

FY 2007 First Half Consolidated Financial Results

(April 1, 2007 to September 30, 2007)

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1. Consolidated Financial Results for the six months ended September 30, 2007

(1) Consolidated Results of Operations

(Millions of Yen)

	Net sales (percentage change from the previous term)	Operating income (percentage change from the previous term)	Ordinary income (percentage change from the previous term)	Net income (percentage change from the previous term)
Six months ended Sep.30, 2007	93,956 (- 6.1%)	4,024 (-48.3%)	1,896 (-71.6%)	863 (-76.5%)
Six months ended Sep.30, 2006	100,088 (24.7%)	7,783 (51.6%)	6,667 (39.2%)	3,682 (30.5%)
FY 2006	203,815	15,014	12,745	7,499

	Net income per share	Diluted net income per share
Six months ended Sep.30, 2007	7.11yen	6.74yen
Six months ended Sep.30, 2006	30.28yen	29.15yen
FY 2006	61.69yen	59.52yen

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

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

Sep./2007: - yen (Mar./2007: 30,000million yen Sep./2006: 30,000million yen)

(2) Consolidated Financial Position

(Millions of Yen)

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
As of Sep.30, 2007	186,828	82,385	43.8%	673.78yen
As of Sep.30, 2006	187,738	79,781	42.3%	652.89yen
FY 2006	193,787	83,086	42.7%	680.11yen

Note: Shareholders' equity:

Sep./2007: 81,866million yen (Mar./2007: 82,660million yen Sep./2006: 79,377million yen)

(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 year
Six months ended Sep.30, 2007	3,032	-4,624	1,074	9,944
Six months ended Sep.30, 2006	12,729	- 18,431	2,646	9,107
FY 2006	14,390	- 26,306	10,021	10,367

2. Dividend Information

(Record date)	Dividend per share		
	First half	Latter half	Full year
FY 2006	7.00yen	7.00yen	14.00yen
FY 2007	7.00yen	-	14.00yen
FY 2007 (forecast)	-	7.00yen	

3. FY 2007 Consolidated Financial Forecast (April 1, 2007 to March 31, 2008)

(Millions of Yen)

	Net sales (percentage change from the previous term)	Operating income (percentage change from the previous term)	Ordinary income (percentage change from the previous term)	Net income (percentage change from the previous term)	Net income per share
Full year	192,500 (- 5.6%)	10,000 (-33.4%)	6,500 (-49.0%)	3,500 (-53.3%)	28.81yen

4. Other

- (1) Changes in significant subsidiaries during the year (changes in particular subsidiaries accompanying the change in scope of consolidation): No
- (2) Changes in principles, procedures and representation method, etc., of accounting concerning preparation of interim consolidated financial statements (those to be stated in the changes of the underlying material matters for preparation of interim consolidated financial statements)
- (a) Changes in connection with the accounting standards, etc. : Yes
- (b) Changes other than (a) : No
- (3) Number of shares outstanding (common stock)
- Number of shares outstanding at the end of the term (including treasury stock)
- Sep./2007: 125,490,302 (Mar./2007: 125,490,302 Sep./2006: 25,490,302)
- Number of treasury stocks at the end of the term
- Sep./2007: 3,986,811 (Mar./2007: 3,950,093 Sep./2006: 3,912,303)

(for reference) Summary of Non-consolidated Financial Performance

1. Non-consolidated Financial Results for the six months ended September 30, 2007

(1) Non-consolidated Results of Operations

(Millions of Yen)

	Net sales (percentage change from the previous term)	Operating income (percentage change from the previous term)	Ordinary income (percentage change from the previous term)	Net income (percentage change from the previous term)
Six months ended Sep.30, 2007	70,086 (- 8.5%)	801 (-86.3%)	- 494 (- %)	- 513 (- %)
Six months ended Sep.30, 2006	76,563 (22.3%)	5,874 (59.9%)	5,529 (58.9%)	3,386 (67.4%)
FY 2006	155,565	10,104	9,574	6,192

	Net income per share
Six months ended Sep.30, 2007	- 4.22yen
Six months ended Sep.30, 2006	27.85yen
FY 2006	50.93yen

(2) Non-consolidated Financial Position

(Millions of Yen)

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
Six months ended Sep.30, 2007	154,398	71,045	46.0%	584.72yen
Six months ended Sep.30, 2006	153,638	71,077	46.3%	584.63yen
FY 2006	160,000	72,962	45.6%	600.32yen

