

# FY 2004 First Half Consolidated Financial Results

(April 1, 2004 to September 30, 2004)

1. Company Name : SANKEN ELECTRIC CO., LTD.  
 2. Code NO : 6707  
 3. Headquarters : 3-6-3 Kitano, Niiza-shi, Saitama 352-8666, Japan  
 4. URL : <http://www.sanken-ele.co.jp/>  
 5. Contact : Investor Relations Office  
 Tel. 81-48-487-6121

## 1. Financial results for the six months ended September 30, 2004

### (1) Consolidated Results of Operations (Millions of Yen)

	Net sales (percentage change from previous term)	Operating income (percentage change from previous term)	Ordinary income (percentage change from previous term)
Six months ended Sep.30,2004	81,060( 12.5%)	6,177( 9.4%)	5,361( 23.1%)
Six months ended Sep.30,2003	72,043( -0.9%)	5,648( 6.8%)	4,355( 34.4%)
FY 2003	147,176	11,687	8,627

	Net income (percentage change from previous term)	Net income per share	Diluted net income per share
Six months ended Sep.30,2004	3,435( 23.3%)	28.22yen	-
Six months ended Sep.30,2003	2,784( 86.7%)	22.85yen	-
FY 2003	5,784	47.07yen	-

Notes1: Ordinary income : Income before income taxes and extraordinary items

Notes2: Equity in net income/loss non-consolidated subsidiaries and/or affiliates:

Sep./2004: 34million yen ( Mar./2004: 28million yen Sep./2003: 8million yen )

Notes3: Average number of shares outstanding { Sep./2004: 121,720,107  
 Mar./2004: 121,823,013  
 Sep./2003: 121,864,195 }

### (2) Consolidated Financial Position (Millions of Yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
As of Sep.30,2004	142,819	65,637	46.0%	539.36yen
As of Sep.30,2003	145,025	60,499	41.7%	496.65yen
FY 2003	144,383	62,518	43.3%	513.56yen

Notes: Number of shares outstanding at the end of the term { Sep./2004: 121,693,948  
 Mar./2004: 121,735,148  
 Sep./2003: 121,814,585 }

### (3) Consolidated Results of Cash Flows (Millions of Yen)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Balance of cash and cash equivalents at the end of the term
Six months ended Sep.30,2004	3,502	-6,749	-3,396	11,719
Six months ended Sep.30,2003	5,086	-3,748	-5,370	12,405
FY 2003	15,806	-123	-14,199	17,871

### (4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries : 21

Number of affiliates accounted for by the equity method : 1

### (5) Change in scope of consolidation and application of equity method

Number of companies newly consolidated : 1

Number of companies excluded from the consolidation : 0

Number of companies newly accounted for by the equity method : 0

## 2. FY 2004 Consolidated Financial Forecast (April 1, 2004 to March 31, 2005) (Millions of Yen)

	Net sales	Ordinary income	Net income
Full year	162,700	12,500	7,000

Reference: Expected net income per share 57.11yen

## **(1) Group Companies**

The Sanken Group consists of Sanken Electric Co., Ltd., 27 subsidiaries and 1 affiliates, primarily producing, selling and marketing Semiconductors, Power Supply Units, Power Supply Equipment and other related products and services. The business lines and roles of the group companies are summarized below.

