# FY 2005 First Half Consolidated Financial Results

(April 1, 2005 to September 30, 2005)

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/
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## 1. Financial results for the six months ended September 30,2005

(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.30,2005 | 80,287( -1.0%) | 5,135(-16.9%) | 4,791(-10.6%) |
| Six months ended Sep.30,2004 | 81,060( 12.5%) | 6,177( 9.4%) | 5,361( 23.1%) |
| FY 2004 | 156,216 | 12,082 | 9,948 |

| | Net income (percentage change from previous term) | Net income per share | Diluted net income per share |
|---|---|---|---|
| Six months ended Sep.30,2005 | 2,821( -17.8%) | 23.20yen | - |
| Six months ended Sep.30,2004 | 3,435( 23.3%) | 28.22yen | - |
| FY 2004 | 6,682 | 54.50yen | - |

Notes1:Ordinary income : Income before income taxes and extraordinary items
Notes2:Equity in net income/loss non-consolidated subsidiaries and/or affiliates:
Sep./2005: 22million yen ( Mar./2005: 57million yen Sep./2004: 34million yen )
Notes3:Average number of shares outstanding ( Sep./2005: 121,612,442 Mar./2005: 121,693,744 Sep./2004: 121,720,107 )

(2) Consolidated Financial Position (Millions of Yen)

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---|---|---|---|---|
| As of Sep.30,2005 | 159,364 | 71,586 | 44.9% | 588.79yen |
| As of Sep.30,2004 | 142,819 | 65,637 | 46.0% | 539.36yen |
| FY 2004 | 140,917 | 68,121 | 48.3% | 560.07yen |

Notes:Number of shares outstanding at the end of the term ( Sep./2005: 121,581,684 Mar./2005: 121,632,067 Sep./2004: 121,693,948 )

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

| | Net cash provided by (used in) operating activities | Net cash used in investing activities | Net cash provided by (used in) financing activities | Balance of cash and cash equivalents at the end of the quarter |
|---|---|---|---|---|
| Six months ended Sep.30,2005 | 3,569 | (13,253) | 9,443 | 11,243 |
| Six months ended Sep.30,2004 | 3,502 | (6,749) | (3,396) | 11,719 |
| FY 2004 | 9,508 | (11,010) | (5,725) | 11,302 |

(4) Scope of consolidation and application of equity method
Number of consolidated subsidiaries : 24
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 : 2
Number of companies excluded from the consolidation : 0
Number of companies newly accounted for by the equity method : 0

## 2. FY 2005 Consolidated Financial Forecast (April 1, 2005 to March 31, 2006)

(Millions of Yen)

| | Net sales | Ordinary income | Net income |
|---|---|---|---|
| Full year | 175,500 | 12,300 | 7,300 |

Reference:Expected net income per share 59.63yen

## (1) Group Companies

In our business group, we have 27 subsidiaries and 1 affiliate, among these, 24 are consolidated subsidiaries and 1 is an equity method affiliate. Our group produces and sells Semiconductors, Switching Power Supply Units, Power Supply Equipment and other related products and services associated therewith. The business lines and roles of the group companies are as follows.

