industry, our strategy in the plan's final year will see Sanken Electric contribute to reducing power consumption in LCD-TVs by developing third-generation CCFLs that are 20% brighter than earlier 2006 models. As for thinner displays, we intend to be instrumental in commercializing LCD panels less than 20 mm thick by adopting the use of 4 mm diameter lamps, lower lamp voltages, and improved luminosity, thus creating a uniformly illuminated panel with fewer of lamps.

For fiscal 2008, we are targeting sales of ¥41.0 billion, an increase of ¥5.6 billion over the previous fiscal year. CCFL shipment volume is expected to be 81 million units per quarter, which represented a year-on-year increase of 40% over 57 million units produced the previous year. Meeting this target will require that we pursue speedier product development to meet the timelines for our customers' model development. At the same time, we will strengthen our approach toward both TV set and flat-panel display manufacturers and continue to lower costs in response to falling market prices through greater efficiency at factories. Additionally, we intend to secure a level of order volume that will enable full-scale production by clarifying our CCFL sales strategy for each of the sub-markets of LCD televisions.



Power Module Business

Power modules bring together our superior semiconductor and power supply technologies. This covers a wide range of products from switching mode power supplies found in computers and OA/FA equipment, power supplies for FPDs such as PDPs, and AC adapters for PCs, to small uninterruptible power supplies (UPS).

Fiscal 2007 Results

Power module business sales declined ¥5.9 billion, or 17.6%, year on year to ¥27.6 billion. Sales decreased for switching power supplies used in consumer electronics, our main products in this business, as we emphasized profit margins and deemphasized mere sales figures. Earnings, thus, showed signs of improvement thanks to reductions in air freight shipments and other irregular costs that emerged in the previous fiscal year, and progress made in restructuring this business. Sales of general-purpose small UPS (uninterruptible power supplies), meanwhile, increased as shorter cycle times succeeded in bringing in an increase of new orders for products to be used in mobile phone base stations, ATMs and other applications.

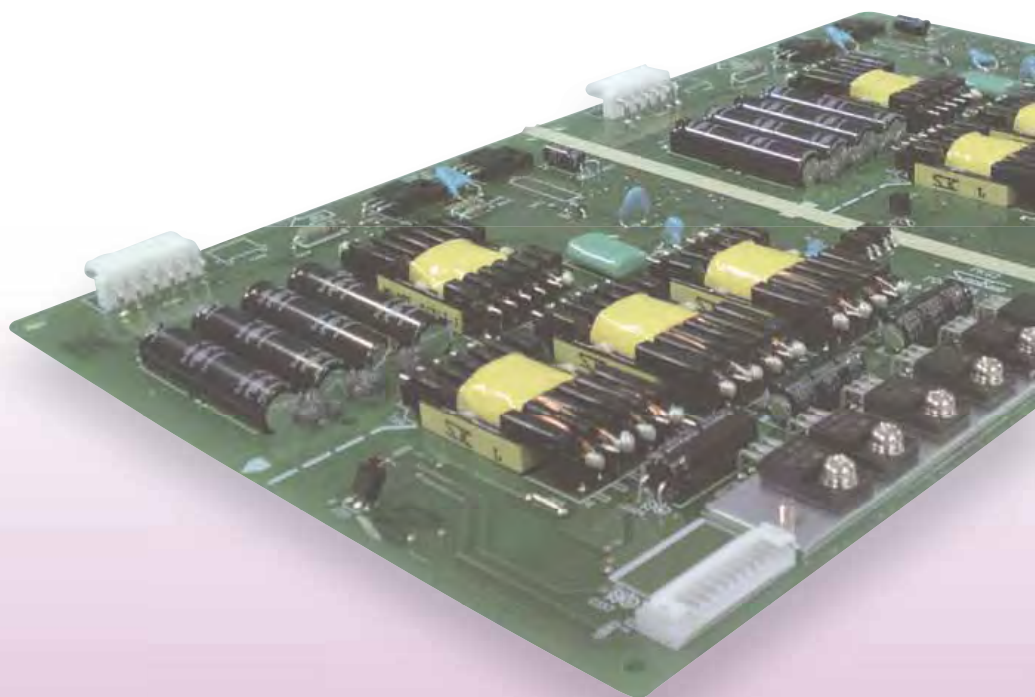
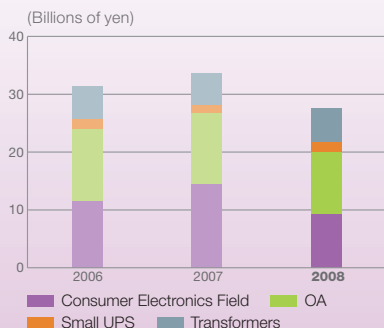
Toward Success in the Final Year of the Medium-term Management Plan

We terminated production at Korea Sanken in March 2008, consolidating our production locations in this business into Indonesia in an effort to reduce operating costs and respond more swiftly to market changes. In addition to implementation of the cell production system, we are continuing to promote structural reforms that include upgrading local design and evaluation systems. One current trend in FPD-TV power supply boards is a move by set manufacturers to seek boards from outside subcontractors rather than produce them in-house. Accordingly, we plan to bolster our board business in response to this change.

On the technology development front, we are pushing ahead with the development of ultra-thin power supplies for FPD-TVs, a step that fits nicely with the general shift to increased device modularization. Product thinness, compactness, lighter weight, and high efficiency are the keywords guiding our development efforts. Measures to grow sales in this business will include steps to reinvigorate sales of PDP power supplies through joint development with major PDP set manufacturers overseas, the development of ultra-thin power supplies, and expanded sales of the world's smallest AC adapter for notebook PCs. Based on these actions, we expect sales to exceed the ¥30 billion mark in fiscal 2008, rising ¥4.2 billion year on year to ¥31.8 billion.

Power Module Sales by Use

Years ended March 31



Power System Business

The power system business is thriving at the root of our manufacturing tradition. Our products, such as large DC power supplies, high-intensity airway beacon systems, and high-capacity uninterruptible power supplies, alongside general-purpose inverters for controlling motors, have earned trust and a reputation for excellence while serving in important areas of social infrastructure where power interruptions are unacceptable, such as in telecommunications systems, dams, transformer substations, and tunnels.

Fiscal 2007 Results

Consolidated sales in this business edged ¥0.7 billion, or 4.5%, lower year on year to ¥14.6 billion. Sales performance was largely unchanged from the previous year due to growth in sales and profits from power supplies for telecommunications equipment atop firm orders for power supplies for mobile phone base stations. This healthy performance largely offset the absence of one-time special demand for airport infrastructure projects posted in the previous year. Earnings from this business improved ¥0.1 billion year on year, reflecting a better product mix that included sales of products with more favorable profit margins.

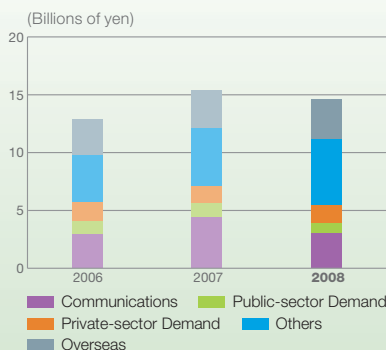
With sales of VVVF inverters to China, we made a bold entry into the market for high-voltage inverters.

Toward Success in the Final Year of the Medium-term Management Plan

In the final year of the medium-term management plan, we are targeting sales of ¥16.0 billion for this business, an increase of ¥1.4 billion over the previous year. Operating income is currently showing signs of improvement. To assist this trend, we will continue the push to establish a foothold in new business areas, focusing on the development of high-efficiency, large-capacity power supply equipment and high-voltage inverters. Our goal is to achieve a more stable earnings structure and deliver products that closely match the needs of the target application, and supply these products to the terrestrial digital TV broadcasting and disaster-prevention markets, where demand is expected to rise, as well as to environment- and energy-conservation-related markets. In terms of global business development, we will push forward with expanding overseas production, centered on China, and take decisive steps to enhance production efficiency and reduce costs. Initiatives here will include adopting just-in-time production methods, local procurement in China of components and materials and joint purchasing, greater simplification of main circuits, and the standardization of large structural components.

Power System Sales by Use

Years ended March 31

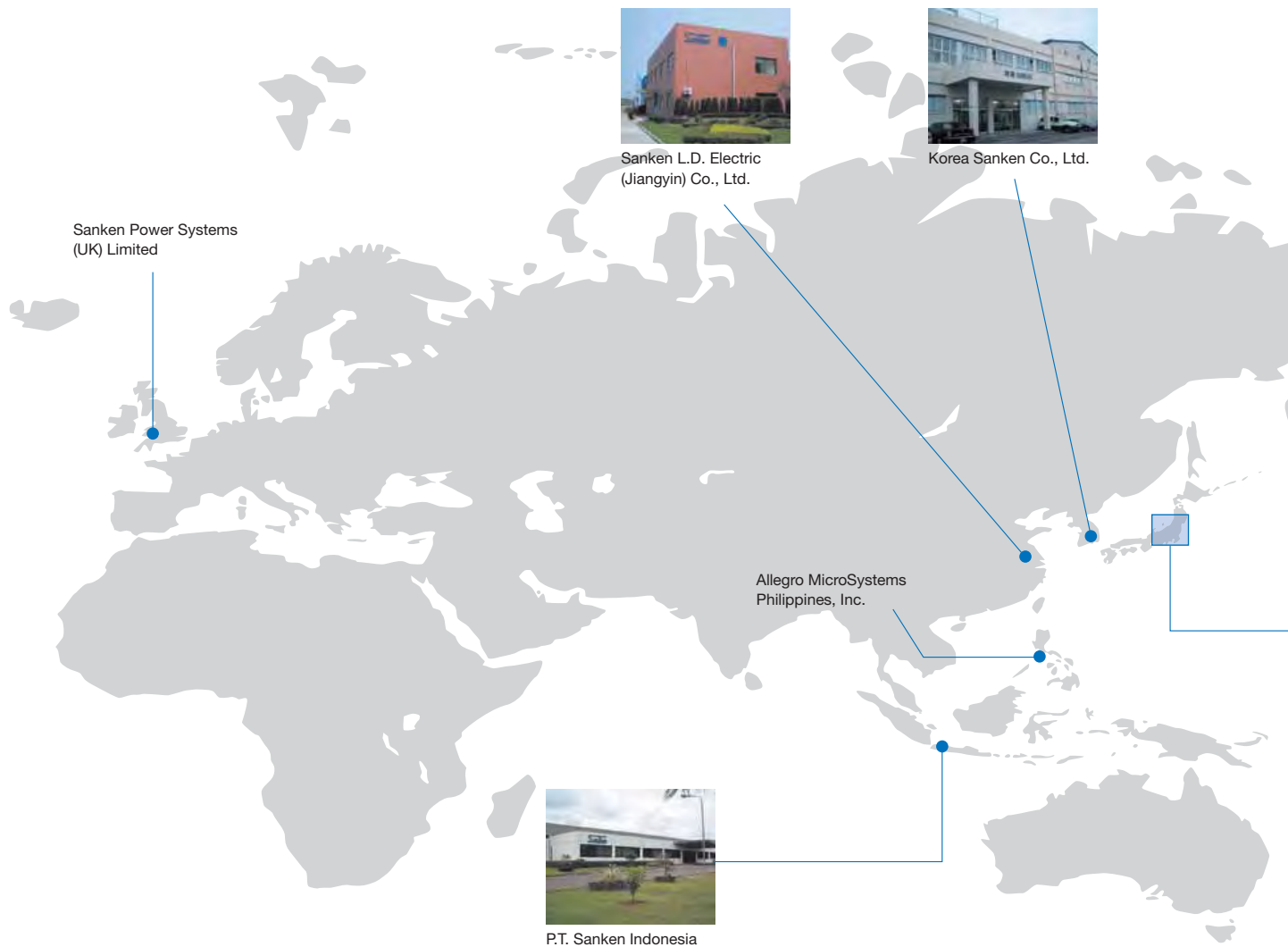


Global Management

Sanken Electric's engineering and manufacturing network spans the globe. The Group is taking steps to bolster global management to effectively enhance the functions of this network. Forging stronger ties between technology, development, application design, manufacturing and sales functions will enable the Group to take full advantage of its collective strengths.