Division	Major Products	Company Name
Semiconductor	Semiconductors Power IC Control IC Hall-effect IC Bipolar Transister MOSFET IGBT Thyristor Rectifier Diode LED(Light Emitting Diode) CCFL(Cold Cathode Fluorecent Lamp) CCFL(Cold Cathode Fluorecent Lamp)	Sanken Electric Co., Ltd. Subsidiaries Ishikawa Sanken Co., Ltd. (Manufacturer) Yamagata Sanken Co., Ltd. (Manufacturer) Kashima Sanken Co., Ltd. (Manufacturer) Fukushima Sanken Co., Ltd. (Manufacturer) Allegro MicroSystems, Inc. (Manufacturer) Allegro MicroSystems Philippines, Inc. (Manufacturer) Allegro MicroSystems Philippines Realty, Inc. (Real estate leasing) Allegro MicroSystems Europe Limited(Sales company) Allegro MicroSystems Argentina S.A. (IC design) Korea Sanken Co., Ltd. (Manufacturer) Sanken Electric Singapore Pte. Ltd.(Sales company) Sanken Electric Korea Co., Ltd.(Sales and Technical service) Sanken Electric (Shanghai)Co., Ltd.(Technical service) Sanken Electric Hong Kong Co., Ltd.(Sales and Technical service) Taiwan Sanken Electric Co., Ltd. (Sales and Technical service)
	Power Supply Units Switching Power Supply Adapter for PC Transformer	Sanken Electric Co., Ltd. Subsidiaries PT. Sanken Indonesia (Manufacturer) Korea Sanken Co., Ltd. (Manufacturer) Sanken Power Systems (UK) Limited (Manufacturer) Sanken Transformer Co., Ltd.(Manufacturer) Sanken Transformer (Malaysia) Sdn. Bhd.(Manufacturer) Dalian Sanken Transformer Co., Ltd. (Manufacturer) PT. Sanken Transformer (Indonesia) (Manufacturer) Sanken Transformer (Singapore) Pte. Ltd.(Manufacturer) Sanken Electric (Shanghai)Co., Ltd.(Sales company) Sanken Electric Hong Kong Co., Ltd.(Sales company) Taiwan Sanken Electric Co., Ltd. (Sales and Technical service)
Power Supply Equipment	Power Supply Equipment UPS(Uninterruptible Power Supply) DC Power Supply Inverter Airway Beacon System General Purpose Power Supply	Sanken Electric Co., Ltd. Subsidiaries Sanken Densetsu Co., Ltd. (Power supply sales and installation work) Sanken L.D. Electric (Jiangyin) Co., Ltd. (Manufacturer)
Others		Subsidiaries Sanken Logistics Co., Ltd. (Logistics) Sanken Techno-Research Co., Ltd.(Technical information service) Sanken Kosan Co., Ltd.(Insurance agency) Affiliates Sanken-Airpax Co., Ltd. (Manufacturer)

## **(2) Management Policies**

### **Basic Management Policy**

In April of the last year, the Company adopted its statement of "Management Philosophy" in order to clarify the future direction of the Company, designating the present as "the Second Start-up Period" after more than 50 years of history and upon facing an era of fundamental change anticipated in the 21<sup>st</sup> century. Extrapolating our philosophy and selecting semiconductor operations as our core business, we will continue our efforts to innovate our technical capabilities and creativity, and to extend our global business base on the original technology. We will also strive to maintain firm management foundation in order to maximize the corporate value of the Company and to become socially and environmentally responsible corporate citizen.

### **Profit Distribution Policy**

Our fundamental profit distribution policy holds that allotment of profit to our shareholders is one of the most important missions of the management, and we are committed to ensure steady and stable payment of dividends through the improvements in our earnings potential and the enhancement of our financial conditions. We are also committed to utilize effectively our retained earnings for future capital investments, R&D investments, and other activities that will reinforce our corporate strength and expand our businesses horizons.

### **Concept of and Policy on Reducing the Size of the Trading Unit of the Shares**

With a view to promote liquidity and to encourage participation by a broader range of investors in the trading of our shares, we recognize that reducing the size of the trading unit of the shares is one of the major issues facing the Company. Under the present circumstances, however, the Company's shares are sufficiently liquid, and furthermore, reducing the size of the trading unit incurs large costs. Therefore, we intend to deal with this issue carefully, taking into account future market conditions and other relevant factors.

### **Management Goals**

The Company sets the management goals of a ROE (return on equity of net income) of 14% or more, and a ROA (return on assets) of 12% or more, to be achieved by the end of March 2006.