| Division | Major Products | Company Name |
|---|---|---|
| Semiconductor | Semiconductors | Sanken Electric Co., Ltd. |
| | Power IC | Subsidiaries |
| | Control IC | Ishikawa Sanken Co., Ltd. (Manufacturer) |
| | Hall-effect IC | Yamagata Sanken Co., Ltd. (Manufacturer) |
| | Bipolar Transister | Kashima Sanken Co., Ltd. (Manufacturer) |
| | MOSFET | Fukushima Sanken Co., Ltd. (Manufacturer) |
| | IGBT | Sanken Optoproducts Co., Ltd.(Manufacturer) |
| | Thyristor | Allegro MicroSystems, Inc. (Manufacturer) |
| | Rectifier Diode | Allegro MicroSystems Philippines, Inc. (Manufacturer) |
| | Light Emitting Diode(LED) | Allegro MicroSystems Philippines Realty, Inc. (Real estate leasing) |
| | Cold Cathode Fluorecent Lamp(CCFL) | Allegro MicroSystems Europe Limited(Sales company) |
| | | Allegro MicroSystems Argentina S.A. (IC design) |
| | | Polar Semiconductor, Inc.(Manufacturer) |
| | | 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) |
| | Switching Mode Power Supplies(SMPS) | Sanken Electric Co., Ltd. |
| | Switching Mode Power Supply unit | Subsidiaries |
| | Adapter for PC | PT. Sanken Indonesia (Manufacturer) |
| | Transformer | Korea Sanken Co., Ltd. (Manufacturer) |
| | Compact size Uninterruptible Power Supply(UPS) | 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 company) |
| Power Supply Equipment | Power Supply Equipment | Sanken Electric Co., Ltd. |
| | Uninterruptible Power Supply(UPS) | Subsidiaries |
| | DC Power Supply | Sanken Densetsu Co., Ltd. (Power supply sales and installation work) |
| | Inverter | Sanken L.D. Electric (Jiangyin) Co., Ltd. (Manufacturer) |
| | Airway Beacon System | |
| | General Purpose Power Supply | |
| Others | | Subsidiaries |
| | | Sanken Business Service Co., Ltd.(Business Service, Logistics and Technology Surveys) |
| | | Affiliates |
| | | Sanken-Airpax Co., Ltd. (Manufacturer) |

## (2) Management Policies

### Basic Management Policy

The Company established its "Management Philosophy" in April 2003 in order to clarify the future direction of the Company. 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.

### Mid and Long-term Management Strategies

The Company instituted a mid-term business plan for the three years covering April 2003 to March 2006. It aims at pursuing aggressive business expansion under the slogan of "Achieve Further Strength Amid Constant Challenge".

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

The Company 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 a specific development plan, our Group will make efforts to promote the expansion of the business of CCFLs as well as to integrate Polar Semiconductor Inc. well into the group, which will lead to our future growth, and will strive for further enhancement of our profit earning foundation by taking various measures, such as improvement of cash flow and thorough cost and inventory reductions.

## Basic Ideas on Corporate Governance and Implementation

### 1) Basic Ideas on Corporate Governance

While the Company will strengthen quick and accurate decision-making and supervising function of the Board of Directors on business execution and transparency 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 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

**Details of Corporate Organizations and Conditions for Improvement of Internal Control System**

The Company has adopted a Corporate Auditor system, and the Board of Directors and the Board of Auditors are composed of seven Directors and four Auditors (out of which two are Outside Auditors). The Company has separated decision-making and supervisory functions from business execution functions through the executive officer system to establish a system capable of making a quick response to changes in management environment. As of the end of the current interim period, the Company has 14 Executive Officers (out of which six are concurrently held by Directors).

The Board of Directors has developed management policies and strategies for the entire Group and in order to strengthen further quick and accurate decision-making and supervisory functions regarding business execution, we have been promoting reform of the Board of Directors with a reduction in the number of Directors to the current number of seven from thirteen in June 2003 and also having Executive Officers attend Board meetings as appropriate. The Company also holds bi-monthly Management Committee Meetings, comprised of the President, each Division Manager and Deputy Manager to discuss progress of the Mid-term Management Plan, capital investment programs, and other important business matters to promote faster business execution.

**Conditions for Improvement of Risk Management System**

The Company established a "Risk Management Committee," an organization under the direct control of the President, in order to strengthen its comprehensive risk management system, including our Group and to promote countermeasures. From now on, we will make efforts at putting into practice risk management through investigation, assessment and analysis, and planning and implementation of countermeasures for various risks associated with business operations, including natural disasters, setting the Risk Management Committee as the promotion body.

**Conditions of Internal Audit and Audit by Corporate Auditors and Accounting Audit**

With respect to internal audits, the Company has established a Compliance Office, an organization under the direct control of the President, which is comprised of four members. The Compliance Office is engaged in examination and determination of overall activities of employees in the Company, proposals for improvements and support in implementation, and promotion of compliance education and training. In this connection, as relates to a code of conduct for employees, the Company established its "Business Guidelines" in April 2003 and also established "Conduct Guidelines" in October 2003 as guidelines for compliance regarding ethics, laws and regulations. Further, the Company has created a "Help Line System," which is a contact point for communications of internal information and employee consultations. The Company makes efforts at enhancement of regulations and systems for the establishment of a compliance system.