Strengthening Global Management

The Sanken Electric Group's manufacturing network is supported by key bases worldwide, located in Japan, the United States, the United Kingdom, China, Indonesia, the Philippines, and South Korea. A global network of major manufacturing bases alone, however, is not sufficient to keep pace with the speed and changes of the present-day dynamic market. For this reason, the Group promotes stronger global management by accelerating the speed of new product development and aggressively pursuing marketing activities tailored to specific "end-user markets around the globe."



Accelerating New Product Development to Take Advantage of Collective Strengths

The push to ramp up the pace of new product development is spearheaded by an optimal, three-way collaboration between Sanken Electric and U.S.-based subsidiaries, AMI and PSI, anchored by the headquarters' development and engineering center. Meanwhile, the collective strengths of FAE (field application engineer) technical centers in Seoul, Shanghai, Taiwan, and Hong Kong, and Sanken Power Systems (UK) Limited form a network covering a broad range of client firms of various nationalities. This configuration not only enables the joint development of products closely tied to strategic marketing, but also the development of a mutual assistance framework for achieving optimum performance for all Group companies.

Promoting Human Resources Development and a Framework for Closer Internal Control

In developing Sanken as a group with a global pool of skilled engineers, efforts to recruit young talent and foster those human resources are coupled with the aggressive promotion of global interaction among Group company associates, as well as advancing the standard of the right people for the right position. While ensuring that employees at overseas subsidiaries are thoroughly educated about our Corporate Philosophy, we also promote stronger risk management frameworks and the establishment of internal control systems at these subsidiaries. These actions allow us to implement corporate social responsibility (CSR)-oriented Group management as we work to enhance corporate value.

Through these initiatives, our goal is to realize global management that fully integrates the Group's development, manufacturing and sales activities in order to consistently supply global markets with high-quality products in the power electronics and optical device business domains.



Polar Semiconductor, Inc.



Allegro MicroSystems, Inc.



Sanken Electric Co., Ltd.



Fukushima Sanken Co., Ltd.



Kashima Sanken Co., Ltd.



Yamagata Sanken Co., Ltd.



Ishikawa Sanken Co., Ltd.



Sanken Optoproducts Co., Ltd.

R&D and Intellectual Property

Inspired by the Medium-term Management Plan launched in 2006, the Company emphasizes R&D to offer comprehensive solutions, most notably with respect to modularized products. By globally mobilizing its technological resources, the ultimate goal for Sanken Electric is to surpass customer expectations.



R&D Policy

The basic R&D policy of the Company is to channel resources into two principal business areas—power electronics, specifically power semiconductors, and optical devices. With respect to power supply systems—the core of the wider power electronics business—our approach is to offer comprehensive power solutions encompassing both hardware and related software, as opposed to supplying individual semiconductor components. Consequently, R&D activities revolve around the development of easy-to-use and dependable modularized and systematized products. Sanken Electric is uniquely positioned to provide customers with every element related to power supplies. Encompassing everything from the development and fabrication of semiconductor devices, to the design and assembly of power supply circuit boards and the design and manufacture of transformers, this capacity is a great competitive strength of the Company.

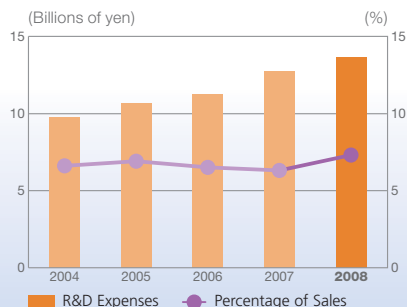
R&D Organizations

The Company's R&D organizations are centered on the fundamental concept of "Trilateral Collaborative Technology Development," comprising Sanken Electric, sensor and motor driver virtuoso Allegro MicroSystems, Inc. (AMI), and Polar Semiconductor, Inc. (PSI), which doubles as an advanced wafer fabrication plant and a design center specializing in new circuit development. This global collaboration framework enables each participant to rely on a greater pool of complementary engineering resources.

In addition to benefits gained from mutual cooperation among group companies, the Company enters into technological alliances, joint development, commissioned research and other collaborative arrangements with outside firms in areas where greater expertise is needed. In parallel, the Group is recruiting and training talented young engineers in Asian markets. The goal is to form groups of engineers in close proximity to one another that are ready to meet market expectations, and are within easier communication range of customers.

R&D Expenses

Years ended March 31



Intellectual Property

The Company's basic policy for the proper protection and effective use of intellectual property is to cross-license with other companies. During 2007, one of the notable initiatives implemented by the Intellectual Property and Legal Office staff was to hold a series of approximately 30 information sessions. These included discussions on the increasing number of inventions and patents in general, on the best way to make the most out of patents and on the need for greater awareness among researchers and engineers on safeguarding intellectual property. As a result, the number of inventions exceeded 200, with the number of patent applications in Japan increasing 1.5 times and overseas patents up 1.2 times over the previous year. One factor behind these advances is the headcount of the IP staff, which jumped from 9 last year to 18 this year, and other measures put into motion to strengthen their functions. Going forward, the Company plans to use the increased staff to manage the best use of the patent portfolio, consisting of protection-oriented core technology patents on one hand, and cross licensing-oriented marketable patents on the other. At the same time, Sanken Electric also plans to shorten its patent application processing time to expand the overall size of the patent portfolio.

R&D Achievements in Fiscal 2007

In semiconductors, the Company marketed the FMXK series of fast recovery diodes (FRDs). These low-loss ($V_F = 1.7\text{ V}$), ultra-high-speed (at 27 nano seconds, among the world's fastest) FRDs show only very limited changes in recovery characteristics, with recovery times unchanged even under high-temperature conditions. Such features make these diodes ideal devices for high-performance power supplies.

Elsewhere, the Company launched sales in Japan of SI-8005Q, a step-down switching regulator IC that is 50% smaller than conventional models and contains a chip developed in collaboration with U.S.-based subsidiary Polar Semiconductor, Inc. (PSI).

In power modules, the Company commercialized multi-output voltage, resonant converters using a new methodology that enables high power output and efficiency with minimal interference.

In power systems, Sanken Electric successfully developed a single-phase, insulator-type serial inverter with an efficiency level of 95%, one of the best in the world.



Manufacturing Excellence Division —Bringing the Company’s Strategies to Life

Background for creation and divisional organization

Clients have become more sensitive to cost and quality. In this climate, developing products and packages unique to Sanken demanded the creation of production lines and manufacturing equipment systems custom built in-house by knowledgeable Sanken staff and designed to develop products in a proverbial “black box” to protect all the intellectual property and production know-how. The idea here was to achieve “high-level standardization,” where each of the Company’s plants is committed to developing unique manufacturing facilities; the very best from this internal process would then be circulated to become the standard at Sanken Electric and the entire Group. For implementation, in 2007, as a successor to the Center for Manufacturing Excellence, we established the Manufacturing Excellence Division to coordinate and reinforce these efforts across the entire Company.

The division is composed of the three groups described below.

1. **Production Reform Group:** Positioned as an organization to train manufacturing staff from various production plants who will then lead production innovation initiatives, this group plans and manages one-year business production projects for any given site. The group also oversees the “Manufacturing Excellence Committee” responsible for managing progress on the Sanken Group’s “Manufacturing Excellence Level Index,” and holds biannual production innovation presentations, enhancing the Company’s dynamism through faster information sharing.
2. **Production Line Design Group:** Based on assessment of future trends in product demand, this group compiles a production plan composed of the equipment selection, production line construction and human resource allocation plans needed to meet projected production capacity requirements, and, finally, financial return simulations. The basic concept underlying production line makeup is uniformity, particularly among various lines manufacturing similar types of products. This fundamental design sharing enables flexible line construction, requiring only minimal retooling to meet diverse product specifications.
3. **Device Production Machinery Development and Construction Group:** This group is responsible for promoting in-house construction of production line equipment and for assessing the state of internal construction within the Sanken Group. Though limited only to semiconductor devices for now, investment efficiency is raised by using a centrally managed database of idle equipment and peak production information on existing products to decide the capacity and capability of the equipment to be built in-house.



Division achievements

The division's most telling success has been an increase in young human resources with innovative ideas at the Sanken Group. The move throughout the Group to enhance cost control, shorten lead times, boost yields and produce more equipment in-house has also gained momentum, and information once scattered across plants in the past has now been centrally compiled. Common concepts for the entire Group have also been adopted, most notably for line construction and achieving greater in-house equipment production.

The result has been an improvement in internal production capabilities, allowing in-house production to replace half of earlier equipment procurement costs. Moreover, the division has begun sponsoring a new Assembly Strategy Conference attended by personnel from each business division in charge of product development, general managers, assembly group leaders, production divisions, Group company presidents, and plant managers. This conference has made it possible to centrally manage information, allowing the entire Group to share the product development and sales strategy roadmaps that business divisions must have. This change has contributed greatly to bringing Sanken Group strategies to life.

For the Future—Spearhead Sanken's Transformation in Sync with Market Changes

Market needs with respect to semiconductors are shifting toward flatter and more energy-efficient products. Moreover, it has become critically important to ensure product development and strategic formulation in sync with the windows of opportunity for customers in and outside of Japan. The precision with which one can predict future trends and how powerfully one can respond to those changes will determine who emerges ahead. Even if we try to differentiate ourselves with unique product packages, heeding the input of customers in the marketplace, rather than push marketing, will be extremely important. By meeting and resolving these challenges through the Manufacturing Excellence Division, we will find solutions to issues such as the unprecedented level of plant reshuffling in the semiconductor assembly sector, and the burgeoning development of new system solutions-like packages.

Sanken Accorded the Nikkei "Monozukuri" Awards

Sanken Optoproducts Co., Ltd., a manufacturer of CCFLs used in backlighting for large-screen LCD televisions, was accorded the 2007 Nikkei "Monozukuri" Awards sponsored by the Nihon Keizai Shimbun. A key point in consideration for the prize was the company's manufacturing process. Adopting a distinctive layout and methodology for cell production, Sanken Optoproducts has doubled productivity despite reducing the required workforce, all while retaining the ability to respond flexibly to specification changes.



Basic Approach to Corporate Governance

Sanken Electric is striding forward with initiatives to strengthen management functions in order to boost efficiency, improve transparency and maintain sound management. On the one hand, the Company is working to enhance the speed and appropriateness of strategic decision-making by the Board of Directors and strengthen the board's supervisory role. On the other hand, Sanken Electric has adopted a corporate officer system in order to build a more flexible business execution structure, and is promoting steps to enhance the ability to manage tactical operations. Sanken Electric has adopted a corporate system with Statutory Auditors. Corporate governance at Sanken Electric has also been reinforced by the addition of an Operational Audit Office to our governance structure.

Corporate Governance Structure

To strengthen corporate governance and ensure a management framework that is more responsive to changes in the management environment, the term of office for directors is limited to one year. Furthermore, the adoption of a corporate officer system has enabled the Company to effectively separate business execution from decision-making and supervisory functions. As of May 31, 2008, Sanken Electric had 17 corporate officers, four of whom serve concurrently as directors. The Board of Statutory Auditors is comprised of four members, two of whom are from outside of the Company.