Notes:Shareholders' equity:

Sep./2007: 71,045million yen (Mar./2007: 72,962 million yen Sep./2006: 71,077 million yen)

2. FY 2007 Non-consolidated Financial Forecast (April 1, 2007 to March 31, 2008)

(Millions of Yen)

	Net sales (percentage change from the previous term)	Operating income (percentage change from the previous term)	Ordinary income (percentage change from the previous term)	Net income (percentage change from the previous term)	Net income per share
Full year	151,100 (- 2.9%)	1,800 (-82.2%)	100 (-99.0%)	0 (-100.0%)	0.00yen

1. OPERATING RESULTS

(1) Analysis of Operating Results

1) Overview of the Current Period

General Review

The world economy during the current period has faced conditions that do not allow for a great deal of optimism as concerns about a deceleration in consumption have increased due to the sub-prime loan problem in the United States, which has also negatively impacted Asian economies that were experiencing favorable conditions.

For the Japanese economy, while demands for capital investment continued to be steady, a sense of uncertainty has arisen about the future of the economy due to the standstill in personal consumption.

In the electronics industry to which the Company belongs, demand has expanded due to the continuing global dissemination of flat-panel TVs and the growth of automobile markets, centering on North America. On the other hand, severer cost competition has continued due to the continuing onslaught of increasingly higher prices for materials and the rapid price decrease in set products in addition to the shorter cycles of new product development.

Under such circumstances, our Group has placed focus on expansion of the semiconductor device business, our core business, and has concentrated and strengthened administrative functions of our process and assembly. We have promoted collaboration between the head office technological center and the US subsidiary design center and industry-academia joint research to conduct development and mass production of new products. In sales, we have focused on FAE, looking hard at global optimum production of customers, and zone sales activities. For the PM business, the profitability of which worsened in the first half, we developed various measures for securing sales and profits by actively promoting improvement activities for quick response to consumer markets and our profit earning structure.

For business results in the current period, the PS business progressed steadily, but due to a significant decrease in sales of the CCFL business, we could not completely absorb fixed costs, mainly depreciation, which increased in connection with capital investment in the previous fiscal year and placed pressure on profits. In the semiconductor device business, profits decreased due to soaring material prices and outflow of added value to the outside of the group as a result of an increase in subcontract production. In the PM business, while irregular cost by air shipment, etc., largely decreased, full recovery was not achieved due to the sluggish plasma TV market, and both revenues and profit decreased. As a result, consolidated net sales were 93,956 million yen, a decrease of 6,131 million yen (6.1%) as compared to the same period in the previous fiscal year. In terms of profit and loss, consolidated operating income was 4,024 million yen, a decrease of 3,759 million yen (48.3%) as compared to the same period in the previous fiscal year and consolidated ordinary income was 1,896 million yen, a decrease of 4,770 million yen (71.6%) as compared to the same period in the previous fiscal year and consolidated net income was only 863 million yen, a decrease of 2,818 million yen (76.5%) as compared to the same period in the previous fiscal year.

Overview of the Business by Segments

Semiconductors

Consolidated net sales in this segment decreased by 4,182 million yen (5.5%), as compared to the same period in the previous fiscal year, to 72,533 million yen.

Out of which sales of semiconductor devices increased 2.6% as compared to the same period in the previous fiscal year. In contrast to a decrease in the sales for CRT TVs and plasma TVs, due to the large increase in sales for LCD TVs, sales for all TVs leveled off. Sales for audio equipment recovered in connection with the demand expansion of home theaters, and ICs for air conditioners grew favorably due to a

heat wave. For automotive electronic components, expansion of ECU power units largely used for driving and engine systems, and ICs for solenoid drivers, and sensors, contributed to securing sales. On the other hand, for CCFLs, demand for LCD TVs progressed centering on mid and small inch screens and not those over 40 inches, the target of the Company, and the balance of supply and demand tentatively worsened due to a production increase by each CCFL manufacturer. As a result, sales prices dropped more than we expected, and a large sales decrease of 24.6% as compared to the same period in the previous fiscal year was recorded.

Power Modules

Consolidated net sales in this segment decreased by 1,913 million yen (11.4%), as compared to the same period in the previous fiscal year, to 14,917 million yen.