Auditors (four members) comprise the Board of Auditors, which decides audit policy, audit planning and other statutory matters and shares information. Each Auditor attends the Board of Directors' meetings and management meetings and other important meetings as well as conducts rigorous audits through a review of important documents for approval such as documents of request for managerial decisions, regular consultations with the Compliance Office and accounting auditors, and visiting audits of each business office and factory of our Group both in Japan and overseas, and reports the results to the Board of Auditors.

The Company has appointed Ernst & Young ShinNihon as its accounting auditor under the Commercial Law and the Securities Exchange Law, and has entered into an audit agreement with them. There is no interest between the audit corporation, its managing partners engaging in audits of the Company and the Company. The names of certified public accountants who carried out the accounting audit of the Company for the current interim period are given below:

| Names of Certified Public Accountants having conducted Services | | Name of Audit Corporation |
|---|---|---|
| Designated Partner, Engagement Partner | Akira Tanaka | Ernst & Young ShinNihon |
| Designated Partner, Engagement Partner | Akira Chiba | Ernst & Young ShinNihon |

**Disclosure System**

The Legal Department collects, confirms and examines information with respect to the decided matters and incurred facts, and prompt and timely disclosure is made under the laws and regulations after approval by the decision-making body or incurrence of the said facts. On the other hand, the IR Office is actively providing shareholders and investors, analysts, mass media, etc., with corporate information (including financial statement reporting) and is also carrying out public relations activities, operation of the Company website and holding of results briefings.

### 3) Outline of Beneficial Interest between the Company and Outside Directors and Outside Auditor

The Company has two Outside Auditor and no Outside Directors. No beneficial interest exists between the Company and the Outside Auditor.

### 4) Implementation Conditions of Efforts at Enhancement of Corporate Governance in the Previous Year

The Compliance Section has carried out an audit on efforts to address the Security and Export Administration Act and Product Liability Law, and promoted improvement of the necessary internal systems. Review of standards and regulations for management has been made for response to laws about protection of personal information and reinforcement of the information management system, primarily by the Legal Department and Information System Department.

## Matters Related to Parent Company, etc.

There are no pertinent matters.

## (3) Operating Results and Financial Conditions

### 1)Operating Results(Overview of the Year ended September 30, 2005)

**General Review**

The world economy during the current interim period has generally advanced steadily, with the Chinese and Asian economies maintaining steady growth, although concerns about a slowdown in the U. S. economy have been mounting due to a sharp rise in crude oil prices and the economic impact from multiple hurricanes. Under such circumstances, our domestic economy has experienced favorable conditions due to steady growth in domestic demand including private capital investment and individual consumption in addition to a pickup in external demand.

In the electronics industry to which our Group belongs, low pricing of end products and shorter product cycles have escalated severe price competition, although sales of automotive electronic components have increased and demand for our products for thin-type TVs such as LCDs and plasma TVs has progressed favorably.

In these circumstances, our Group has acquired a semiconductor manufacturing company in the United States which possesses micro processing technology and an 8-inch production line, and has newly established “Polar Semiconductor Inc.”, in order to accelerate the construction of development and production systems of next-generation semiconductor devices. We have also enhanced our efforts to address growth fields by promoting the establishment of a production system which is capable of producing 17 million units of cold cathode fluorescent lamps (CCFLs) per month in order to increase the production capacity of CCFLs for LCD TVs, which are in brisk demand, as well as establishing “Sanken Opt Products Co.,Ltd.” as a new production base in a bid to further increase production capacity. In addition, we have implemented various measures such as production innovation activities and promotion of structural reforms in the business of power supply equipment, in order to ensure sales and profits.

Regarding the results for the current interim period, our profit margin has decreased due to a reduction in sales in connection with a decline in demand for SMPSs, and semiconductor products for conventional types of audio-visual equipment have shown a continued slowdown in sales, although CCFLs for LCD TVs have achieved a substantial increase in sales.