### **Mid and Long-term Management Strategies**

The Company instituted a mid-term business plan for the next three years covering April 2003 to March 2006. It aims at achieving the consolidated net sales of 180 billion yen, the consolidated ordinary income of 17 billion yen and the consolidated net income of 10 billion yen in the fiscal year 2005, which is the final year for the plan, by pursuing aggressive business expansion under the slogan of "Achieve Further Strength Amid Constant Challenge." We will also improve our financial conditions through reduction of interest bearing debts by the cash flow generated during the said period.

The specific elements of the plan are as follows.

#### **1) Pursuing Agile and Lean Management**

The Company will pursue a management strategy of swift decision-making and of speedier response to environmental changes, in order to minimize business risks in the ever-changing external business conditions.

Additionally, we will streamline our balance sheet by reducing and optimizing inventories, in order to realize efficient management.

## 2) Management Focus on Cash Flow

We will shift the focus of management from sales figure to cash flow, and use it as a new management target and criterion of performance. The funds to be generated will be appropriated to the reductions of interest bearing debts and the purchase of treasury shares, which will benefit all our shareholders. Also, from the viewpoint of our focus on cash flow, capital investment shall be limited to the extent allowed for by depreciation, and careful selection of investment projects with an aim of maximizing investment efficiency.

## 3) Challenges toward New Markets, New Products and New Applications

"Entry into new markets," "development of new products," and "development of new applications," called "the three 'new's," constitute the supporting pillars of "the aggressive growth strategy" envisioned in the mid-term plan. With respect to "development of new products," we will increase the ratio of new products in our sales through developing highly differentiated new products, and will secure stable profits unaffected by precarious market conditions, while at the same time we will seek to improve profitability by developing high value-added new products. From the viewpoint of "entry into new markets" and "development of new applications," we will strengthen customer-oriented business, using the competitive advantage of having marketing staff and application engineers inside the Company directly visiting customers as opposed to relying on outside distributors and agents and will promote new product development by quickly incorporating the needs of customers.

## 4) Reforms in Manufacturing and Technology, and Closer Ties with Sanken Group Companies

Since innovation itself is the source of creating corporate value, we will build another pillar for "the aggressive growth strategy" by focusing our attention on "the two reforms," i.e. the manufacturing reforms including shortening production lead times, and the technical reforms including shortening development lead time, both of which are equally emphasized as the development of new products. We intend to unleash the collective strength of the Sanken Group companies and exploit the synergy of sales, development, technology and manufacturing, all linked together, in order to bring to market products competitive with China and Southeast Asian companies in quality, cost, and delivery timeliness through higher productivity and superior manufacturing technology.

## **Future Issues**

The Company will make efforts to further strengthen the profit earning foundation and improve its financial strength through steady performance of the mid-term management plan, in order to achieve transformation to a self-sustainable growth company, as adopted in our slogan, which is not affected by the movements of business cycle. As specific measures, we will focus on the speeding up of new product development as well as vigorously promote such production improvements as cost reduction, shorter production lead times, through which we will improve competitiveness of our products and will also strive for timely release of new products in the market.

## **Basic Ideas on Corporate Governance and Implementation**

### 1) Basic Ideas on Corporate Governance

While the Company will strengthen the Board of Directors' quick and accurate decision-making and their supervising function on business execution in order to improve efficiency of management and maintain its healthiness, we will also promote the formation of a flexible business execution system and the reinforcement of management functions through the introduction of an executive officer system. Further, we are making efforts to strengthen an corporate governance system through the establishment of a Compliance Office and Investor Relations Office.

## 2) Implementation Conditions of Its Measures related to Corporate Governance

The Company has promoted reform of the Board of Directors, by reducing the number of directors since June 2003 and increasing the number of Board meetings. The Company also holds twice a month management meetings, mainly comprised of the President, each Division Manager and Category Directors, and discusses progress of the mid-term business plan, capital investment, and other important business matters, in addition to matters requiring resolution of the Board of Directors in order to promote fast business execution.