Switching power supplies for consumer markets, our core product of this business segment, recorded a large sales decrease due to the sluggish plasma TV market, although we strengthened profitability management at the designing stage as well as prepared a system for improvement of our business structure. In this regard, sales of general-purpose small-sized UPS grew as a result of releasing new products, considering a response to the environment.

Power Systems

Consolidated net sales in this segment decreased by 34 million yen (0.5%), as compared to the same period in the previous fiscal year, to 6,504 million yen.

While we had no special demand for large facility power supplies as in the same period in the previous fiscal year, power supplies for telecommunication facilities grew steadily for stations of mobile phones and also receipt of orders for medium capacity UPS became active as countermeasures for instantaneous power failure of plant facilities, and thus, sales progressed nearly as planned. For VVVF inverters for the Chinese market, we actively promoted entry in the high pressure inverter market.

2) Forecast for the This Fiscal Year

The electronics industry to which the Company belongs is expected to continue to progress favorably, centering on the automotive electronic components and flat-panel TV markets and it is also expected that demand for electronic components for the next Olympic year will intensify. It is also expected, however, severe conditions will continue due to soaring material prices and tougher price competition. Under such circumstances, the Company will make efforts at further reinforcement of its business infrastructure, increasing the profit earning capacity and improving the financial structure to enhance corporate value.

As for the business results for the full year, we expect to achieve net sales of 192.5 billion yen, operating income of 10 billion yen, ordinary income of 6.5 billion yen and net income of 3.5 billion yen on a consolidated basis, and net sales of 151.1 billion yen, operating income of 1.8 billion yen, ordinary income of 0.1 billion yen and net income of 0 million yen on a non-consolidated basis.

The exchange rate in 2007 is based on the premise of ¥115 against US\$1.00

(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. In addition, Allegro MicroSystems, Inc., a wholly-owned subsidiary of the Company, is now making preparation for the initial public offering, which, if it actualizes, may have an effect on the Company's business performance in the future.

(2) Analysis of Financial Conditions

1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the current period were 186,828 million yen, a decrease of 6,958 million yen from the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable of 2,688 million yen and tangible fixed assets of 3,651 million yen.

Total liabilities were 104,443 million yen, a decrease of 6,257 million yen from the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable of 5,382 million yen.

Net assets were 82,385 million yen.

2) Status of Cash Flow

Balance of cash and cash equivalents at the end of the current period was 9,944 million yen, a decrease of 422 million yen from the end of the previous fiscal year.

Net cash provided by operating activities was 3,032 million yen; however this resulted in a decrease of 9,697 million yen as compared to the same period of the previous fiscal year. This was mainly due to a decrease in profits and in notes and accounts payable.

Net cash used in investing activities was 4,624 million yen, while cash outflow decreased by 13,806 million yen as compared to the same period of the previous fiscal year. This was mainly due to a decrease in capital investment.

Net cash provided by financing activities was 1,074 million yen, which was a decrease of 1,571 million yen as compared to the same period of the previous fiscal year.

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

	FY 2003	FY 2004	FY 2005	FY 2006	Six months ended Sep.30,2007
Equity ratio	43.3%	48.3%	44.3%	42.7%	43.8%
Equity ratio on the basis of market price	120.2%	121.3%	142.2%	77.5%	36.6%
Redemption years for liabilities	2.4year	3.5year	3.1year	4.1year	19.8year
Interest coverage ratio	13.9times	13.1times	18.9times	12.5times	4.7times

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.

3) Profit Distribution Policy, and Dividends of This Fiscal Year and Next Fiscal Year

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.

With respect to the payment of year-end dividend, we decided to pay out 7 yen per share, the same as the previous fiscal year, taking into consideration the outlook of the whole fiscal year. Based on this decision, we will declare an annual dividend of 14 yen per share.

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.