As a result, consolidated net sales in the current interim period decreased by 772 million yen (1.0%) from the previous interim period to 80,287 million yen. In terms of profit and loss, consolidated operating income decreased by 569 million yen (10.6%) from the previous interim period to 4,791 million yen, while consolidated net income for the current interim period decreased by 613 million yen (17.8%) from the previous interim period to 2,821 million yen.

### Overview of the Business by Segments

**Semiconductors and SMPSs**

Consolidated net sales of this segment increased by 163 million yen (0.2%), as compared to the same period in the previous year, to 74,428 million yen.

Out of which, consolidated net sales of semiconductors increased by 1,743 million yen (3.0%) from the previous interim period to 59,663 million yen. In the first half of the year, sales of CCFLs largely increased by 72.7% from the previous period, as a result of the increased sales ratio of CCFLs for big screen TVs, which greatly contributed to the securement of sales of this segment. On the other hand, with respect to semiconductor devices, our main products, such as ICs, diodes and transistors, new products for thin-type TVs were put on the market and sales of products for automotive electronic components and amusement equipment have increased. However, sales saw sluggish growth, as demand for conventional types of audio-visual equipment and air conditioners decreased.

Consolidated net sales of SMPSs decreased by 1,579 million yen (9.7%), as compared to the same period in the previous year, to 14,765 million yen. Though key switching power supply units continued to increase in sales for plasma TVs, sales decreased due to a decline in the volume of orders of AC adapters for audio equipment and personal computers. In addition, general-purpose compact size UPSs have been transferred to this segment as SMPSs from the power supply equipment business.

**Power Supply Equipment**

Consolidated net sales of this segment largely decreased by 936 million yen (13.8%), as compared to the same period in the previous year, to 5,858 million yen.

Regarding custom power supply equipment, demand for equipment for base stations of mobile phones and public facilities such as local airports have progressed steadily. However, sales decreased due to a slump in custom UPSs, which resulted from aggravation of severe price competition. As general-purpose power supply equipment, domestic sales showed a steady performance due to a recovery in IT-related domestic investment, which was supported by the development of broadband telecommunications, as well as an increase in demand for equipment for road infrastructure. However, a sales decrease was made unavoidable, as sales of VVVF inverters of Sanken L.D. Electric (Jiangyin) Co., Ltd. were sluggish due to the effects of restraint in investment in the Chinese market.

**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

In Japan, there is a movement toward a self-sustained economic recovery due to an increase in domestic demand, while concerns about a deceleration in business conditions are also expected, focusing on the United States and China. Therefore, the economic situation may remain in the balance into the future, as well.

With these circumstances, in the electronics industry it is expected that an increase in demand will be projected into the future, as well, centering on the thin-type TV market, while fiercer market competition is expected. Our Group will strive for enhancements in production capacity for growth markets as well as the early development of new products.

For results for the next fiscal year, we expect consolidated net sales of 175,500 million yen, and ordinary income of 12,300 million yen, net income of 7,300 million yen; non-consolidated results are expected to be: net sales of 134,600 million yen, ordinary income of 10,300 million yen and net income of 6,500 million yen.

**Regarding Interim Dividends**

With respect to the payment of interim dividends, we decided to pay out 5 yen per share, the same as the previous year, taking into consideration the outlook of the whole financial year. Based on this decision, we will declare an annual dividend of 10 yen per share.

### 3)Financial Conditions

Balance of cash and cash equivalents at the end of the current interim period was 11,243 million yen, a decrease of 58 million yen from the end of the previous period ended March 31, 2005.

Net cash provided by operating activities was 3,569 million yen on the plus side, a 67 million yen increase in income from the previous interim period. This was due to the fact that a lump-sum contribution was not made to cover shortages in the pension reserve fund, as reported in the previous year, although long-sighted account receivables with long collection period from overseas countries increased.

Net cash used in investing activities was 13,253 million yen on the minus side, a 6,504 million yen increase in spending from the same period of the previous year. This was mainly due to the acquisition of a semiconductor manufacturing company in the United States.

Net cash provided by financial activities was 9,443 million yen on the plus side, a 12,839 million yen increase in income from the previous interim period. This was due to an increase in interest-bearing debt with a view to raising funds for the above-mentioned strategic investment.