In accordance with its rules and regulations, the Board of Directors deliberates important matters pertaining to business execution, and is responsible for supervising the directors' performance of duties to ensure the appropriateness of actions taken on the Company's behalf. Furthermore, the board has clarified the scope of duties and responsibilities by formulating regulations governing the Company's basic organizational and authority structure, the division of duties, uniform administrative responsibilities, and managerial approval requests. The outcome and process of decisions is clearly recorded in the managerial approval requests. The entire Company reviews internal control systems pertaining to financial information, as well as related processes for the preparation of documents and reporting of such information, on an ongoing basis. The objective is to create a structure that assures confidence in the financial information disclosed by the Company. The storage and control of minutes from meetings of the Board of Directors

and documents and notes from other important meetings and business execution are strictly managed in accordance with relevant laws and internal regulations. Risks pertaining to significant investments, new businesses and other matters are carefully delineated following discussions that examine such risks from a variety of angles by the Board of Directors, management committee meetings, and other important Company meetings. Each division is responsible for evaluating and managing specific risks that could emerge during the course of ordinary business operations.

Internal Audits, Audits by Statutory Auditors, and Financial Audits

The statutory auditors sit on the Board of Statutory Auditors, and meet in order to set audit policies, audit plans, and decide other matters as prescribed by law, as well as to share audit information. In accordance with the division of duties determined by the Board of Statutory Auditors, the statutory auditors attend Board of Directors' meetings, management committee meetings and other important meetings, as well as inspect important documents. The findings of their audits are reported to the Board of Statutory Auditors. The statutory auditors also meet regularly for discussions with directors, the head of the Operational Audit Office and the independent auditor to enhance the efficacy of audits performed. The statutory auditors, furthermore, perform auditing visits to the Group's business locations in and outside of Japan, which are audited in a stringent but fair manner. The results of these audits are then reported to the Board of Statutory Auditors. The independent auditor's staff assisting the independent auditor consists of five certified public accountants and 12 associate public accountants.

Disclosure System

The General Affairs section continuously collects, confirms and examines information with respect to material decisions and facts, and their timely disclosure is made without delay in accordance with applicable laws and regulations after authorization by the decision-making body or occurrence of said facts. The IR Office, meanwhile, actively provides shareholders and other investors, analysts, the media and other parties with corporate information (including financial results) and also carries out public relations activities, operates the Company website and holds financial results briefings.

Compliance System

The Sanken Electric Group has formulated a Corporate Philosophy, Business Guidelines and Conduct Guidelines. At the same time, efforts by the president to instill a compliance mindset and a thorough understanding of its importance, as well as ongoing compliance education and training, all aim to ensure that compliance with all relevant laws and the Articles of Incorporation is firmly ingrained companywide.

Internal audits are performed by the Operational Audit Office, which reports directly to the President. The office is responsible for auditing and inspecting the corporate activities conducted by the Company and the Group, as well as preserving the effectiveness of the compliance system through the operation of a whistleblower system for reporting compliance-related problems.

The Operational Audit Office (formerly known as the Compliance Office through the year under review) has been expanded from the

current fiscal year. The new organization consists of a two-member Compliance Group responsible for ascertaining and preventing risk, and a three-member Internal Control Group, which conducts audits and provides guidance on improvements needed in line with the Company's internal control system. The office is also responsible for companywide compliance education and training. The Compliance Group operates the Company's "Helpline System," which serves as the source of whistle-blowing information and as a help desk for advice on compliance-related matters for employees. The Helpline System became accessible to all Sanken Group companies in Japan from the fiscal year under review. The Internal Control Group audits and evaluates all companywide control systems and process controls. The Internal Control Group initiated its first audits and evaluations in May 2008, following the complete installation of the companywide internal control system and process level controls for the Head Office and Ishikawa Sanken.

Directors' and Independent Auditors' Compensation

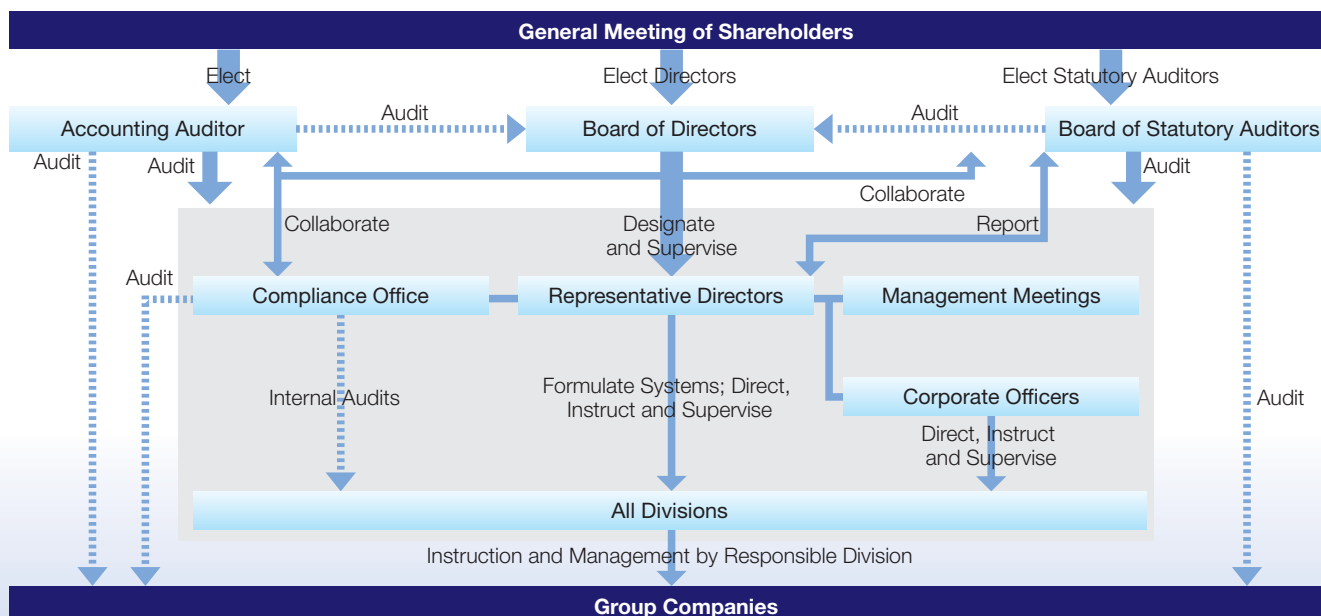
Years ended March 31, 2008

(Millions of yen)

Compensation paid to directors and statutory auditors*:

Compensation paid to directors	¥164
Compensation paid to statutory auditors (Including ¥6 million paid to outside statutory auditors)	¥ 35
Total	¥199
Fees paid to independent auditor	¥ 42

* Sanken Electric presently has no outside directors. Two of the statutory auditors are outside statutory auditors.



Risk Management System and Related Activities

Sanken Electric has established a Risk Management Committee, which reports directly to the President, to strengthen overall risk management for the entire Group and promote risk-event preparedness. In addition to measures for coping with natural disasters, the committee studies, evaluates and analyzes the wide range of risks encountered by the Group during the course of business operations. Through the proposal of planned countermeasures and plan implementation, the committee strives to ensure integrated and cross-divisional risk management across the entire Group.

On March 25, 2007, a major earthquake struck the Noto region of Ishikawa Prefecture, Japan, affecting Ishikawa Sanken's manufacturing facilities. By March 29, just four days later, however, production lines had been restored at all of the Company's six plants in the area. Learning from this earthquake, led by Ishikawa Sanken, we implemented a thorough review of earthquake preparedness. In July 2007, countermeasure policies proposed through this revision were passed on to other Group production facilities. Thereafter, each Group company took various actions to enhance the earthquake resilience of its entire infrastructure, including production facilities, equipment and furniture, as well as to upgrade its business continuity plan.



Basic Philosophy

Sanken Electric and its group companies recognize that keeping in harmony with the environment is one of their fundamental obligations, and, as their basic philosophy, act in an environmentally friendly manner, with sincerity and ingenuity, in all aspects of their corporate activities.

The Sanken Group Environmental Charter

Sanken Electric established the Sanken Group Environmental Charter in 2000 and announced to all stakeholders, both inside and outside the Group, their basic principles and guidelines for action. In accordance with the basic philosophy, the Sanken Group undertakes a variety of environmental conservation measures including the development of energy and resource-efficient products, the establishment and effective operation of an environmental management system based on ISO 14001, and compliance with environmental laws and regulations, as well as conducting programs to reduce waste and promote recycling, lessening the level of environmental load in its products and promoting "green procurement." Sanken Electric also takes steps to ensure that environmental conservation is part of its overseas business development, holding discussions with and seeking cooperation from local communities, government agencies, customers and trading partners. The Sanken Group further ensures that all its employees are familiar with the Environmental Charter, and makes it available to the general public through Sanken Electric's website. (<http://www.sanken-ele.co.jp/en/kankyo/00.htm>)

Environmental Policies

Environmental policies are established in three of the Group's facilities: the Sanken Group's head office and its Kawagoe and Niiza plants. Conservation measures closely follow the Environmental Charter, but take into consideration the individual characteristics of the actual business of each of the sites reflected in the medium-term and yearly plans, and emphasize that the measures should continuously be implemented.

Action Plan

Each year, Sanken Electric issues the Sanken Group Environmental Action Plan as part of its yearly planning process, setting the direction for environmental conservation at each Group company. Four priority measures were adopted for 2007:

1. Provide environmentally friendly electronic products
2. Lessen the environmental burden at each business office
3. Enhance the environmental responsiveness of the Sanken Group
4. Show consideration for the living environment of neighboring areas

Measures to lessen the environmental burden include efforts to reduce global warming, increasing the recycling rate of waste, and closer surveillance of the use of, and emission reductions of, materials that impose an environmental burden.

Conservation Activities

Sanken Electric launched an Environmental Management System (EMS) in 1998. In April of that year, Fukushima Sanken Co., Ltd. became the first member of the Sanken Group to obtain ISO 14001 certification. All Sanken Group companies in Japan have acquired ISO 14001 certification, and we are making steady progress with certification of Group companies overseas.

One of the results of the introduction of ISO 14001 has been the waste recycling rate. The domestic Sanken Group companies overall achieved a recycling rate of 98.1% in 2006, and have since maintained the rate at 98% or above. In 2007, five of Ishikawa Sanken Co., Ltd.'s production plants achieved zero emissions status, a waste recycling rate of over 99%. Half of all affiliates (Yamagata Sanken Co., Ltd., Kashima Sanken Co., Ltd. and Sanken Electric's Niiza Plant) have now achieved zero emissions.

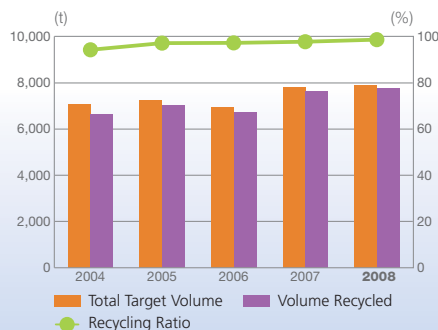
As part of its efforts to promote energy efficiency, in 2007, Sanken Electric set up an Energy Efficiency Committee to bolster efforts to reduce CO₂ emissions at its business offices. On a consolidated net sales unit basis, CO₂ emissions in fiscal 2007 have been reduced by 4% from the fiscal 1999 level. Sanken Electric

also pursues a companywide energy efficiency campaign under the direction of a certified Energy Manager, which includes central management of air conditioning temperatures through the installation and operation of energy efficiency control systems, and the integration of production plants to reduce electricity usage.

Environmental Responsiveness of Products

Sanken Electric has adopted the environmentally friendly design of products, green procurement and other measures in order to comply with international regulations governing harmful substances. In response to the European Union's RoHS Directive (prohibiting the use of six substances, including cadmium and lead), which went into effect in July 2006, Sanken Electric has, since 2000, worked diligently in collaboration with Group companies to transition to the use of lead-free solder and implement other necessary measures. Since fiscal 2003, Sanken Electric has worked to strengthen controls on products containing harmful substances, mainly through green procurement, and in January 2005, began shipping products that comply with the RoHS Directive. As a result of this early implementation, most of Sanken Electric's client companies with advanced environmental policies have recognized the Group as a source for green procurement, and the Group's framework for compliance with the RoHS Directive is nearly complete. Sanken Electric is currently working to confirm the suitability of components purchased by employing a certification system to ensure that no contamination has occurred in the components or materials it purchases, and to lessen the environmental load at disposal.