2. GROUP COMPANIES

In our business group, we have 29 subsidiaries, among these, 27 are consolidated subsidiaries. Our group produces and sells Semiconductors, Power Modules (PM), Power Systems (PS) 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 Control IC Hall-effect IC Bipolar Transister MOSFET IGBT Thyristor Rectifier Diode Light Emitting Diode(LED) Cold Cathode Fluorecent Lamp(CCFL)	Subsidiaries Ishikawa Sanken Co., Ltd. (Manufacturer) Yamagata Sanken Co., Ltd. (Manufacturer) Kashima Sanken Co., Ltd. (Manufacturer) Fukushima Sanken Co., Ltd. (Manufacturer) Sanken Optoproducts 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) Allegro MicroSystems Business Development, Inc. (Sales and Technical service) Polar Semiconductor, Inc. (Manufacturer) Korea Sanken Co., Ltd. (Manufacturer) Sanken Power Systems (UK) Limited (Sales and Technical service) Dalian Sanken Transformer Co., Ltd. (Manufacturer) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Electric Korea Co., Ltd. (Sales and Technical service) Sanken Electric (Shanghai)Co., Ltd. (Sales and Technical service) Sanken Electric Hong Kong Co., Ltd. (Sales and Technical service) Taiwan Sanken Electric Co., Ltd. (Sales and Technical service)
PM	Power Modules	Sanken Electric Co., Ltd.
	Switching Mode Power Supply unit Compact size Uninterruptible Power Supply(UPS) Transformer	Subsidiaries PT. Sanken Indonesia (Manufacturer) Korea Sanken Co., Ltd. (Manufacturer) Sanken Power Systems (UK) Limited (Sales and Technical service) 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)
PS	Power Systems	Sanken Electric Co., Ltd.
	Uninterruptible Power Supply(UPS) DC Power Supply Inverter Airway Beacon System General Purpose Power Supply	Subsidiaries Sanken Densetsu Co., Ltd. (Power supply sales and installation work) Sanken L.D. Electric (Jiangyin) Co., Ltd. (Manufacturer)
Others		Subsidiaries Sanken Business Service Co., Ltd. (Business service and Technology survey) Sanken Logistics Co., Ltd. (Logistics)

3. MANAGEMENT POLICIES

(1) 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.

(2) 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 13% or more, to be achieved by the end of March 2009.

(3) Mid and Long-term Management Strategies

Our Group has instituted and is advancing a mid-term business plan for the next three years beginning April 2006. In this mid-term business plan, we will focus on Power Electronics and Optical Devices as our business domain and implement a more aggressive growth strategy under the slogan of "The Powerful Leader in P&O (Achieve Further Strength Amid Constant Challenge)."

The specific elements of the plan are as follows.

1) Aggressively Pursue Growth in the Core Businesses.

- Achieve closer monitoring and control of sales and profit numbers, with clearly defined authority and responsibilities made possible by product line-based business units.
- Evolve from a dependency on custom-designed products to a balanced general product strategy through enhanced marketing capabilities.
- Penetrate new markets, cultivate new customers and reduce time to market through improved utilization of a global network of field application engineers.
- Strengthen our ability to provide next generation solutions to customers by utilizing sub-micron wafer process technology.

2) Expand the Optoelectronic Business.

- Achieve rapid return on investment in the CCFL business by accelerating production activity resulting in greater sales and profits.
- Maximize efficiency and cost competitiveness by building an optimal production system among CCFL manufacturing facilities.
- Maintain the largest share in the large-screen LCD television market by introducing a stream of new CCFL products with unrivaled differentiation.
- Expand the LED business through quick commercial introduction of silicon-substrate blue LED as the core device.

3) Achieve Innovation and Excellence in Manufacturing.

- Achieve a competitive advantage through the low-cost structure in chosen global markets by stimulating innovation and realizing manufacturing excellence.
- Minimize external capital expenditure in manufacturing technology through in-house design, development, and construction of production machinery.
- Exhibit leadership in Quality, a vital aspect of our existence, by pursuing continuous improvement.
- Achieve optimal cost and timing of purchase parts and materials through the active involvement of Purchasing in the entire development cycle.

- Reduce total inventory through manufacturing innovation, production systems and the integrated efforts of Purchasing, Production and Sales.

4) Realize the Full Potential of the Sanken Group Companies through Enhanced Global Management and Control.

- Maximize the positive impact of the Polar Semiconductor, Inc., the leading-edge wafer process facility, by promptly obtaining qualification necessary as an automobile-grade manufacturing facility.
- Construct mutually beneficial relationships among Sanken Electric Co., Ltd., Allegro MicroSystems, Inc. and Polar Semiconductor, Inc., including cooperation among FAE technical support centers in Korea Sanken Co., Ltd., Sanken Electric (Shanghai) Co., Ltd., Taiwan Sanken Electric Co., Ltd. and at Sanken Power Systems (UK) Limited.
- Achieve global management efficiency in sales, engineering and production via the Office for Global Business Strategy.
- Expand the number of associates with global business expertise via human resource exchange programs among group companies.
- Realize higher corporate value by establishing a business framework which includes enhanced global risk management, internal controls, and corporate social responsibility initiatives.