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

| | Six months ended Sep.30,2003 | FY 2003 | Six months ended Sep.30,2004 | FY 2004 | Six months ended Sep.30,2005 |
|---|---|---|---|---|---|
| Equity ratio | 41.7% | 43.3% | 46.0% | 48.3% | 44.9% |
| Equity ratio on the basis of market price | 98.6% | 120.2% | 89.5% | 121.3% | 99.5% |
| Redemption years for liabilities | 9.1year | 2.4year | 10.1year | 3.5year | 12.3year |
| Interest coverage ratio | 8.1times | 13.9times | 7.9times | 13.1times | 10.4times |

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.

### 4) Business Risk, etc.

Our Group has been developing business on a global scale in the electronics industry, in which technology advancement and changes in product cycles have been significant, allocating production and sales bases in Japan, and various countries in Asia, Europe and the United States. Under such circumstances, as major business risks identified by our Group, strategic risks, external environment risks, and internal environment risks can be pointed out. As strategic risks, there are such risks as success or failure in development of new products conforming to market needs, existence or nonexistence of the capacity to respond to price competition, occurrence of overseas imitation goods and infringement on patent rights in relation to intellectual property rights and financing problems at the time of decreased credibility. As external environment risks, in addition to the impact of a deteriorating economic environment as a global economic trend, advancement of a stronger yen, occurrence of various disasters, including natural disasters, fires, disruption of social and communication infrastructures mainly at production bases and material suppliers.

Further, it is a concern that such unexpected country risks will arise as regarding significant changes in laws and regulations and taxation systems of various countries, war and terrorism. As risks related to the internal environment, it is a concern that violations of laws and regulations, environmental problems, quality problems, fraudulent use and leakage of information in connection with expansion of information systems may occur. In the event that any one of these risks or several of them occur and result in a decrease in social credibility and stagnation of business activities or occurrence of great losses, it may adversely affect the performance and financial condition of our Group.

(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

| ASSETS | **September 30 FY 2005** | September 30 FY 2004 | FY 2004 |
|---|---|---|---|
| Current assets | | | |
| Cash and deposits | **11,470** | 11,934 | 11,546 |
| Notes and accounts receivable | **44,821** | 40,546 | 39,327 |
| Inventories | **33,029** | 32,673 | 32,167 |
| Deferred tax assets | **2,577** | 2,310 | 2,384 |
| Short-term loan | **1,964** | - | - |
| Other current assets | **3,449** | 3,142 | 3,352 |
| Allowance for doubtful receivables | **(92 )** | (98 ) | (94 ) |
| Total current assets | **97,220** | 90,508 | 88,684 |
| Fixed assets: | | | |
| Property,plant and equipment,net: | | | |
| Buildings | **17,582** | 17,494 | 17,436 |
| Machinery and equipment | **20,216** | 15,246 | 16,595 |
| Tools,furniture and fixtures | **2,386** | 2,399 | 2,379 |
| Land | **3,864** | 3,996 | 3,869 |
| Construction in progress | **2,040** | 4,227 | 2,545 |
| Property,plant and equipment,net | **46,089** | 43,365 | 42,826 |
| Intangible assets: | | | |
| Software | **814** | 652 | 863 |
| Other intangible assets | **814** | 863 | 775 |
| Total intangible assets | **1,629** | 1,515 | 1,638 |
| Investments and other assets: | | | |
| Investments in securities | **12,008** | 5,332 | 5,561 |
| Deferred tax assets | **1,183** | 969 | 1,086 |
| Other long-term receivables | **1,242** | 1,332 | 1,327 |
| Allowance for doubtful accounts | **(10 )** | (205 ) | (208 ) |
| Total investments and other assets | **14,424** | 7,429 | 7,767 |
| Total fixed assets | **62,144** | 52,310 | 52,233 |
| Total assets | **159,364** | 142,819 | 140,917 |