Waste Volume and Recycling Progress



Management's Discussion and Analysis

Overview

Business Strategy

The Sanken Electric Group is currently implementing its medium-term management plan, covering the three-year period from April 2006. Key themes of the plan are to minimize the environmental impact of our operations and develop thinner, flatter products than even before. Under the plan, we are working to develop low-power-consumption products and deliver comprehensive solutions combining a broad range of technologies and covering every stage of production, from entry to exit. In our core business of semiconductor devices, we intend to regain our share of the television market by introducing a new generation of power supply products that provide total solutions for flat-panel televisions.

In the CCFL business, we will clarify our sales strategy for LCD televisions and secure sufficient orders to keep our manufacturing lines in full production. At the same time, we will strengthen our cost competitiveness to prepare for declines in prices. In the Power Module business, we will develop new products for FPD-TVs featuring new advances in compactness and lightness. With respect to sales, we will embrace an aggressive promotional approach, centering on our newly organized marketing functions. We will also target sales reforms emphasizing close customer ties, a zone-based global sales structure, and an integrated manufacturing and sales strategy. Together with these measures, we will unite as a group, adopting a global perspective to pursue structural reforms aimed at keeping pace with rapid changes in the digital market.

Fund Procurement and Liquidity

The Group procures funds in a number of ways, including by issuing corporate bonds and commercial paper, entering commitment line contracts, and taking out bank loans. As of March 31, 2008, short-term bank loans totaled ¥12,894 million, the current portion of corporate bonds totaled ¥10,000 million, commercial paper totaled ¥30,000 million, and long-term bank loans totaled ¥2,200 million. The Group's basic policy is to fund operating capital and capital expenditures from internal financing. However, we may raise funds by commitment line contracts (¥10.0 billion) and bond shelf registration (¥30.0 billion, of which ¥10.0 billion has already been utilized), in addition to cash provided by operating activities, to fund additional operating capital and capital expenditures needed in the future to sustain the Group's growth.

Dividend Policy

As its basic policy for distribution of profits, Sanken Electric recognizes the return of profits to shareholders as one of its most important management priorities. Accordingly, we aim to provide stable returns by continually improving our earnings capabilities and strengthening our financial position. We use retained earnings effectively to reinforce our corporate framework and expand the scope of our business, beginning with capital expenditures and R&D investments.

In accordance with this basic policy, the Company distributes its capital surplus to shareholders twice a year in the form of interim and year-end cash dividends. Dividend amounts are decided by resolution at the Ordinary General Meeting of Shareholders for the year-end dividend, and by resolution of the Board of Directors in accordance with the Articles of Incorporation for the interim dividend.

Taking its full-year business performance and other factors into account, the Company paid a total dividend of ¥14 for the year under review (¥7 for the interim dividend and ¥7 for the year-end dividend).

Note: The date of the Board of Directors' resolution for the interim dividend applicable to the year under review was November 5, 2007.

Results of Operations

Summary

In fiscal 2007, ended March 31, 2008, consolidated net sales amounted to ¥184,309 million, down 9.6%, or ¥19,506 million, from fiscal 2006. Ordinary income fell ¥8,264 million, or 64.8%, to ¥4,481 million, and net income dropped 76.3%, or ¥5,723 million, to ¥1,776 million.

Results of Operations by Segment

Semiconductor Business

Sales in this segment were down 8.3%, or ¥12,878 million, to ¥142,089 million. Segment operating income fell 49.6%, or ¥9,022 million, to ¥9,247 million.

Sales of semiconductor devices were generally weak, due to falling demand for CRT-TVs and OA equipment. Sales of automotive electronic components and household appliances, however, remained healthy. Meanwhile, conditions for CCFLs were difficult for several reasons. These included sharp price declines due to oversupply, as well as a decline in orders that began in the first half of the year and did not recover until the third quarter.

Power Module Business

In this segment, sales declined 17.7%, or ¥5,932 million, to ¥27,585 million. The segment posted an operating loss of ¥591 million, compared with an operating loss of ¥2,570 million in the previous fiscal year.

Switching power supplies for consumer products are the core offering of this segment. Sales of these items declined in fiscal 2007, due to the Company's adoption of more selective criteria for accepting orders in consideration of profitability. The earnings environment improved, however, thanks to the reduction of irregular costs incurred in the previous year, such as air shipment costs, as well as business structural reforms.

Power System Business

Sales in this segment slipped 4.5%, or ¥694 million, to ¥14,635 million. By contrast, segment operating income rose 7.7%, or ¥143 million, to ¥2,005 million.

We reported improved revenue and earnings for power supplies for telecommunications equipment used in mobile phone base stations. Due to a decline in large, special-procurement orders, however, overall segment sales remained mostly unchanged.

Geographic Segment Information

In fiscal 2007, sales in Japan declined 11.6%, or ¥16,651 million, to ¥126,403 million, and operating income fell 53.4%, or ¥7,203 million, to ¥6,261 million. In addition to the revenue decrease, the decline in earnings stemmed from a change in the method of depreciating property, plant, and equipment acquired on or after April 1, 2007.

Despite high levels of growth in Asia, especially China, sales in Asia declined 8.3%, or ¥1,811 million, to ¥19,965 million. However, earnings improved dramatically, with operating income for this geographic segment up ¥1,774 million year on year to ¥678 million, compared with an operating loss of ¥1,096 million in fiscal 2006. This was mainly because the Group dismantled its high-cost structure by concentrating production at P.T. Sanken Indonesia.

Sales in North America were down 8.6%, or ¥2,235 million, to ¥23,648 million. Operating income declined 45.6%, or ¥1,806 million, to ¥2,147 million, due to falling earnings of Allegro MicroSystems, Inc.

Sales in Europe grew 9.0%, or ¥1,190 million, to ¥14,291 million, owing to higher revenue generated by Sanken Power Systems (UK) Limited. Operating income in Europe surged 169.4%, or ¥393 million, to ¥625 million.

Other Income (Expenses)

The Company recorded other expenses of ¥3,997 million, representing a ¥1,303 million increase in expenses from the previous year. Major reasons for higher expenses were ¥601 million in loss for product compensation costs, up ¥436 million from the previous year, ¥1,818 million in sundry losses, including stock issuance costs of a U.S. subsidiary, and disposal of fixed assets related to plant restructuring at Korea Sanken and payment of special retirement benefits.

Financial Position

Assets

As of March 31, 2008, total assets stood at ¥173,529 million, down ¥20,257 million from a year earlier. Current assets declined ¥8,413 million, to ¥104,050 million, due mainly to a ¥7,057 million decrease in notes and accounts receivable. Non-current assets declined ¥11,844 million, to ¥69,479 million, due primarily to a ¥10,154 million decrease in property, plant, and equipment.

Liabilities

Total liabilities declined ¥15,253 million, to ¥95,447 million. Current liabilities were down ¥2,891 million, to ¥88,262 million, due largely to a ¥7,627 million fall in notes and accounts payable. Long-term liabilities fell ¥12,361 million, to ¥7,185 million, stemming mainly from a ¥11,434 million decrease in long-term debt.

Net Assets

Net assets at fiscal year-end totaled ¥78,081 million. Shareholders' equity (net assets minus minority interests and stock acquisition rights) totaled ¥77,601 million, down ¥5,060 million from ¥82,661 million a year earlier. This was mainly due to a ¥4,880 million decrease in revaluation and translation adjustments.

Cash Flows

Net cash provided by operating activities amounted to ¥11,535 million, down ¥2,854 million from the previous year. The decline stemmed mainly from a decrease in income before income taxes and minority interests and an increase in inventories.

Net cash used in investing activities totaled ¥9,298 million, down ¥17,008 million, owing to a decrease in purchases of property, plant, and equipment.

Net cash used in financing activities was ¥3,422 million, compared with ¥10,021 million in net cash provided by such activities in the previous fiscal year. Repayment of long-term debt was the primary reason for the change in financing activity cash flows.

Interest-bearing debt at fiscal year-end stood at ¥55,221 million, and the debt reliance ratio was 31.7%. As a result, cash and cash equivalents at the end of the year were ¥9,543 million, down ¥823 million from a year earlier.

Capital Expenditures

Total capital expenditures in the fiscal year ended March 31, 2008 were ¥7,875 million, mainly for the purchase of production equipment and equipment for research and development.

In the semiconductor business, capital expenditures were ¥417 million at Sanken Electric for the purchase of production equipment and equipment for research and development. Capital expenditures were ¥6,898 million at consolidated subsidiaries, including Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Fukushima Sanken Co., Ltd. and Allegro MicroSystems, Inc., primarily for enhancement of production equipment.

With respect to the PM business, capital expenditures at Sanken Electric were ¥92 million, mainly for the purchase of product molds. Capital expenditures at consolidated subsidiaries such as P.T. Sanken Indonesia were ¥211 million, mainly for production equipment and the purchase of molds.

In the PS business, capital expenditures at Sanken Electric were ¥44 million, mainly for the purchase of product molds. Capital expenditures at consolidated subsidiaries such as Sanken L.D. Electric (Jiangyin) Co., Ltd. were ¥75 million, mainly for the purchase of production equipment.

Funds for capital expenditures are provided principally from internal funds and loans.

Business Risks

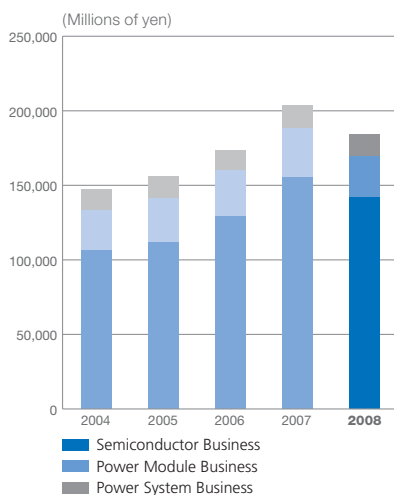
Management has identified the following issues as posing potential risks to the Group's business performance and financial condition. Concerning risks to business strategy, forecasts regarding the future presented here are judgments contemporary at the end of the fiscal year under review (March 31, 2008). It is important to keep in mind that actual outcomes may deviate considerably from these forecasts due to inherent uncertainties.

Strategy Risk

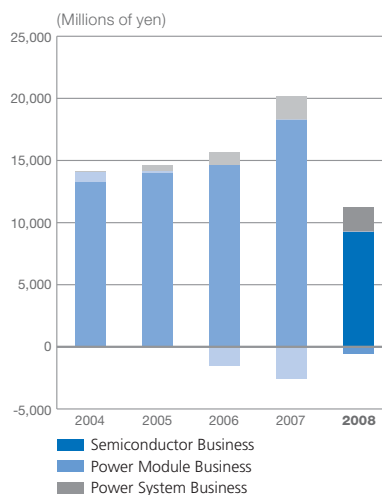
New Product Development

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, its profitability, earnings, and financial condition could suffer if the Group fails to introduce products in a timely manner and/or its products fail to win acceptance in the marketplace.

Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



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 the 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 made by companies with a greater ability to respond to price reductions and/or to changes in demand by its customers.

Fund 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 on fund procurement methods and/or an increase in procurement costs, which could adversely affect the earnings and financial condition of the Company.