The Company has established and enforced “Conduct Guidelines” as guidelines for compliance regarding ethics and laws and created a “Help Line System” in order to establish communication means of compliance between employees and the Company to further reinforce our implementation efforts concerning compliance management.

## **(3) Operating Results and Financial Conditions**

### **1) Operating Results(Overview of the Year ended September 30, 2004)**

#### **General Review**

Regarding the world economy during the current interim period have generally advanced steadily, while concerns about deceleration of business have been spread in connection with a slow down in individual consumption in the United States, the Asian economies have continued to grow, centering on China. For the Japanese economy, business conditions further recovered against the backdrop of strong exports and recovery of corporate profits, with private capital investment looking more hopeful.

In the electronics industry to which the Company belongs, as demand for digital home appliances, such as thin-type TVs and DVD recorders, has expanded from the influence of the Athens Olympic Games and with the growth in sales of air conditioners due to heat waves, sales have progressed favorably in general. Under such circumstances, the Company has increased its production capacity of cold cathode fluorescent lamps (CCFLs) and ICs for TV power supply, demand for which has been growing, as well as promoting infrastructure improvements for business in China, by opening the Taiwan Technical Center and expansion of the Sanken L.D. Electric (Jiangyin) Co., Ltd. factory. The Company has also made efforts at active development in new markets by strengthening our undertaking in the consumer market for unit products. On the other hand, to reinforce our financial strength, we have vigorously continued to reduce interest-bearing debt.

Regarding the results for the current interim period, sales of CCFLs have continued to grow and sales of unit products have also largely increased.

As a result, net sales in the current interim period increased by 9,017 million yen (12.5%) from the previous interim period to 81,060 million yen.

#### **Overview of the Business by Segments**

##### **Semiconductors and SMPSs**

Net sales of this segment largely increased by 8,129 million yen (12.3%), as compared to the same period in the previous year, to 74,264 million yen.

Out of which, net sales of semiconductors increased by 4,088 million yen (7.6%) from the previous interim period, to 57,919 million yen. Demand for semiconductors including ICs, diodes and transistors increased in the field of white goods home appliances, such as air conditioners, and sales of ICs for power supply units have progressed favorably. For optical device products, sales of CCFLs increased for crystal liquid TVs and also sales of products for PCs progressed favorably, which resulted in a large sales increase. Net sales of LEDs decreased in connection with the decrease in demand for outdoor display devices.

Allegro Microsystems, Inc., one of our overseas subsidiaries, increased net sales due to strong sales of products for automotive electronic components as well as a large increase in sales of products for mobile phones, which showed active demand, and the addition of a steady growth in products relates to OA.

Net sales of unit products largely increased by 4,041 million yen (32.8%), as compared to the same period in the previous year, to 16,345 million yen. In the sales of SMPs, our core products, a large increase in sales was recorded, as a result that net sales of products for printers increased, as well as sales of power supply for plasma display panel largely grew, and in addition, the effect of realizing new products for liquid crystal TVs and audio equipment. Net sales of CCFL inverters increased for crystal liquid TVs.

For another overseas subsidiary, PT. Sanken Indonesia, sales of SMPs for the consumer market largely expanded and an increase in revenue and profit were achieved due to production innovation activities, including a reduction in production lead times. For Sanken Power Systems (UK) Limited, another overseas subsidiary, while sales of core products for the white goods home appliances decreased, a profit increase was secured due to cost reduction efforts, including outsourcing in production and reduction of expenses.

#### Power Supply Equipment

Net sales of this segment largely increased by 888 million yen (15.0%), as compared to the same period of the previous year, to 6,795 million yen, as Sanken L.D. Electric (Jiangyin) Co., Ltd., another overseas subsidiary, was included in consolidation.

In the domestic market for custom power supply equipment, while demand for power supply equipment for local airports increased, power supply units for telecommunications equipment continued to be sluggish and net sales failed to grow. General-purpose power supply equipment lacked resilience in demand and net sales leveled off, as compared to the same period of the previous year.