Millions of yen

| LIABILITIES AND SHAREHOLDERS' EQUITY | **September 30 FY 2005** | September 30 FY 2004 | FY 2004 |
|---|---|---|---|
| Liabilities | | | |
| Current liabilities: | | | |
| Notes and accounts payable | **24,790** | 25,291 | 22,264 |
| Short-term bank loans | **10,241** | 9,756 | 8,954 |
| Commercial Paper | **20,000** | 8,700 | 9,000 |
| Accrued expenses | **7,026** | 7,751 | 6,913 |
| Income taxes payable | **1,902** | 908 | 1,706 |
| Deferred tax liabilities | **9** | 7 | 7 |
| Other current liabilities | **3,100** | 1,766 | 2,136 |
| Total current liabilities | **67,071** | 54,182 | 50,984 |
| Long-term liabilities: | | | |
| Bonds and debentures | **10,000** | 10,000 | 10,000 |
| Long-term debt | **3,596** | 7,020 | 5,429 |
| Deferred tax liabilities | **541** | 29 | 188 |
| Accrued employees' retirement benefits | **5,350** | 4,875 | 5,123 |
| Accrued retirement benefits for directors | **305** | 331 | 347 |
| Other long-term liabilities | **606** | 421 | 491 |
| Total long-term liabilities | **20,399** | 22,679 | 21,580 |
| Total liabilities | **87,470** | 76,862 | 72,564 |
| Minority interests | **307** | 319 | 231 |
| Shareholders' equity | | | |
| Capital stock | **20,896** | 20,896 | 20,896 |
| Capital surplus | **21,168** | 21,167 | 21,167 |
| Retained earnings | **33,394** | 28,498 | 31,139 |
| Unrealiezed loss on securities | **1,516** | 767 | 1,037 |
| Translation adjusuxtments | **(1,775 )** | (2,230 ) | (2,576 ) |
| Treasury stock | **(3,614 )** | (3,462 ) | (3,542 ) |
| Total shareholders' equity | **71,586** | 65,637 | 68,121 |
| Total liabilities and shareholders' equity | **159,364** | 142,819 | 140,917 |

# CONSOLIDATED STATEMENTS OF INCOME

Millions of yen

| | **September 30 FY 2005** | September 30 FY 2004 | FY 2004 |
|---|---|---|---|
| Net sales | **80,287** | 81,060 | 156,216 |
| Cost of sales | **63,123** | 62,593 | 121,052 |
| Gross profit | **17,164** | 18,466 | 35,164 |
| Selling, general and administrative expenses | **12,028** | 12,289 | 23,081 |
| Operating income | **5,135** | 6,177 | 12,082 |
| Non-operating income | **697** | 557 | 970 |
| Non-operating expenses | **1,041** | 1,373 | 3,104 |
| Ordinary income | **4,791** | 5,361 | 9,948 |
| Gain on sales of marketable and investment securities | **-** | 290 | 455 |
| Profit on sales of fixed assets | **31** | - | - |
| Total extraordinary income | **31** | 290 | 455 |
| Loss on disposals of fixed assets | **176** | 30 | 55 |
| Loss on sales of fixed assets | **3** | - | 42 |
| Valuation Loss on Fixed Assets | **-** | - | 65 |
| Provision for special severance | **196** | 16 | 16 |
| Revaluation loss of resort membership right | **-** | 12 | 12 |
| Other extraordinary loss | **4** | 3 | 20 |
| Total extraordinary loss | **380** | 61 | 212 |
| Income before income taxes , minority interests | **4,442** | 5,589 | 10,191 |
| Income taxes | **1,817** | 836 | 2,343 |
| Income tax - deferred | **(239 )** | 1,237 | 1,013 |
| Minority interest in consolidated subsidiaries | **41** | 80 | 151 |
| Net income | **2,821** | 3,435 | 6,682 |

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Millions of yen

| | **September 30 FY 2005** | September 30 FY 2004 | FY 2004 |
|---|---|---|---|
| Capital surplus at beginning of year | **21,167** | 21,167 | 21,167 |
| Increase in capital surplus | | | |
| Increase due to transaction of Treasury Stock | **0** | 0 | 0 |
| Capital surplus at September 30 | **21,168** | 21,167 | 21,167 |
| Retained earnings at beginning of year | **31,139** | 25,651 | 25,651 |
| Increase in retained earnings | | | |
| Net income | **2,821** | 3,435 | 6,682 |
| Increase due to increase of a consolidated subsidiary | **41** | 20 | 72 |
| Decrease in retained earnings | | | |
| Cash dividends | **608** | 608 | 1,217 |
| Bonuses to directors | **-** | - | 50 |
| Retained earnings at September 30 | **33,394** | 28,498 | 31,139 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