Intellectual Property

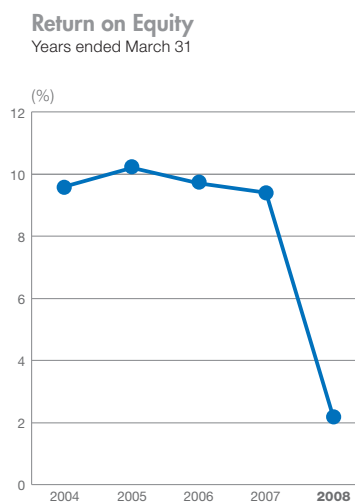
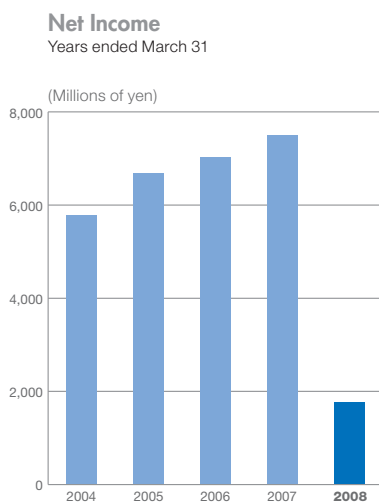
The Group takes steps to differentiate its products from those of competitors by using proprietary technologies and know-how. Although the Company files and records

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 related to the Group's business and/or possess such intellectual property rights without the Group's knowledge, the Group may be requested to pay royalties, prohibited from using the applicable intellectual property rights, or have a lawsuit brought against it by a third party asserting infringement of intellectual property rights. Such actions could give rise to an increase in costs and may 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 42.1% of consolidated production value in fiscal 2005, 42.0% in fiscal 2006 and 42.0% in fiscal 2007. Overseas sales on a consolidated basis as a proportion of total sales in fiscal 2005, fiscal 2006 and fiscal 2007 were 57.3%, 59.3%, and 55.8%, respectively. 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.

Exports as a share of the Company's sales were 45.7% in fiscal 2005, 47.7% in fiscal 2006, and 42.5% in fiscal 2007. Of these exports, the proportion denominated in foreign currencies was 47.4% in fiscal 2005, 48.3% in fiscal 2006, and 46.0% in fiscal 2007. As for exchange risk associated with transactions, the Group engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover by expanding overseas procurement of products and raw materials, 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

Legal Restraints

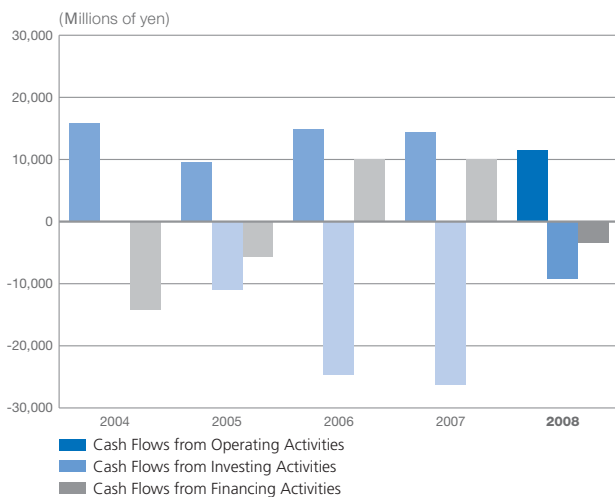
The Group has production and sales bases in 11 regions and nations, including Japan, and establishes businesses subject to the application of various laws, ordinances, and regulations (hereinafter "legal restraints") specified in each region or nation. In addition, with respect to the export and import of technology, products, and materials necessary for sales and production by the Group around the world, business activities are subject to legal restraints relating to tariffs, trade, foreign currency, strategic materials, specific technologies, antitrust, patents, the environment, and other areas in each region and nation. Failure to comply with these legal restraints could result in restrictions on the Group's business activities and/or undermine public confidence, which may adversely affect the Company's earnings and financial condition.

Quality Issues

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

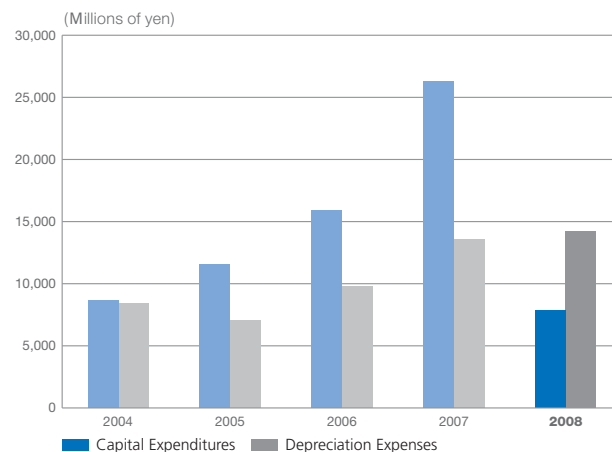
Cash Flows

Years ended March 31



Capital Expenditures/Depreciation Expenses

Years ended March 31



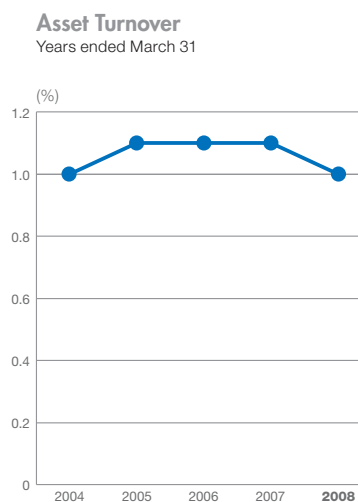
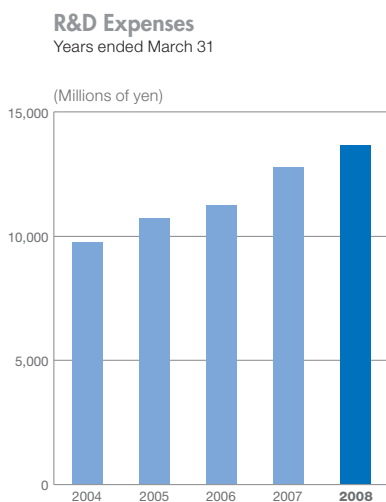
that any or all products will not be defective, recalled, or require repair. Large-scale recalls, repairs, or product defects that result in liability for damage could potentially lead to substantial costs and diminished public confidence, which in turn could adversely affect the Company's earnings and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

Environmental Problems

The Group complies with all legal restraints pertaining to the prevention of environmental damage and pollution in the nations and regions 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 restraints, 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 incur 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.

Besides the above, in addition to possible occurrence of some kind of calamity, such as natural disaster, fire, or damage to the social or telecommunications infrastructure, there may be unforeseeable country risk, such as a war, terrorist attack, epidemic of infectious disease, or significant changes to laws or the taxation system in a particular country or region. Alternatively, there is the risk of legal action or compensation payment obligations that could arise from a product defect causing death, or impacting on society, the environment, or business activities. Other risks include potential changes to the compulsory corporate contribution to retirement benefits and the increasing risk of improper or illegal use of company information, including personal information, as the use of information systems expand.

If any one or more of these potential risks occurs, and such an occurrence results in a lowering of public trust, suspension of business operations, or significant financial loss, there could be a detrimental impact on business performance and financial position of the Sanken Group.



FINANCIAL SECTION

Consolidated Balance Sheets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	2008
Current assets:			
Cash and deposits (Note 5)	¥ 9,763	¥ 10,603	\$ 97,471
Notes and accounts receivable (Note 6):			
Trade and other	46,781	53,856	467,024
Less allowance for doubtful receivables	(129)	(146)	(1,295)
	46,652	53,709	465,729
Inventories (Note 8)	40,606	39,736	405,373
Deferred tax assets (Note 13)	3,371	3,270	33,657
Other current assets	3,657	5,143	36,510
Total current assets	104,050	112,464	1,038,741
Investments and long-term receivables:			
Investments in unconsolidated subsidiaries and affiliates	103	103	1,028
Investments in other securities (Note 7)	2,756	4,619	27,521
Deferred tax assets (Note 13)	655	1,186	6,545
Other long-term receivables	3,055	1,835	30,502
Less allowance for doubtful receivables	(249)	(25)	(2,488)
Total investments and long-term receivables	6,321	7,719	63,110
Property, plant and equipment, at cost (Note 9):			
Land	4,412	4,566	44,046
Buildings	54,540	55,005	544,482
Machinery and equipment	113,408	112,576	1,132,156
Construction in progress	1,907	4,677	19,041
	174,268	176,825	1,739,726
Less accumulated depreciation	(112,667)	(105,069)	(1,124,762)
Property, plant and equipment, net	61,600	71,755	614,964
Other assets	1,556	1,847	15,538
Total assets	¥ 173,529	¥ 193,787	\$ 1,732,354

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	2008
Current liabilities:			
Short-term bank loans (Note 9)	¥ 11,300	¥ 11,087	\$ 112,815
Current portion of long-term debt (Note 9)	11,593	3,447	115,737
Commercial paper	30,000	30,000	299,490
Notes and accounts payable:			
Trade and other	25,652	33,227	256,086
Construction	46	99	467
	25,699	33,326	256,553
Accrued expenses	8,160	9,157	81,463
Income taxes payable (Note 13)	394	2,184	3,935
Deferred tax liabilities (Note 13)	0	2	0
Reserve for directors' bonuses	30	50	299
Other current liabilities	1,084	1,898	10,825
Total current liabilities	88,262	91,153	881,122
Long-term liabilities:			
Long-term debt (Note 9)	2,200	13,634	21,962
Accrued retirement benefits for directors	172	261	1,722
Accrued employees' retirement benefits (Note 12)	3,092	4,227	30,873
Deferred tax liabilities (Note 13)	1,069	937	10,677
Other long-term liabilities	651	486	6,501
Total long-term liabilities	7,185	19,547	71,737
Net assets (Note 13):			
Shareholders' equity:			
Common stock:			
Authorized — 257,000,000 shares			
Issued and outstanding: 2008 — 125,490,302 shares	20,896	—	208,613
2007 — 125,490,302 shares	—	20,896	—
Capital surplus	21,261	21,263	212,249
Retained earnings	42,239	42,369	421,674
Less treasury stock, at cost: 3,998,156 shares in 2008 and 3,950,093 shares in 2007	(3,878)	(3,832)	(38,714)
Total shareholders' equity (Note 22)	80,518	80,697	803,822
Valuation, translation adjustments and other:			
Net unrealized gain on securities	526	1,648	5,259
Translation adjustments	(3,444)	314	(34,389)
Total valuation, translation adjustments and other	(2,917)	1,962	(29,129)
Stock acquisition rights	189	111	1,886
Minority interests	291	314	2,914
Total net assets	78,081	83,086	779,494
Contingent liabilities (Note 15)			
Total liabilities and net assets	¥173,529	¥193,787	\$1,732,354

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

FINANCIAL SECTION

Consolidated Statements of Income

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	2008
Net sales	¥184,309	¥203,815	\$1,839,967
Cost of sales (Note 16)	149,064	160,859	1,488,119
Gross profit	35,244	42,956	351,848
Selling, general and administrative expenses (Notes 11, 12, 16 and 21)	26,975	27,941	269,294
Operating income	8,269	15,014	82,554
Other income (expenses):			
Interest expense	(1,189)	(1,170)	(11,877)
Interest and dividend income	320	287	3,201
Loss on sales of marketable and investment securities	—	(215)	—
Product compensation costs	(601)	(164)	(6,004)
Foreign exchange loss	(708)	(536)	(7,072)
Other, net	(1,818)	(893)	(18,154)
	(3,997)	(2,693)	(39,907)
Income before income taxes and minority interests	4,271	12,320	42,646
Income taxes (Note 13):			
Current	1,092	4,579	10,908
Deferred	1,281	140	12,792
Income before minority interests	1,897	7,600	18,946
Minority interests	(121)	(100)	(1,213)
Net income (Note 22)	¥ 1,776	¥ 7,499	\$ 17,733