5) Foster a Corporate Culture that Addresses the Dynamics of our Markets and the Business World.

- Act at the speed consistent with the demands of the business environment in the twenty-first century.
- Realize prompt decision-making by relentlessly reviewing current systems, methodologies and practices.
- Shorten the time to Return-on-Engineering in the development cycle with concurrent engineering methodologies.

(4) Future Issues

In the digital home appliance field, price fluctuations have been exacerbated and the changing speed surrounding the market is continuing to accelerate. Product development in shorter periods and a flexible response to production will be continuously required in concert with such global events as the Olympics. In order to respond to such changes, our Group will share global marketing information among all of the group companies and continue to strengthen the two business segments of power electronics and optical devices.

For the semiconductor device business, our core business, in addition to design-in that correspond to soaring material prices, we will expeditiously promote process transfer to US subsidiaries and maximization of chip production capacity of domestic subsidiaries with the aim of improving cost competitiveness. For the CCFL business, we will enhance the functions of marketing and production administration and continue efforts to reinforce our business structure. We will also promote differentiation in technologies and strive for a quicker contribution from new products to sales as well as pursue thorough cost reductions in production. For the PM business, we will accelerate development and differentiation of power supplies for flat-panel TVs, including LCD TVs and plasma TVs. In addition, at Sanken Indonesia, the production base of the PM business, we will make efforts to respond quickly to consumer markets by enhancing design functions, improvement of transformer internal production ratios and fundamental structural reform of the supply chain in ASEAN markets.

We will address such tasks and from now on, we will provide total solutions, including an optimum CCFL inverter system and LED backlight system, to make LCD TVs thinner through cooperation among the semiconductor device, CCFL, LED and PM segments, our strengths.

Our Group will promote structural reform that corresponds to the speed of the digital market from a global perspective and strive for recovery of performance for the whole Group as a united body.

4. CONSOLIDATED FINANCIAL STATEMENTS

(1) Consolidated Balance Sheets

	Millions of yen		
	September 30 FY 2006	September 30 FY 2007	FY 2006
ASSETS			
Current assets			
Cash and deposits	9,342	10,255	10,603
Notes and accounts receivable	50,793	47,805	50,494
Inventories	38,199	41,640	39,736
Deferred tax assets	3,372	3,558	3,270
Other current assets	6,015	6,941	8,505
Allowance for doubtful receivables	(189)	(129)	(146)
Total current assets	<u>107,533</u>	<u>110,071</u>	<u>112,464</u>
Fixed assets:			
Property, plant and equipment, net:			
Buildings	21,666	22,078	22,623
Machinery and equipment	34,158	36,923	37,083
Tools, furniture and fixtures	2,708	2,757	2,805
Land	4,690	4,552	4,566
Construction in progress	6,991	1,791	4,677
Property, plant and equipment, net	<u>70,216</u>	<u>68,104</u>	<u>71,755</u>
Intangible assets:			
Software	627	486	551
Other intangible assets	1,287	1,263	1,296
Total intangible assets	<u>1,914</u>	<u>1,749</u>	<u>1,847</u>
Investments and other assets:			
Investments in securities	5,432	3,863	4,722
Deferred tax assets	796	1,052	1,186
Other long-term receivables	1,870	2,012	1,835
Allowance for doubtful accounts	(25)	(25)	(25)
Total investments and other assets	<u>8,073</u>	<u>6,903</u>	<u>7,719</u>
Total fixed assets	<u>80,204</u>	<u>76,756</u>	<u>81,323</u>
Total assets	<u><u>187,738</u></u>	<u><u>186,828</u></u>	<u><u>193,787</u></u>