| | September 30 FY 2005 | September 30 FY 2004 | FY 2004 |
|---|---|---|---|
| Operating activities | | | |
| 1. Income before income taxes and minority interests in earnings of affiliates | **4,442** | 5,589 | 10,191 |
| 2. Depreciation and amortization | **4,055** | 3,484 | 7,422 |
| 3. Reversal of allowence for doubtful receivables | **(206 )** | 7 | 8 |
| 4. Provision of accured retirement benefits for employees | **173** | (3,137 ) | (2,914 ) |
| 5. Interest and dividend income | **(164 )** | (134 ) | (258 ) |
| 6. Interest expense | **346** | 296 | 579 |
| 7. Gain on sales of investment securities | **-** | (290 ) | (455 ) |
| 8. Decrease (increase) in notes and accounts receivable | **(4,891 )** | (171 ) | 795 |
| 9. Decrease (increase) in inventories | **(211 )** | 476 | 759 |
| 10. Decrease(increase) in notes and accounts payable | **1,878** | (582 ) | (2,983 ) |
| 11. Other | **(22 )** | 413 | (235 ) |
| 12. Interest and dividends received | **167** | 134 | 251 |
| 13. Interest paid | **(343 )** | (444 ) | (724 ) |
| 14. Income taxes paid | **(1,653 )** | (2,139 ) | (2,929 ) |
| Net cash provided by (used in) operating activities | **3,569** | 3,502 | 9,508 |
| Investing activities | | | |
| 1. Purchases of property , plant and equipment | **(5,522 )** | (7,045 ) | (11,437 ) |
| 2. Proceeds from sales of property , plant and equipment | **140** | 35 | 145 |
| 3. Purchases of investment securities | **(163 )** | - | - |
| 4. Purchases of investment securities | **(5,706 )** | - | - |
| 5. Proceeds from sales of investment securities | **-** | 531 | 824 |
| 6. Expenditure of loan | **(1,978 )** | (8 ) | (25 ) |
| 7. Proceeds from collection of loan | **31** | 5 | 24 |
| 8. Other | **(54 )** | (268 ) | (542 ) |
| Net cash used in investing activities | **(13,253 )** | (6,749 ) | (11,010 ) |
| Financing activities | | | |
| 1. Decrease in short-term bank loans | **1,295** | 1,439 | 948 |
| 2. Proceeds from issuance of Commercial Paper | **11,000** | 8,700 | 9,000 |
| 3. Proceeds from issuance of long-term bank loans | **242** | - | - |
| 4. Proceeds from issuance of long-term bank loans | **(2,245 )** | (2,706 ) | (4,255 ) |
| 6. Expenditure from bond repayment | **-** | (10,000 ) | (10,000 ) |
| 7. Proceeds from sales of treasury stock | **1** | 0 | 0 |
| 8. Redemption of treasury stock | **(72 )** | (55 ) | (135 ) |
| 10. Cash dividends paid | **(609 )** | (609 ) | (1,219 ) |
| 11. Dividends paid to minority interests | **(168 )** | (166 ) | (64 ) |
| Net cash provided by (used in) financing activities | **9,443** | (3,396 ) | (5,725 ) |
| Effect of exchange rate changes on cash and cash equivalents | **(12 )** | 197 | 277 |
| Net increase (decrease) in cash and cash equivalents | **(252 )** | (6,445 ) | (6,950 ) |
| Cash and cash equivalents at beginning of the year | **11,302** | 17,871 | 17,871 |
| Increase in cash and cash equivalents due to increase of a consolidated subsidiary | **194** | 294 | 381 |
| Cash and cash equivalents at end of the year | **11,243** | 11,719 | 11,302 |

## (4) Segment Information

## Segment information by business

This Term (April 1, 2005 to September 30, 2005)