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

FINANCIAL SECTION

Consolidated Statements of Changes in Net Assets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

Millions of yen										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gain (loss) on securities	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2006	125,490,302	¥20,896	¥21,262	¥36,341	¥(3,729)	¥ 1,995	¥ (437)	¥ —	¥297	¥76,626
Acquisition of treasury stock . . .	—	—	—	—	(104)	—	—	—	—	(104)
Disposition of treasury stock . . .	—	—	0	—	2	—	—	—	—	3
Cash dividends paid	—	—	—	(851)	—	—	—	—	—	(851)
Net income for the year ended March 31, 2007	—	—	—	7,499	—	—	—	—	—	7,499
Net changes during the year . . .	—	—	—	—	—	(347)	751	111	17	533
Adjustment for change of fiscal year end of certain subsidiaries . .	—	—	—	(415)	—	—	—	—	—	(415)
Adjustments for inclusion of subsidiaries in consolidation . . .	—	—	—	(205)	—	—	—	—	—	(205)
Balance at March 31, 2007	125,490,302	20,896	21,263	42,369	(3,832)	1,648	314	111	314	83,086
Acquisition of treasury stock . . .	—	—	—	—	(55)	—	—	—	—	(55)
Disposition of treasury stock . . .	—	—	(2)	—	10	—	—	—	—	7
Cash dividends paid	—	—	—	(1,701)	—	—	—	—	—	(1,701)
Net income for the year ended March 31, 2008	—	—	—	1,776	—	—	—	—	—	1,776
Net changes during the year . . .	—	—	—	—	—	(1,121)	(3,759)	77	(22)	(4,825)
Adjustments for exclusion of subsidiaries from consolidation . .	—	—	—	(205)	—	—	—	—	—	(205)
Balance at March 31, 2008	125,490,302	¥20,896	¥21,261	¥42,239	¥(3,878)	¥ 526	¥(3,444)	¥189	¥291	¥78,081

Thousands of U.S. dollars (Note 4)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized gain (loss) on securities	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets	
Balance at March 31, 2007	\$208,613	\$212,275	\$422,974	\$(38,256)	\$ 16,453	\$ 3,139	\$1,112	\$3,139	\$829,453	
Acquisition of treasury stock	—	—	—	(558)	—	—	—	—	(558)	
Disposition of treasury stock	—	(25)	—	100	—	—	—	—	75	
Cash dividends paid	—	—	(16,984)	—	—	—	—	—	(16,984)	
Net income for the year ended March 31, 2008	—	—	17,733	—	—	—	—	—	17,733	
Net changes during the year	—	—	—	—	(11,193)	(37,529)	774	(224)	(48,174)	
Adjustments for exclusion of subsidiaries from consolidation	—	—	(2,049)	—	—	—	—	—	(2,049)	
Balance at March 31, 2008	\$208,613	\$212,249	\$421,674	\$(38,714)	\$ 5,259	\$(34,389)	\$1,886	\$2,914	\$779,494	

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	2008
Operating activities			
Income before income taxes and minority interests	¥ 4,271	¥ 12,320	\$ 42,646
Depreciation and amortization	14,970	14,380	149,454
Increase (decrease) in allowance for doubtful receivables	228	(109)	2,280
Interest and dividend income	(320)	(287)	(3,201)
Interest expense	1,189	1,170	11,877
Decrease in provision for retirement benefits for employees	(1,973)	(1,323)	(19,705)
Loss on sales of marketable and investment securities	—	215	—
Decrease (increase) in notes and accounts receivable	5,075	(3,943)	50,669
Increase in inventories	(3,128)	(4,870)	(31,227)
Increase (decrease) in notes and accounts payable	(5,815)	6,495	(58,060)
Other	690	(2,777)	6,896
Subtotal	15,188	21,271	151,630
Interest and dividends received	320	288	3,201
Interest paid	(1,255)	(1,152)	(12,537)
Income taxes paid	(2,717)	(6,016)	(27,133)
Net cash provided by operating activities	11,535	14,390	115,160
Investing activities			
Purchases of property, plant and equipment	(8,460)	(27,436)	(84,463)
Proceeds from sales of property, plant and equipment	126	1,150	1,265
Purchases of intangible assets	(272)	(305)	(2,721)
Payment for liquidation of a subsidiary	(46)	—	(469)
Purchases of investment securities	(28)	(52)	(281)
Proceeds from sales of investment securities	—	516	—
Increase in loans made	(1,017)	(48)	(10,153)
Proceeds from loans made	817	149	8,161
Other	(417)	(280)	(4,164)
Net cash used in investing activities	(9,298)	(26,306)	(92,825)
Financing activities			
Increase in short-term bank loans	1,601	3,542	15,990
Increase in commercial paper	—	12,000	—
Proceeds from issuance of long-term bank loans	3,300	—	32,943
Repayment of long-term debt	(6,487)	(3,266)	(64,764)
Proceeds from sales of treasury stock	7	3	75
Retirement of treasury stock	(55)	(104)	(558)
Cash dividends paid	(1,696)	(2,063)	(16,940)
Dividends paid to minority interests	(91)	(88)	(908)
Net cash (used in) provided by financing activities	(3,422)	10,021	(34,162)
Effect of exchange rate changes on cash and cash equivalents	361	218	3,605
Net decrease in cash and cash equivalents	(823)	(1,676)	(8,222)
Cash and cash equivalents at beginning of the year	10,367	12,231	103,494
Effect of change of fiscal year end of certain subsidiaries	—	(188)	—
Increase in cash resulting from inclusion of subsidiaries in consolidation	—	0	—
Cash and cash equivalents at end of the year (Note 5)	¥ 9,543	¥ 10,367	\$ 95,272

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, 2008 and 2007

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 (collectively, the "Group") 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 Financial Instruments 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 Financial Instruments 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 net assets. Non-marketable securities classified as other securities are carried at cost. The cost of securities sold is determined by the moving average method.

(d) Hedge Accounting

The Group conducts interest-rate swap transactions for the purpose of mitigating interest-rate volatility risk on loans payable and to establish stable cash flows. Discrimination of hedged items is dependent upon individual contracts.

Interest-rate swap agreements which fulfill the hedge accounting requirements, together with the related debt, having nearly the same notional amounts, interest rates, interest settlement dates, and contract periods as those of the debt, are not valued at market; the net effect of the interest-rate swap transactions is added to (or deducted from) the interest on the debt using special accounting rules.

Due to the fact that significant terms and conditions for hedging instruments and those for hedged items are the same, and that interest-rate volatility is continuously offset from the commencement of hedging transactions, assessments of hedge effectiveness are not performed.

The hedging instrument utilized and the corresponding hedged items are as follows:

Hedging instrument	Interest-rate swap transactions
Hedged items	Floating interest rate on loans payable

(e) Inventories

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

(f) Property, Plant and Equipment, Intangible Assets, Depreciation and Amortization

Property, plant and equipment are 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	10 – 60 years
Machinery and equipment	3 – 12 years

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

(g) Deferred Assets

Stock issuance costs are expensed as incurred.

(h) Allowance for Doubtful Receivables

Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection of doubtful receivables.

(i) Accrued Bonuses for Directors of the Board of Directors and Statutory Auditors

Accrued bonuses for directors of the Board of Directors and statutory auditors are calculated based on estimates of bonus payments for directors and statutory auditors attributable to the fiscal year.

(j) Employees' Retirement Benefits

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

The 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 from the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 11 through 18 years).

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 12 through 19 years).

Effective April 1, 2007, with regard to the period over which net unrecognized actuarial gain or loss is expensed, the designated number of years within the average remaining service period for employees has been changed from 11 to 18 years to 12 to 19 years as a result of extending the average remaining service period for employees at a few consolidated subsidiaries. This change had no material effect on income for the year ended March 31, 2008.

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.

(k) 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 sheets of overseas consolidated subsidiaries are translated into yen at the fiscal year-end exchange rates, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Income statements of overseas consolidated subsidiaries are translated at average exchange rates.

The Company has presented translation adjustments and minority interests in consolidated subsidiaries as components of net assets (instead of as components of assets or liabilities) in the accompanying consolidated financial statements.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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. ACCOUNTING CHANGES *Depreciation methods of property, plant and equipment*

Effective April 1, 2007, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries have changed their methods of depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on the amended Corporate Tax Law.

As a result, depreciation expense increased by ¥384 million (\$3,842 thousand) and operating income and income before income taxes and minority interests decreased by ¥329 million (\$3,289 thousand) for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

3. ADDITIONAL INFORMATION

Depreciation methods of property, plant and equipment

Effective April 1, 2007, pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007 to 5% of acquisition cost based on the Corporate Tax Law prior to the amendment, the Company and its domestic subsidiaries depreciate the difference between 5% of acquisition cost and memorandum price using the straight-line method over a period of 5 years.

As a result, depreciation expense increased by ¥356 million (\$3,560 thousand) and operating income and income before income taxes and minority interests decreased by ¥319 million (\$3,189 thousand) for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

4. 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 ¥100.17 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2008. 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.

**5. SUPPLEMENTARY
CASH FLOW
INFORMATION**

The following table represents a reconciliation of cash and deposits with cash and cash equivalents as of March 31, 2008 and 2007:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and deposits	¥9,763	¥10,603	\$97,471
Time deposits with a maturity of more than three months	—	(236)	—
Restricted cash	(220)	—	(2,198)
Cash and cash equivalents	¥9,543	¥10,367	\$95,272

6. NOTES AND ACCOUNTS RECEIVABLE

The retroactively adjusted liability upon transfer of export receivables was ¥1,892 million (\$18,891 thousand) at March 31, 2008.

7. SECURITIES

Marketable securities classified as other securities at March 31, 2008 and 2007 are summarized as follows:

Year ended March 31, 2008	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Net unrealized gain (loss)	Acquisition cost	Carrying amount	Net unrealized gain (loss)
Securities whose carrying amounts exceed their acquisition cost:						
Equity securities	¥1,028	¥2,004	¥975	\$10,271	\$20,008	\$9,737
Securities whose acquisition cost exceeds their carrying amounts:						
Equity securities	767	668	(98)	7,662	6,678	(984)
	¥1,796	¥2,673	¥876	\$17,934	\$26,686	\$8,752

Year ended March 31, 2007	Millions of yen		
	Acquisition cost	Carrying amount	Net unrealized gain (loss)
Securities whose carrying amounts exceed their acquisition cost:			
Equity securities	¥1,640	¥4,408	¥2,767
Securities whose acquisition cost exceeds their carrying amounts:			
Equity securities	127	127	(0)
	¥1,768	¥4,535	¥2,767

Non-marketable securities classified as other securities at both March 31, 2008 and 2007 amounted to ¥83 million (\$834 thousand).

There were no sales of securities classified as other securities for the year ended March 31, 2008 and sales of securities classified as other securities for the year ended March 31, 2007 amounted to ¥3 million with no gain or loss.

8. INVENTORIES

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished products	¥13,517	¥12,745	\$134,946
Work in process	14,369	14,741	143,448
Raw materials and supplies	12,719	12,249	126,978
	¥40,606	¥39,736	\$405,373

9. 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 at March 31, 2008 and 2007 were approximately 2.36% and 5.60%, respectively.