On the other hand, Sanken L.D. Electric (Jiangyin) Co., Ltd., which has its main markets in China and Southeast Asia, expanded sales of VVVF inverters to achieve a large revenue and profit increase.

#### Regarding Interim Dividends

With respect to the payment of interim dividends, we decide to pay out 5 yen per share, the same as the previous year, taking into consideration the accumulation of internal reserves.

## 2)Forecast for the Next Fiscal Year

After the latter half of the current interim period, oil prices have soared and the impact on corporate sector and individual consumption is a concern. Also, uncertainty in the future of the global economy has been increasing, which includes an interest rate rise in the United States and tightening policies in China. As for the Japanese economy, which is now on the track of recovery relying on demand from overseas, we expect conditions that guarantee little in the way of optimism continuing into the future.

Under such a business environment, the Company has focused on efforts at strategic markets, including CCFLs, which are expected to grow further and for utilizing our technical service function in Asia, centering on China, and further improving quality to contribute to strengthening cost responsiveness through production innovations.

As for the results for the full-year, we expect consolidated net sales of 162,700 million yen, ordinary income of 12,500 million yen, net income of 7,000 million yen; non-consolidated results are expected to be: net sales of 125,300 million yen, ordinary income of 8,400 million yen and net income of 5,100 million yen.

### 3)Financial Conditions

Balance of cash and cash equivalents at the end of the current interim period was 11,719 million yen, a decrease of 6,152 million yen from the end of the previous period ended March 31, 2004.

Net cash provided by operating activities amounted to 3,502 million yen, a 1,584 million yen decrease from the previous interim period. This was due to an increase in expenses for lump-sum contributions to cover shortages in the pension reserve fund while profits increased.

Net cash used in investing activities totaled 6,749 million yen, a 3,001 million yen decrease from the same period of the previous year. This was mainly due to a large increase in capital investment of domestic subsidiaries.

Net cash used in financing activities was 3,396 million yen, a 1,974 million yen decrease from the previous interim period. This was due to a decrease in reduced amounts, as compared to the same period in the previous year, although the Company has continued its reductions of interest-bearing debt.

Our index trend concerning the financial conditions of our Group is as follows.

	Six months ended Sep.30,2002	FY 2002	Six months ended Sep.30,2003	FY 2003	Six months ended Sep.30,2004
Equity ratio	38.0%	39.2%	41.7%	43.3%	46.0%
Equity ratio on the basis of market price	65.4%	75.1%	98.6%	120.2%	89.5%
Redemption years for liabilities	4.9year	2.1year	9.1year	2.4year	10.1year
Interest coverage ratio	13.8times	15.2times	8.1times	13.9times	7.9times

Equity ratio:

Equity/Total assets

Equity ratio on the basis of market price:

Total amount of market price of stocks/Total assets

Redemption years for liabilities:

Interest-bearing debts/Cash flow from operating activities

Interest coverage ratio:

Cash flow from operating activities/Interest paid

\*Every index has been calculated in accordance with financial figures on a consolidated basis.

\*Total amount of market price of stocks has been calculated in accordance with the following formula: final stock price at the end of year X number of outstanding shares at the end of fiscal year.

\*Cash flow from operating activities uses Net cash provided by operating activities according to the consolidated statement of cash flow. Interest-bearing debts include all debts for which interest has been paid from among the debts appropriated on the consolidated balance sheet. As for interest paid, the amount of interest paid according to the consolidated statement of cash flow is used.

(Note) The forecast for business results, etc., are based on information available as of the present time and the assumptions we considered valid. Please be advised that there are a host of uncertain factors that could greatly impact actual performance, including global market conditions, competitive environment, the introduction of new products and their success or failure, as well as the impact of current market-value accounting, and that it is very probable that actual results may differ from the forecast.