	September 30 FY 2006	September 30 FY 2007	FY 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current liabilities:			
Notes and accounts payable	38,039	27,944	33,326
Short-term bank loans	12,862	17,080	14,534
Commercial Paper	21,000	30,000	30,000
Accrued expenses	9,385	8,744	9,157
Income taxes payable	2,441	844	2,184
Deferred tax liabilities	2	-	2
Allowance for directors' bonus payable	-	15	50
Other current liabilities	1,795	1,441	1,898
Total current liabilities	<u>85,527</u>	<u>86,069</u>	<u>91,153</u>
Long-term liabilities:			
Bonds and debentures	10,000	10,000	10,000
Long-term debt	5,956	2,836	3,634
Deferred tax liabilities	783	898	937
Accrued employees' retirement benefits	4,895	3,642	4,227
Accrued retirement benefits for directors	254	165	261
Other long-term liabilities	539	830	486
Total long-term liabilities	<u>22,429</u>	<u>18,373</u>	<u>19,547</u>
Total liabilities	<u>107,957</u>	<u>104,443</u>	<u>110,701</u>
Net assets			
Shareholders' equity:			
Capital stock	20,896	20,896	20,896
Capital surplus	21,263	21,263	21,263
Retained earnings	39,402	42,382	42,369
Treasury stock	<u>(3,779)</u>	<u>(3,874)</u>	<u>(3,832)</u>
Total shareholders's equity	<u>77,783</u>	<u>80,668</u>	<u>80,697</u>
Valuation and translation adjustments:			
Unrealized loss on securities	1,666	1,136	1,648
Translation adjustments	<u>(72)</u>	<u>61</u>	<u>314</u>
Total valuation and translation adjustments	<u>1,594</u>	<u>1,198</u>	<u>1,962</u>
Equity Warrant	<u>68</u>	<u>145</u>	<u>111</u>
Minority interests	<u>335</u>	<u>372</u>	<u>314</u>
Total net assets	<u>79,781</u>	<u>82,385</u>	<u>83,086</u>
Total liabilities and net assets	<u><u>187,738</u></u>	<u><u>186,828</u></u>	<u><u>193,787</u></u>

(2) Consolidated Statements of Income

	Millions of yen		
	September 30 FY 2006	September 30 FY 2007	FY 2006
Net sales	100,088	93,956	203,815
Cost of sales	78,487	76,038	160,859
Gross profit	21,600	17,918	42,956
Selling, general and administrative expenses	13,817	13,893	27,941
Operating income	7,783	4,024	15,014
Non-operating income	389	302	878
Non-operating expenses	1,505	2,430	3,147
Ordinary income	6,667	1,896	12,745
Government grant	-	60	584
Profit on sales of fixed assets	8	59	30
Total extraordinary income	8	119	615
Loss on disposals of fixed assets	160	116	383
Loss on sales of fixed assets	0	0	0
Loss on sales of stock of affiliated company	-	-	215
Impairment loss	-	-	39
Factory closure related expenses	37	40	123
Casualty loss	-	-	262
Other extraordinary loss	14	4	14
Total extraordinary loss	213	162	1,039
Income before income taxes, minority interests	6,462	1,854	12,320
Income taxes	2,473	810	4,579
Income tax - deferred	261	138	140
Minority interest in consolidated subsidiaries	45	40	100
Net income	<u>3,682</u>	<u>863</u>	<u>7,499</u>

(3) Consolidated Statements of Changes in Net Assets

First Half of the Previous Fiscal Year (April 1, 2006 to September 30, 2006)

Millions of yen

	Shareholders' equity					Valuation and translation adjustments			Equity warrant	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Unrealized loss on securities	Translation adjustments	Total			
Balance at March 31, 2006	20,896	21,262	36,341	(3,729)	74,771	1,995	(437)	1,557	-	297	76,626
Changes of items during the period:											
Net income			3,682		3,682			-			3,682
Redemption of treasury stock				(50)	(50)			-			(50)
Disposal of treasury stock		0		0	1			-			1
Resulting from increase in number of consolidated subsidiaries			(205)		(205)			-			(205)
Resulting from the change in fiscal term of consolidated subsidiaries			(415)		(415)			-			(415)
Net changes of items other than shareholders' equity					-	(328)	365	36	68	38	143
Total changes of items	-	0	3,061	(49)	3,012	(328)	365	36	68	38	3,155
Balance at September 30, 2006	20,896	21,263	39,402	(3,779)	77,783	1,666	(72)	1,594	68	335	79,781

This Term (April 1, 2007 to September 30, 2007)

Millions of yen

	Shareholders' equity					Valuation and translation adjustments			Equity warrant	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Unrealized loss on securities	Translation adjustments	Total			
Balance at March 31, 2007	20,896	21,263	42,369	(3,832)	80,697	1,648	314	1,962	111	314	83,086
Changes of items during the period:											
Distribution of retained earnings			(850)		(850)			-			(850)
Net income			863		863			-			863
Redemption of treasury stock				(45)	(45)			-			(45)
Disposal of treasury stock		0		3	3			-			3
Net changes of items other than shareholders' equity					-	(511)	(252)	(764)	34	58	(670)
Total changes of items	-	0	12	(42)	(29)	(511)	(252)	(764)	34	58	(700)
Balance at September 30, 2007	20,896	21,263	42,382	(3,874)	80,668	1,136	61	1,198	145	372	82,385