Long-term debt at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Secured:			
Loans payable in yen due serially through 2011 at rates ranging from 1.19% to 8.00%	¥ 3,793	¥ 7,081	\$ 37,869
Unsecured:			
0.69% bonds due 2009	10,000	10,000	99,830
	13,793	17,081	137,700
Less current portion	(11,593)	(3,447)	(115,737)
	¥ 2,200	¥13,634	\$ 21,962

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 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, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥1,593	\$15,907
2010	1,100	10,981
2011	1,100	10,981
	¥3,793	\$37,869

10. LINES OF CREDIT

The Company has committed line-of-credit agreements with certain financial institutions in order to raise funds efficiently. In addition, certain of the overseas subsidiaries have entered into overdraft agreements. The balances of credit available at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Total committed lines of credit	¥10,000	¥10,000	\$99,830
Balance of credit available	10,000	10,000	99,830
Total overdraft	6,126	5,014	61,157
Balance of overdraft unused	6,112	4,981	61,023

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The principal components of selling, general and administrative expenses for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Salaries and bonuses	¥9,232	¥8,750	\$92,163
Packing and shipping expenses	3,002	3,685	29,969
Retirement benefit expenses	(406)	(15)	(4,056)
Provision for directors' bonuses	30	50	299
Provision for directors' retirement benefits	8	22	84
Provision for doubtful receivables	231	—	2,315

12. RETIREMENT BENEFIT PLANS

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation	¥(8,748)	¥(23,153)	\$(87,399)
Plan assets at fair value	5,554	21,730	55,454
Unfunded retirement benefit obligation	(3,193)	(1,422)	(31,885)
Unrecognized actuarial loss	1,241	(387)	12,394
Unrecognized prior service cost	(1,140)	(2,416)	(11,382)
Net retirement benefit obligation	(3,092)	(4,227)	(30,873)
Prepaid pension cost	1,004	25	10,029
Accrued retirement benefits	¥(2,087)	¥ (4,201)	\$(20,844)

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥ 1,362	¥ 1,345	\$ 13,603
Interest cost	471	459	4,703
Expected return on plan assets	(1,768)	(1,150)	(17,657)
Amortization of actuarial loss	(77)	(35)	(773)
Amortization of prior service cost	(361)	(426)	(3,605)
Total	¥ (373)	¥ 192	\$ (3,728)

For the years ended March 31, 2008 and 2007, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥266 million (\$2,663 thousand) and ¥357 million, respectively.

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

	2008		2007	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	2.0%	5.5% – 10.4%	2.0%	6.8%
Expected rates of return on plan assets	7.4% – 8.4%	7.0% – 8.0%	0.0% – 6.2%	9.2%

13. 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% for the years ended March 31, 2008 and 2007.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 differed from the statutory tax rate for the following reasons:

	2008	2007
Statutory tax rate	40.4%	40.4%
Effect of:		
Expenses permanently not deductible for income tax purposes	5.4	2.5
Dividend income deductible for income tax purposes	(8.1)	(3.4)
Inhabitants' per capita taxes	0.5	0.2
Changes in valuation allowance	10.8	2.1
Foreign tax rate differential	(7.3)	0.2
Tax credit for research and development expenses	(2.4)	(5.4)
Elimination of dividends received from overseas subsidiaries	12.7	1.5
Deferred tax effect of change in statutory tax rate	0.2	(0.2)
Equity in gain of an affiliate	—	(0.1)
Other, net	3.4	0.5
Effective tax rates	55.6%	38.3%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Net operating loss carryforwards	¥ 2,002	¥ 2,209	\$ 19,990
Accrued bonuses	1,090	1,168	10,890
Accrued retirement benefits	1,094	1,454	10,927
Net unrealized holding gain	132	278	1,327
Inventories	1,386	1,307	13,846
Tax credit carryforwards	421	589	4,204
Other	1,227	1,642	12,251
Gross deferred tax assets	7,356	8,650	73,438
Valuation allowance	(1,660)	(1,693)	(16,575)
Total deferred tax assets	5,695	6,957	56,863
Deferred tax liabilities:			
Fixed assets	(1,335)	(1,471)	(13,329)
Reserve for special depreciation	(347)	(407)	(3,472)
Other	(1,055)	(1,561)	(10,536)
Total deferred tax liabilities	(2,738)	(3,439)	(27,338)
Net deferred tax assets	¥ 2,957	¥ 3,517	\$ 29,524

14. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

An appropriation of retained earnings for the year ended March 31, 2008 was duly approved at the annual general meeting of the shareholders held on June 27, 2008 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥7 (U.S.\$0.06) per share	¥850	\$8,490

15. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantors of indebtedness of employees	¥4	\$40

16. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2008 and 2007 were ¥13,672 million (\$136,497 thousand) and ¥12,788 million, respectively.

17. LEASES

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2008 and 2007, which would have been reflected in the accompanying consolidated 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
	2008	2007	2008
Acquisition costs	¥1,340	¥1,239	\$13,386
Accumulated depreciation	571	466	5,702
Net book value	¥ 769	¥ 773	\$ 7,683

With respect to finance lease contracts other than those under which the title of the leased equipment will be transferred to the Company by the end of the contract period, annual lease expenses for the years ended March 31, 2008 and 2007 and future minimum lease payments subsequent to March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Lease expenses	¥259	¥211	\$2,590
Future minimum lease payments:			
Within one year	¥251	¥229	\$2,515
Over one year	517	543	5,167
	¥769	¥773	\$7,683

Total expenses for all operating leases for the years ended March 31, 2008 and 2007 amounted to ¥2,631 million (\$26,272 thousand) and ¥3,570 million, respectively.

18. DERIVATIVES

Summarized below are the contract amounts and estimated fair value of the Company's open derivatives positions at March 31, 2008 and 2007:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts:						
Sell U.S. dollars	¥6,294	¥5,874	¥8,174	¥8,167	\$62,835	\$58,649

19. SEGMENT INFORMATION

a. Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 is summarized as follows:

Year ended March 31, 2008	Millions of yen				Eliminations	Consolidated
	Semiconductor business	Power module business	Power system business	Total		
I. Sales:						
(1) Sales to third parties	¥142,089	¥27,585	¥14,635	¥184,309	¥ —	¥184,309
(2) Intersegment sales	1,309	953	2	2,265	(2,265)	—
Net sales	143,398	28,539	14,637	186,575	(2,265)	184,309
Operating expenses	134,151	29,130	12,632	175,913	126	176,040
Operating income (loss)	¥ 9,247	¥ (591)	¥ 2,005	¥ 10,661	¥ (2,391)	¥ 8,269
II. Total assets, depreciation and amortization, capital expenditures:						
Total assets	¥120,932	¥26,775	¥ 8,162	¥155,869	¥17,660	¥173,529
Depreciation and amortization	13,764	718	144	14,627	342	14,970
Capital expenditures	7,668	336	137	8,142	168	8,310
Year ended March 31, 2007						
I. Sales:						
(1) Sales to third parties	¥154,967	¥33,518	¥15,330	¥203,815	¥ —	¥203,815
(2) Intersegment sales	2,083	1,559	8	3,651	(3,651)	—
Net sales	157,051	35,077	15,338	207,467	(3,651)	203,815
Operating expenses	138,782	37,648	13,476	189,906	(1,105)	188,801
Operating income (loss)	¥ 18,269	¥ (2,570)	¥ 1,862	¥ 17,560	¥ (2,546)	¥ 15,014
II. Total assets, depreciation and amortization, impairment loss, capital expenditures:						
Total assets	¥134,192	¥32,261	¥ 9,417	¥175,870	¥17,916	¥193,787
Depreciation and amortization	13,294	674	120	14,089	291	14,380
Impairment loss	39	—	—	39	—	39
Capital expenditures	24,144	1,169	135	25,449	1,214	26,663

Year ended March 31, 2008	Thousands of U.S. dollars					
	Semiconductor business	Power module business	Power system business	Total	Eliminations	Consolidated
I. Sales:						
(1) Sales to third parties	\$1,418,478	\$275,383	\$146,105	\$1,839,967	\$ —	\$1,839,967
(2) Intersegment sales	13,069	9,523	25	22,618	(22,618)	—
Net sales	1,431,548	284,907	146,130	1,862,586	(22,618)	1,839,967
Operating expenses	1,339,235	290,810	126,108	1,756,154	1,259	1,757,413
Operating income (loss)	\$ 92,313	\$ (5,903)	\$ 20,022	\$ 106,432	\$ (23,878)	\$ 82,554
II. Total assets, depreciation and amortization, capital expenditures:						
Total assets	\$1,207,271	\$267,298	\$ 81,482	\$1,556,051	\$176,302	\$1,732,354
Depreciation and amortization	137,412	7,177	1,440	146,030	3,424	149,454
Capital expenditures	76,551	3,362	1,372	81,286	1,680	82,966

As described in “Accounting changes,” effective the current fiscal year, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries have changed their methods of depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on the amended Corporate Tax Law.

As a result, depreciation expense of the semiconductor business, the power module business and power system business increased by ¥366 million (\$3,662 thousand), ¥15 million (\$158 thousand) and ¥1 million (\$19 thousand), respectively, and operating income of the semiconductor business decreased by ¥316 million (\$3,157 thousand), operating loss of the power module business increased by ¥11 million (\$112 thousand), and operating income of the power system business decreased by ¥1 million (\$16 thousand) for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

As described in “Additional information,” pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007 to 5% of acquisition cost based on the Corporate Tax Law prior to the amendment, the Company and its domestic subsidiaries depreciate the difference between 5% of acquisition cost and memorandum price using the straight-line method over a period of 5 years.

As a result, depreciation expense of the semiconductor business, the power module business and power system business increased by ¥281 million (\$2,810 thousand), ¥45 million (\$450 thousand) and ¥28 million (\$287 thousand), respectively, and operating income of the semiconductor business decreased by ¥262 million (\$2,619 thousand), operating loss of the power module business increased by ¥32 million (\$322 thousand), and operating income of the power system business decreased by ¥23 million (\$235 thousand) for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

Effective the previous fiscal year, the Company changed its method of foreign currency translation to employing the average exchange rates during the fiscal year.

As a result, net sales of the semiconductor business, the power module business and power system business decreased by ¥446 million, ¥485 million and ¥108 million, respectively, and operating income of the semiconductor business increased by ¥83 million, operating loss of the power module business decreased by ¥136 million, and operating income of the power system business decreased by ¥39 million for the year ended March 31, 2007, as compared to the corresponding amounts which would have been recorded by the former method.

b. Operating revenues by geographic area

Operating revenues by geographic area for the years ended March 31, 2008 and 2007 are summarized as follows:

Year ended March 31, 2008	Millions of yen						Eliminations	Consolidated
	Japan	Asia	North America	Europe	Total			
I. Sales:								
(1) Sales to third parties . . .	¥126,403	¥19,965	¥23,648	¥14,291	¥184,309	¥ —	¥184,309	
(2) Intersegment sales . . .	14,515	29,738	17,169	33	61,458	(61,458)	—	
Net sales	140,919	49,704	40,818	14,325	245,767	(61,458)	184,309	
Operating expenses	134,658	49,026	38,670	13,699	236,054	(60,014)	176,040	
Operating income	¥ 6,261	¥ 678	¥ 2,147	¥ 625	¥ 9,713	¥ (1,444)	¥ 8,269	
II. Total assets	¥118,253	¥20,646	¥27,098	¥ 5,061	¥171,060	¥ 2,469	¥173,529	

Year ended March 31, 2007

I. Sales:								
(1) Sales to third parties . . .	¥143,054	¥21,776	¥25,883	¥13,101	¥203,815	¥ —	¥203,815	
(2) Intersegment sales	14,529	35,070	15,932	56	65,589	(65,589)	—	
Net sales	157,583	56,847	41,815	13,158	269,405	(65,589)	203,815	
Operating expenses	144,118	57,944	37,862	12,925	252,850	(64,049)	188,801	
Operating income (loss)	¥ 13,464	¥ (1,096)	¥ 3,953	¥ 232	¥ 16,554	¥ (1,540)	¥ 15,014	
II. Total assets	¥133,414	¥25,606	¥32,427	¥ 5,541	¥196,989	¥ (3,201)	¥193,787	

Year ended March 31, 2008	Thousands of U.S. dollars						Eliminations	Consolidated
	Japan	Asia	North America	Europe	Total			
I. Sales:								
(1) Sales to third parties . . .	\$1,261,894	\$199,318	\$236,083	\$142,671	\$1,839,967	\$ —	\$1,839,967	
(2) Intersegment sales	144,913	296,883	171,405	336	613,539	(613,539)	—	
Net sales	1,406,807	496,202	407,488	143,008	2,453,507	(613,539)	1,839,967	
Operating expenses	1,344,299	489,428	386,047	136,761	2,356,537	(599,123)	1,757,413	
Operating income	\$ 62,508	\$ 6,773	\$ 21,440	\$ 6,246	\$ 96,969	\$ (14,415)	\$ 82,554	
II. Total assets	\$1,180,527	\$206,110	\$270,527	\$ 50,533	\$1,707,698	\$ 24,655	\$1,732,354	

As described in “Accounting changes,” effective the current fiscal year, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries have changed their methods of depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on the amended Corporate Tax Law.