# CONSOLIDATED BALANCE SHEETS

Millions of yen

	September 30 FY 2004	September 30 FY 2003	FY 2003
<b>ASSETS</b>			
Current assets			
Cash and deposits	11,934	12,610	18,165
Notes and accounts receivable	40,546	37,587	38,698
Inventories	32,673	31,149	32,306
Deferred tax assets	2,310	1,950	2,318
Other current assets	3,142	3,897	3,452
Allowance for doubtful receivables	(98 )	(89 )	(87 )
Total current assets	90,508	87,104	94,855
Fixed assets:			
Property, plant and equipment, net:			
Buildings	17,494	18,091	17,667
Machinery and equipment	15,246	21,228	13,416
Tools, furniture and fixtures	2,399	2,139	2,142
Land	3,996	3,885	3,973
Construction in progress	4,227	1,686	1,581
Property, plant and equipment, net	43,365	47,030	38,780
Intangible assets:			
Software	652	776	708
Other intangible assets	863	880	850
Total intangible assets	1,515	1,656	1,558
Investments and other assets:			
Investments in securities	5,332	5,994	6,236
Deferred tax assets	969	2,043	1,896
Other long-term receivables	1,332	1,400	1,262
Allowance for doubtful accounts	(205 )	(205 )	(205 )
Total investments and other assets	7,429	9,232	9,189
Total fixed assets	52,310	57,920	49,528
Total assets	142,819	145,025	144,383



	September 30 FY 2004	September 30 FY 2003	FY 2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities			
Current liabilities:			
Notes and accounts payable	25,291	19,006	23,466
Short-term bank loans	9,756	10,553	8,627
Straight Bonds Current Portion	-	20,000	10,000
Accrued expenses	7,751	7,446	7,665
Income taxes payable	908	1,707	2,182
Deferred tax liabilities	7	-	6
Commercial Paper	8,700	5,000	-
Other current liabilities	1,766	1,632	1,860
Total current liabilities	54,182	65,346	53,808
Long-term liabilities:			
Bonds and debentures	10,000	-	10,000
Long-term debt	7,020	10,785	9,041
Deferred tax liabilities	29	22	15
Accrued employees' retirement benefits	4,875	7,501	7,999
Accrued retirement benefits for directors	331	316	333
Other long-term liabilities	421	449	427
Total long-term liabilities	22,679	19,076	27,818
Total liabilities	76,862	84,422	81,627
Minority interests	319	104	237
Shareholders' equity			
Capital stock	20,896	20,896	20,896
Capital surplus	21,167	21,167	21,167
Retained earnings	28,498	23,310	25,651
Unrealized loss on securities	767	815	1,172
Translation adjustments	(2,230 )	(2,396 )	(2,961 )
Treasury stock	(3,462 )	(3,295 )	(3,407 )
Total shareholders' equity	65,637	60,499	62,518
Total liabilities and shareholders' equity	142,819	145,025	144,383

# CONSOLIDATED STATEMENTS OF INCOME

Millions of yen

	September 30 FY 2004	September 30 FY 2003	FY 2003
Net sales	81,060	72,043	147,176
Cost of sales	62,593	55,721	113,716
Gross profit	18,466	16,321	33,460
Selling, general and administrative expenses	12,289	10,673	21,772
Operating income	6,177	5,648	11,687
Non-operating income	557	421	856
Non-operating expenses	1,373	1,713	3,917
Ordinary income	5,361	4,355	8,627
Gain on sales of marketable and investment securities	290	75	192
Gain from insurance	-	-	81
Total extraordinary income	290	75	274
Loss on disposals of fixed assets	30	21	58
Provision for special severance	16	-	52
Revaluation loss of resort membership right	12	-	29
Other extraordinary loss	3	2	16
Total extraordinary loss	61	24	156
Income before income taxes , minority interests	5,589	4,407	8,745
Income taxes	836	1,867	3,424
Income tax - deferred	1,237	(252 )	(559 )
Minority interest in consolidated subsidiaries	80	7	96
Net income	3,435	2,784	5,784