Last Fiscal Year (April 1, 2006 to March 31, 2007)

Millions of yen

	Shareholders' equity					Valuation and translation adjustments			Equity warrant	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Unrealized loss on securities	Translation adjustments	Total			
Balance at March 31, 2006	20,896	21,262	36,341	(3,729)	74,771	1,995	(437)	1,557	-	297	76,626
Changes of items during the period:											
Distribution of retained earnings			(851)		(851)			-			(851)
Net income			7,499		7,499			-			7,499
Redemption of treasury stock				(104)	(104)			-			(104)
Disposal of treasury stock		0		2	3			-			3
Resulting from increase in number of consolidated subsidiaries			(205)		(205)			-			(205)
Resulting from the change in fiscal term of consolidated subsidiaries			(415)		(415)			-			(415)
Net changes of items other than shareholders' equity					-	(347)	751	404	111	17	533
Total changes of items	-	0	6,027	(102)	5,926	(347)	751	404	111	17	6,459
Balance at March 31, 2007	20,896	21,263	42,369	(3,832)	80,697	1,648	314	1,962	111	314	83,086

(4) Consolidated Statements of Cash Flows

Millions of yen

	September 30 FY 2006	September 30 FY 2007	FY 2006
Operating activities			
1. Income before income taxes and minority interests in earnings of affiliates	6,462	1,854	12,320
2. Depreciation and amortization	6,629	7,490	14,380
3. Reversal of allowance for doubtful receivables	(65)	(14)	(109)
4. Provision of accrued retirement benefits for employees	(712)	(904)	(1,376)
5. Interest and dividend income	(91)	(108)	(287)
6. Interest expense	569	634	1,170
7. Gain on sales of investment securities	-	-	215
8. Decrease (increase) in notes and accounts receivable	(4,323)	2,522	(3,943)
9. Decrease (increase) in inventories	(3,379)	(2,133)	(4,870)
10. Increase (decrease) in notes and accounts payable	11,356	(5,214)	6,495
11. Other	366	1,563	(2,724)
12. Interest and dividends received	92	108	288
13. Interest paid	(586)	(643)	(1,152)
14. Income taxes paid	(3,586)	(2,126)	(6,016)
Net cash provided by (used in) operating activities	<u>12,729</u>	<u>3,032</u>	<u>14,390</u>
Investing activities			
1. Purchases of property, plant and equipment	(17,965)	(4,382)	(27,436)
2. Proceeds from sales of property, plant and equipment	49	43	1,150
3. Purchases of intangible fixed assets	(152)	(150)	(305)
4. Purchases of investment securities	-	-	(52)
5. Proceeds from sales of investment securities	-	0	516
6. Expenditure of loan	(21)	(76)	(48)
7. Proceeds from collection of loan	134	25	149
8. Other	(475)	(85)	(280)
Net cash provided by (used in) investing activities	<u>(18,431)</u>	<u>(4,624)</u>	<u>(26,306)</u>
Financing activities			
1. Increase (decrease) in short-term bank loans	3,154	4,085	3,542
2. Proceeds from issuance of Commercial Paper	3,000	-	12,000
3. Repayment of long-term debt	(2,156)	(2,075)	(3,266)
4. Proceeds from sales of treasury stock	1	3	3
5. Redemption of treasury stock	(50)	(45)	(104)
6. Cash dividends paid	(1,213)	(848)	(2,063)
7. Dividends paid to minority interests	(88)	(44)	(88)
Net cash provided by (used in) financing activities	<u>2,646</u>	<u>1,074</u>	<u>10,021</u>
Effect of exchange rate changes on cash and cash equivalents	<u>119</u>	<u>94</u>	<u>218</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,935)</u>	<u>(422)</u>	<u>(1,676)</u>
Cash and cash equivalents at beginning of the year	<u>12,231</u>	<u>10,367</u>	<u>12,231</u>
Decrease in cash and cash equivalents at beginning of the year, due to the change in fiscal term of consolidated subsidiary	(188)	-	(188)
Increase in cash and cash equivalents due to increase of a consolidated subsidiary	<u>0</u>	<u>-</u>	<u>0</u>
Cash and cash equivalents at end of the period	<u><u>9,107</u></u>	<u><u>9,944</u></u>	<u><u>10,367</u></u>