As a result, depreciation expense of Japan increased by ¥384 million (\$3,842 thousand) and operating income of Japan decreased by ¥329 million (\$3,289 thousand) for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

As described in “Additional information,” pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007 to 5% of acquisition cost based on the Corporate Tax Law prior to the amendment, the Company and its domestic subsidiaries depreciate the difference between 5% of acquisition cost and memorandum price using the straight-line method over a period of 5 years.

As a result, depreciation expense of Japan increased by ¥356 million (\$3,560 thousand) and operating income of Japan decreased by ¥319 million (\$3,189 thousand) for the year ended March 31, 2008, as compared to the amounts which would have been recorded by the former method.

Effective the previous fiscal year, the Company changed its method of foreign currency translation to employing the average exchange rates during the fiscal year.

As a result, net sales of Asia, North America and Europe decreased by ¥506 million, ¥247 million and ¥285 million, respectively, and operating loss of Asia decreased by ¥272 million and operating income of North America and Europe decreased by ¥28 million and ¥111 million, respectively, for the year ended March 31, 2007, as compared to the corresponding amounts which would have been recorded by the former method.

c. Overseas sales

Overseas sales for the years ended March 31, 2008 and 2007 are summarized as follows:

Year ended March 31, 2008	Millions of yen				
	Asia	North America	Europe	Other	Total
(1) Overseas sales	¥72,792	¥16,478	¥13,481	¥17	¥102,769
(2) Consolidated net sales					¥184,309
(3) Overseas sales as a percentage of consolidated net sales	39.5	9.0	7.3	0.0	55.8
Year ended March 31, 2007					
(1) Overseas sales	¥90,847	¥16,682	¥13,204	¥64	¥120,798
(2) Consolidated net sales					¥203,815
(3) Overseas sales as a percentage of consolidated net sales	44.6	8.2	6.5	0.0	59.3
Year ended March 31, 2008	Thousands of U.S. dollars				
	Asia	North America	Europe	Other	Total
(1) Overseas sales	\$726,689	\$164,502	\$134,589	\$171	\$1,025,952
(2) Consolidated net sales					\$1,839,967

Effective the previous fiscal year, the Company changed its method of foreign currency translation to employing the average exchange rates during the fiscal year.

As a result, overseas sales to Asia, North America, Europe and other decreased by ¥611 million, ¥141 million, ¥285 million and ¥1 million, respectively, for the year ended March 31, 2007, as compared to the corresponding amounts which would have been recorded by the former method.

20. RELATED PARTY TRANSACTIONS

Significant transactions with related parties for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of yen		
	Transactions	Balances	
	Factoring	Accounts payable	Other current liabilities
Sanken Business Service Co., Ltd.	¥29,009	¥4,763	¥65
Year ended March 31, 2007			
	Transactions	Balances	
	Factoring	Accounts payable	Other current liabilities
Sanken Business Service Co., Ltd.	¥42,404	¥7,524	¥428
Year ended March 31, 2008	Thousands of U.S. dollars		
	Transactions	Balances	
	Factoring	Accounts payable	Other current liabilities
Sanken Business Service Co., Ltd.	\$289,597	\$47,556	\$652

As for accounts payable and other current liabilities to Sanken Business Service Co., Ltd., a basic agreement was entered into among the Company, a supplier of the Company, and Sanken Business Service Co., Ltd., and the accounts were settled by way of factoring transactions.

21. STOCK OPTION PLAN

The amount of stock option compensation recognized for the year ended March 31, 2008 was ¥77 million (\$774 thousand) and was included in general and administrative expenses.

The following table summarizes the contents of the stock option plan at March 31, 2008:

Company name	Allegro MicroSystems, Inc. (a subsidiary)
Position and number of grantees	Directors: 1 Employees: 463
Class and number of shares	Common stock, 3,750,000
Grant date	From May 30, 2001 to March 31, 2007
Vesting conditions	Continuously employed until the 5th anniversary of the grant date
Service period	No provision
Exercisable period of subscription rights	Within 5 years from the vested date

The following table summarizes stock option activity under the stock option plan during the year ended March 31, 2008:

Non-vested:

Outstanding at March 31, 2007	766,540
Granted	—
Forfeited	33,200
Vested	82,100
Outstanding at March 31, 2008	651,240

Vested:

Outstanding at March 31, 2007	2,303,250
Vested	82,100
Exercised	—
Forfeited	—
Outstanding at March 31, 2008	2,385,350

The following table summarizes price information of the stock option plan as of March 31, 2008:

Weighted average exercise price per share	\$7.23
Weighted average fair value of stock option as of grant date	\$7.23

The Black-Scholes option-pricing model was used to calculate the fair value as of the grant date of an award. No options were granted during the year ended March 31, 2008.

The amount of stock option compensation recognized for the year ended March 31, 2007 was ¥111 million and was included in general and administrative expenses.

The following table summarizes the contents of the stock option plan at March 31, 2007:

Company name	Allegro MicroSystems, Inc. (a subsidiary)
Position and number of grantees	Directors: 2 Employees: 474
Class and number of shares	Common stock, 3,750,000
Grant date	From May 30, 2001 to March 31, 2007
Vesting conditions	Continuously employed until the 5th anniversary of the grant date
Service period	No provision
Exercisable period of subscription rights	Within 5 years from the vested date

The following table summarizes stock option activity under the stock option plan during the year ended March 31, 2007:

Non-vested:

Outstanding at March 31, 2006	2,313,670
Granted	247,800
Forfeited	76,600
Vested	1,718,330
Outstanding at March 31, 2007	766,540

Vested:

Outstanding at March 31, 2006	584,920
Vested	1,718,330
Exercised	—
Forfeited	—
Outstanding at March 31, 2007	2,303,250

The following table summarizes price information of the stock option plan as of March 31, 2007:

Weighted average exercise price per share	\$7.27
Weighted average fair value of stock option as of grant date	\$7.27

The Black-Scholes option-pricing model was used to calculate the fair value as of the grant date of an award. The fair value of options granted was calculated using the following estimated weighted-average assumptions:

Weighted average expected volatility	45.5%
Weighted average expected term (in years)	7.5
Expected dividend yield	\$0.04 per share
Risk-free interest rate	4.8%

22. AMOUNTS PER SHARE Amounts per share as of and for the years ended March 31, 2008 and 2007 were as follows:

	Yen		U.S. dollars
	2008	2007	2008
Net income – basic	¥ 14.62	¥ 61.69	\$0.14
Net income – diluted	13.47	59.52	0.13
Net assets	638.73	680.11	6.37

Net income per share and diluted net income per share were calculated on the following basis:

	2008	2007	2008
Net income per share:			
Net income			
(Millions of yen / Thousands of U.S. dollars)	1,776	7,499	17,733
Amounts not available to shareholders of common stock			
(Millions of yen / Thousands of U.S. dollars)	—	—	—
Net income available to shareholders of common stock			
(Millions of yen / Thousands of U.S. dollars)	1,776	7,499	17,733
Average number of shares outstanding during the year			
(Thousands of shares)	121,512	121,581	—
Diluted net income per share:			
Adjustment to net income			
(Millions of yen / Thousands of U.S. dollars):	140	263	1,398
Subsidiary's stock acquisition rights			
(Millions of yen / Thousands of U.S. dollars)	(140)	(263)	(1,398)
Increase in number of shares of common stock			
(Thousands of shares)	—	—	—
Residual securities which do not dilute			
net income per share	Subsidiary's stock options (stock acquisition rights) 260,000	Subsidiary's stock options (stock acquisition rights) 260,000	—

Net assets per share were calculated on the following basis:

	2008	2007	2008
Net assets (Millions of yen / Thousands of U.S. dollars)	78,081	83,086	779,494
Amounts deducted from net assets			
(Millions of yen / Thousands of U.S. dollars):	480	425	4,801
Stock acquisition rights			
(Millions of yen / Thousands of U.S. dollars)	(189)	(111)	(1,886)
Minority interests			
(Millions of yen / Thousands of U.S. dollars)	(291)	(314)	(2,914)
Net assets available for distribution to shareholders			
(Millions of yen / Thousands of U.S. dollars)	77,600	82,660	774,692
Number of shares outstanding at the end of the year			
(Thousands of shares)	121,492	121,540	—

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, 2008 and 2007, and the related consolidated statements of income, changes in net assets, 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, 2008 and 2007, 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, 2008 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 4.

June 27, 2008



ERNST & YOUNG SHINNIHON

Board of Directors

As of June 27, 2008

Directors and Auditors:

Director, President

Sadatoshi Iijima

Directors

Hirohito Sekine

Kiyoshi Imaizumi

Teruo Esumi

Hidejiro Akiyama

Dennis H. Fitzgerald

Shigemichi Ieki

Standing Statutory Auditor

Mitsumasa Sugiyama

Statutory Auditors

Takaaki Mikami

Hiroshi Ishibashi

Masanobu Kurihara

Corporate Officers:

Executive Vice Presidents

Hirohito Sekine

Kiyoshi Imaizumi

Senior Vice Presidents

Shigemichi Ieki

Hidejiro Akiyama

Corporate Officers

Kinji Kudo

Mitsuo Ueki

Akira Ota

Tatsuo Okino

Yoshihiro Suzuki

Nobuhiro Katou

Takashi Wada

Masahiro Sasaki

Masao Hoshino

Kouichi Shimura

Youkou Suzuki

Kazunori Suzuki

Yukiyasu Taniyama

Investor Information

As of March 31, 2008

Company name: Sanken Electric Co., Ltd.

Founded: September 5, 1946

Headquarters: 3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan

Phone: +81-48-472-1111

Facsimile: +81-48-471-6249

Employees: 10,379

Common stock: Authorized: 257,000,000 shares

Issued: 125,490,302 shares

Shareholders: 18,922

Distribution by type of shareholders:

Financial institutions	32.99%
Individuals	34.72%
Foreigners	21.17%
Other	11.12%

Distribution by number of shares owned:

1,000,000 or more	35.43%
100,000 or more	24.86%
10,000 or more	14.28%
Less than 10,000	25.43%

Principal shareholders

Shareholder	Number of shares held (in thousands)	Percentage of voting rights
Japan Trustee Services Bank, Limited (Trust Account)	8,532	6.79%
The Master Trust Bank of Japan, Limited (Trust Account)	6,511	5.18%
Saitama Resona Bank, Limited	6,011	4.79%
International Rectifier Corporation	2,500	1.99%
NIPPONKOA Insurance Company, Limited	2,061	1.64%
Mizuho Corporate Bank, Limited	2,000	1.59%
The Hachijuni Bank, Limited	1,556	1.23%
Japan Trustee Services Bank, Limited (Trust Account 4)	1,473	1.17%
Evergreen Nominees Limited—Trustee Account	1,459	1.16%
NikkoCiti Trust and Banking Corporation (Trust Account)	1,431	1.14%

NOTE: The Company holds 3,998,156 (3.18%) shares of treasury stock but is excluded from the principal shareholders listed above.

Bonds

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



Sanken Electric Co., Ltd.

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