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Millions of yen

	September 30 FY 2004	September 30 FY 2003	FY 2003
Capital surplus at beginning of year	21,167	21,167	21,167
Increase in capital surplus			
Increase due to transaction of Treasury Stock	<u>0</u>	<u>0</u>	<u>0</u>
Capital surplus at September 30	<u>21,167</u>	<u>21,167</u>	<u>21,167</u>
Retained earnings at beginning of year	25,651	21,002	21,002
Increase in retained earnings			
Net income	3,435	2,784	5,784
Increase due to increase of a consolidated subsidiary	<u>20</u>	<u>133</u>	<u>133</u>
Decrease in retained earnings			
Cash dividends	608	609	1,218
Bonuses to directors	-	-	50
Retained earnings at September 30	<u>28,498</u>	<u>23,310</u>	<u>25,651</u>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

	September 30 FY 2004	September 30 FY 2003	FY 2003
Operating activities			
1. Income before income taxes and minority interests in earnings of affiliates	5,589	4,407	8,745
2. Depreciation and amortization	3,484	4,390	8,852
3. Reversal of allowance for doubtful receivables	7	16	18
4. Provision of accrued retirement benefits for employees	(3,137 )	573	1,098
5. Interest and dividend income	(134 )	(144 )	(238 )
6. Interest expense	296	559	966
7. Gain on sales of investment securities	(290 )	(75 )	(192 )
8. Decrease (increase) in notes and accounts receivable	(171 )	(2,697 )	(4,003 )
9. Decrease (increase) in inventories	476	835	(435 )
10. Decrease(increase) in notes and accounts payable	(582 )	(515 )	3,783
11. Other	413	850	1,825
12. Interest and dividends received	134	49	133
13. Interest paid	(444 )	(624 )	(1,136 )
14. Income taxes paid	(2,139 )	(2,538 )	(3,610 )
Net cash provided by operating activities	3,502	5,086	15,806
Investing activities			
1. Purchases of property , plant and equipment	(7,045 )	(3,620 )	(8,439 )
2. Proceeds from sales of property , plant and equipment	35	65	8,589
3. Purchases of investment securities	-	(306 )	(146 )
4. Proceeds from sales of investment securities	531	164	390
5. Expenditure of loan	(8 )	(2 )	(37 )
6. Proceeds from collection of loan	5	12	24
7. Other	(268 )	(61 )	(505 )
Net cash used by investing activities	(6,749 )	(3,748 )	(123 )
Financing activities			
1. Decrease in short-term bank loans	1,439	1,234	645
2. Proceeds from issuance of Commercial Paper	8,700	(2,000 )	(7,000 )
3. Proceeds from issuance of long-term bank loans	-	-	56
4. Proceeds from issuance of long-term bank loans	(2,706 )	(3,867 )	(6,444 )
5. Proceeds from bond issue	-	-	10,000
6. Expenditure from bond repayment	(10,000 )	-	(10,000 )
7. Proceeds from sales of treasury stock	0	0	1
8. Redemption of treasury stock	(55 )	(93 )	(206 )
9. Income from issuance of shares to minority interests	-	-	70
10. Cash dividends paid	(609 )	(608 )	(1,222 )
11. Dividends paid to minority interests	(166 )	(35 )	(99 )
Net cash used in financing activities	(3,396 )	(5,370 )	(14,199 )
Effect of exchange rate changes on cash and cash equivalents	197	(103 )	(152 )
Net increase (decrease) in cash and cash equivalents	(6,445 )	(4,135 )	1,330
Cash and cash equivalents at beginning of the year	17,871	16,410	16,410
Increase in cash and cash equivalents due to increase of a consolidated subsidiary	294	129	129
Cash and cash equivalents at end of the year	11,719	12,405	17,871

#### **(4) Segment Information**

##### **Segment information by business**

This Term (April 1, 2004 to September 30, 2004)

Millions of yen

	Semicon- ductors	SMPSs	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1)Third parties	57,919	16,345	6,795	81,060	-	81,060
(2)Intersegment	24	104	1	130	(130)	-
Total	57,944	16,449	6,797	81,190	(130)	81,060
Operating expenses	50,672	16,201	6,743	73,617	1,265	74,882
Operating income	7,271	247	53	7,573	(1,395)	6,177