Millions of yen

| | Semicon-ductors | SMPSs | Power Supply Equipment | Total | Eliminations or unallocated amounts | Consolidated |
|---|---|---|---|---|---|---|
| Sales | | | | | | |
| (1)Third parties | 59,663 | 14,765 | 5,858 | 80,287 | - | 80,287 |
| (2)Intersegment | 17 | 210 | 7 | 235 | (235) | - |
| Total | 59,680 | 14,975 | 5,866 | 80,522 | (235) | 80,287 |
| Operating expenses | 52,964 | 15,744 | 5,570 | 74,279 | 872 | 75,151 |
| Operating income | 6,716 | (768) | 296 | 6,243 | (1,107) | 5,135 |

Previous Fiscal Year (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 |

Last Fiscal Year  (April 1, 2004 to March 31, 2005)

Millions of yen

| | Semicon-ductors | SMPSs | Power Supply Equipment | Total | Eliminations or unallocated amounts | Consolidated |
|---|---|---|---|---|---|---|
| Sales | | | | | | |
| (1)Third parties | 111,926 | 29,550 | 14,739 | 156,216 | - | 156,216 |
| (2)Intersegment | 74 | 221 | 3 | 299 | (299) | - |
| Total | 112,001 | 29,771 | 14,742 | 156,516 | (299) | 156,216 |
| Operating expenses | 98,044 | 29,559 | 14,327 | 141,932 | 2,202 | 144,134 |
| Operating income | 13,956 | 212 | 414 | 14,583 | (2,501) | 12,082 |

## Segment information by geographic area

This Term (April 1, 2005 to September 30, 2005)

Millions of yen

| | Japan | Asia | North America | Europe | Total | Eliminations or unallocated amounts | Consolidated |
|---|---|---|---|---|---|---|---|
| Sales | | | | | | | |
| (1) Third parties | 58,462 | 8,759 | 7,855 | 5,208 | 80,287 | - | 80,287 |
| (2) Intersegment | 5,169 | 12,881 | 6,700 | 57 | 24,808 | (24,808) | - |
| Total | 63,632 | 21,641 | 14,556 | 5,265 | 105,095 | (24,808) | 80,287 |
| Operating expenses | 58,451 | 21,190 | 13,435 | 5,586 | 98,662 | (23,510) | 75,151 |
| Operating income | 5,180 | 451 | 1,121 | (320) | 6,433 | (1,297) | 5,135 |

Previous Fiscal Year (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 |

Last Fiscal Year (April 1, 2004 to March 31, 2005)

Millions of yen

| | Japan | Asia | North America | Eurpe | Total | Eliminations or unallocated amounts | Consolidated |
|---|---|---|---|---|---|---|---|
| Sales | | | | | | | |
| (1) Third parties | 110,305 | 19,147 | 15,581 | 11,182 | 156,216 | - | 156,216 |
| (2) Intersegment | 11,568 | 19,036 | 11,726 | 281 | 42,612 | (42,612) | - |
| Total | 121,874 | 38,184 | 27,308 | 11,463 | 198,829 | (42,612) | 156,216 |
| Operating expenses | 110,325 | 37,645 | 25,292 | 11,195 | 184,459 | (40,325) | 144,134 |
| Operating income | 11,548 | 538 | 2,015 | 267 | 14,370 | (2,287) | 12,082 |

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, 2005 to September 30, 2005)

Millions of yen

| | Asia | North America | Europe | Other Regions | Total |
|---|---|---|---|---|---|
| Overseas sales | 34,320 | 4,959 | 5,247 | 96 | 44,624 |
| Consolidated sales | | | | | 80,287 |
| Ratio of overseas sales to consolidated sales (%) | 42.8 | 6.2 | 6.5 | 0.1 | 55.6 |

Previous Fiscal Year (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 |

Last Fiscal Year (April 1, 2004 to March 31, 2005)

Millions of yen

| | Asia | North America | Europe | Other Regions | Total |
|---|---|---|---|---|---|
| Overseas sales | 61,951 | 9,935 | 11,109 | 191 | 83,188 |
| Consolidated sales | | | | | 156,216 |
| Ratio of overseas sales to consolidated sales (%) | 39.7 | 6.4 | 7.1 | 0.1 | 53.3 |

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 subsidies.