5. SEGMENT INFORMATION

(1) Segment information by business

First Half of the Previous Fiscal Year (April 1, 2006 to September 30, 2006)

Millions of yen

	Semi-conductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	76,716	16,831	6,539	100,088	-	100,088
(2) Intersegment	1,034	668	2	1,705	(1,705)	-
Total	77,751	17,500	6,542	101,794	(1,705)	100,088
Operating expenses	67,548	18,954	6,138	92,640	(336)	92,304
Operating income	10,203	(1,453)	403	9,153	(1,369)	7,783

This Term (April 1, 2007 to September 30, 2007)

Millions of yen

	Semi-conductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	72,533	14,917	6,504	93,956	-	93,956
(2) Intersegment	617	700	2	1,320	(1,320)	-
Total	73,151	15,618	6,507	95,277	(1,320)	93,956
Operating expenses	68,233	15,985	5,718	89,937	(5)	89,932
Operating income	4,918	(367)	788	5,339	(1,315)	4,024

Last Fiscal Year (April 1, 2006 to March 31, 2007)

Millions of yen

	Semi-conductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	154,967	33,518	15,330	203,815	-	203,815
(2) Intersegment	2,083	1,559	8	3,651	(3,651)	-
Total	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	18,269	(2,570)	1,862	17,560	(2,546)	15,014

- Notes
- 1: Classification of the business segment is based on production method and similarities of the products.
 - 2: Major products of each business segments:
 - (1) Semiconductors: Power IC, Control IC, Hall-effect IC, Bipolar transistor, MOSFET, IGBT, Thyristor, Rectifier Diode, Light Emitting Diode, Cold Cathode Fluorescent Lamp
 - (2) PM: Switching Mode Power Supply unit, Compact size Uninterruptible Power Supply (UPS), Transformer
 - (3) PS: Uninterruptible Power Supply (UPS), Airway Beacon System, General Purpose Power Supply, Inverter, DC Power Supply

(2) Segment Information by Geographic Area

First Half of the Previous Fiscal Year (April 1, 2006 to September 30, 2006)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	70,547	10,728	13,004	5,807	100,088	-	100,088
(2) Intersegment	7,027	17,280	7,388	10	31,706	(31,706)	-
Total	77,574	28,009	20,393	5,817	131,794	(31,706)	100,088
Operating expenses	70,867	28,383	18,444	5,801	123,497	(31,192)	92,304
Operating income	6,707	(374)	1,948	16	8,297	(513)	7,783

This Term (April 1, 2007 to September 30, 2007)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	63,091	10,880	12,446	7,538	93,956	-	93,956
(2) Intersegment	8,274	15,839	8,321	31	32,466	(32,466)	-
Total	71,366	26,719	20,767	7,570	126,423	(32,466)	93,956
Operating expenses	67,606	26,719	19,960	7,221	121,507	(31,574)	89,932
Operating income	3,759	0	807	348	4,916	(891)	4,024

Last Fiscal Year (April 1, 2006 to March 31, 2007)

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	143,054	21,776	25,883	13,101	203,815	-	203,815
(2) Intersegment	14,529	35,070	15,932	56	65,589	(65,589)	-
Total	157,583	56,847	41,815	13,158	269,405	(65,589)	203,815
Operating expenses	144,118	57,944	37,862	12,925	252,851	(64,050)	188,801
Operating income	13,464	(1,096)	3,953	232	16,554	(1,539)	15,014

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.

(3) Overseas Sales

First Half of the Previous Fiscal Year (April 1, 2006 to September 30, 2006)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	47,451	7,881	6,367	27	61,728
Consolidated sales					100,088
Ratio of overseas sales to consolidated sales (%)	47.4	7.9	6.4	0.0	61.7

This Term (April 1, 2007 to September 30, 2007)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	39,114	8,394	7,182	34	54,726
Consolidated sales					93,956
Ratio of overseas sales to consolidated sales (%)	41.6	8.9	7.7	0.0	58.2

Last Fiscal Year (April 1, 2006 to March 31, 2007)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	90,847	16,682	13,204	64	120,798
Consolidated sales					203,815
Ratio of overseas sales to consolidated sales (%)	44.6	8.2	6.5	0.0	59.3

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, China, 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.