Previous Term (April 1, 2003 to September 30, 2003)

Millions of yen

	Semicon- ductors	SMPSs	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1)Third parties	53,831	12,304	5,907	72,043	-	72,043
(2)Intersegment	33	40	-	74	(74)	-
Total	53,864	12,345	5,907	72,117	(74)	72,043
Operating expenses	46,797	12,323	6,092	65,213	1,181	66,395
Operating income	7,066	22	-184	6,903	(1,255)	5,648

Last Fiscal Year (April 1, 2003 to March 31, 2004)

Millions of yen

	Semicon- ductors	SMPSs	Power Supply Equipment	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1)Third parties	106,544	26,329	14,302	147,176	-	147,176
(2)Intersegment	114	93	1	209	(209)	-
Total	106,658	26,423	14,303	147,385	(209)	147,176
Operating expenses	93,427	25,619	14,158	133,205	2,283	135,489
Operating income	13,231	804	144	14,180	(2,492)	11,687

## Segment information by geographic area

This Term (April 1, 2004 to September 30, 2004)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	55,552	10,907	8,520	6,079	81,060	-	81,060
(2) Intersegment	6,275	10,140	6,109	151	22,677	(22,677)	-
Total	61,828	21,048	14,629	6,231	103,737	(22,677)	81,060
Operating expenses	56,294	20,307	13,465	6,077	96,144	(21,262)	74,882
Operating income	5,534	740	1,163	153	7,592	(1,415)	6,177

Previous Term (April 1, 2003 to September 30, 2003)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	50,949	7,657	7,641	5,794	72,043	-	72,043
(2) Intersegment	5,204	7,165	5,873	230	18,474	(18,474)	-
Total	56,154	14,822	13,515	6,025	90,517	(18,474)	72,043
Operating expenses	51,395	14,341	12,155	5,782	83,675	(17,280)	66,395
Operating income	4,759	481	1,359	242	6,842	(1,194)	5,648

Last Fiscal Year (April 1, 2003 to March 31, 2004)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	104,417	16,601	14,438	11,719	147,176	-	147,176
(2) Intersegment	10,327	14,329	10,769	406	35,833	(35,833)	-
Total	114,744	30,931	25,208	12,125	183,010	(35,833)	147,176
Operating expenses	105,359	29,648	22,951	11,703	169,663	(34,174)	135,489
Operating income	9,384	1,283	2,256	422	13,346	(1,659)	11,687

Notes 1: Classification of the country or region is based on geographic proximity.

2: Major countries and regions belonging to the categories outside Japan:

(1) Asia: South Korea, China, Philippines, Singapore, Malaysia, Indonesia

(2) North America: U.S.A.

(3) Europe: U.K.

## Overseas Sales

This Term (April 1, 2004 to September 30, 2004)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	32,690	5,304	5,937	164	44,097
Consolidated sales					81,060
Ratio of overseas sales to consolidated sales (%)	40.3	6.6	7.3	0.2	54.4

Previous Term (April 1, 2003 to September 30, 2003)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	25,587	5,161	5,849	64	36,663
Consolidated sales					72,043
Ratio of overseas sales to consolidated sales (%)	35.5	7.2	8.1	0.1	50.9

Last Fiscal Year (April 1, 2003 to March 31, 2004)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	52,550	9,675	11,590	329	74,145
Consolidated sales					147,176
Ratio of overseas sales to consolidated sales (%)	35.7	6.6	7.9	0.2	50.4

Notes 1: Classification of the country or region is based on geographic proximity.

2: Major countries and regions belonging to the categories:

(1) Asia: South Korea, Hong Kong, Taiwan

(2) North America: U.S.A. , Mexico

(3) Europe: U.K. , Germany

(4) Other Regions: Australia, Brazil

3: Overseas sales are sales in countries and regions outside Japan by Sanken and its subsidiaries.