

# FY 2007 Consolidated Financial Results

(April 1, 2007 to March 31, 2008)

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## 1. Consolidated Financial Performance over the year, April 1, 2007 to March 31, 2008

### (1) Consolidated Results of Operations

(Millions of Yen)

	Net sales (percentage change from the previous year)	Operating income (percentage change from the previous year)	Ordinary income (percentage change from the previous year)	Net income (percentage change from the previous year)
FY 2007	184,309 ( -9.6%)	8,269 ( -44.9%)	4,481 ( -64.8%)	1,776 ( -76.3%)
FY 2006	203,815 ( 17.5%)	15,014 ( 25.0%)	12,745 ( 10.7%)	7,499 ( 6.6%)

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
FY 2007	14.62yen	13.47yen	2.2%	2.4%	4.5%
FY 2006	61.69yen	59.52yen	9.4%	7.0%	7.4%

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

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

Mar./2008: - yen (Mar./ 2007: 30million yen)

### (2) Consolidated Financial Position

(Millions of Yen)

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
FY 2007	173,529	78,081	44.7%	638.73yen
FY 2006	193,787	83,086	42.7%	680.11yen

Note: Shareholders' equity:

Mar./2008: 77,600million yen (Mar./ 2007: 82,660yen)

### (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
FY 2007	11,535	(9,298)	(3,422)	9,543
FY 2006	14,390	(26,306)	10,021	10,367

## 2. Dividend Information

(Record date)	Dividend per share			Total dividend (full year)	Dividend payout ratio (consolidated)	Dividend to total net assets (consolidated)
	First half	Latter half	Full year			
FY 2006	7.00yen	7.00yen	14.00yen	1,701	22.7%	2.1%
FY 2007	7.00yen	7.00yen	14.00yen	1,700	95.8%	2.1%
FY 2008 (forecast)	7.00yen	7.00yen	14.00yen		34.0%	

## 3. FY 2008 Consolidated Financial Forecast (April 1, 2008 to March 31, 2009)

(Millions of Yen)

	Net sales (percentage change from the previous year)	Operating income (percentage change from the previous year)	Ordinary income (percentage change from the previous year)	Net income (percentage change from the previous year)	Net income per share
1st half	94,000 ( 0.0%)	4,400 ( 9.3%)	2,900 ( 52.9%)	1,800 (108.5%)	14.82yen
Full year	195,000 ( 5.8%)	11,000 ( 33.0%)	8,000 ( 78.5%)	5,000 (181.5%)	41.15yen

#### 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 consolidated financial statements (those to be stated in the changes of the underlying material matters for preparation of 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)
- Mar./2008: 125,490,302 (Mar./ 2007: 125,490,302)
- Number of treasury stocks at the end of the term
- Mar./2008: 3,998,156 (Mar./ 2007: 3,950,093)

#### (for reference) Summary of Non-consolidated Financial Performance

##### 1. Non-consolidated Financial Performance over the year, April 1, 2007 to March 31, 2008

###### (1) Non-consolidated Results of Operations (Millions of Yen)

	Net sales (percentage change from the previous year)	Operating income (percentage change from the previous year)	Ordinary income (percentage change from the previous year)	Net income (percentage change from the previous year)
FY 2007	138,556 ( -10.9%)	2,774 ( -72.5%)	2,015 (-78.9%)	450 ( -92.7%)
FY 2006	155,565 ( 16.6%)	10,104 ( 7.2%)	9,574 ( - 1.2%)	6,192 ( 3.1%)

	Net income per share	Diluted net income per share
FY 2007	3.71yen	-
FY 2006	50.93yen	-

###### (2) Non-consolidated Financial Position (Millions of Yen)

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
FY 2007	151,869	70,539	46.4%	580.61yen
FY 2006	160,000	72,962	45.6%	600.32yen

Notes: Shareholders' equity:

Mar./2008: 70,539million yen (Mar./ 2007: 72,962million yen)

##### 2. FY 2008 Non-consolidated Financial Forecast (April 1, 2008 to March 31, 2009)

(Millions of Yen)

	Net sales (percentage change from the previous year)	Operating income (percentage change from the previous year)	Ordinary income (percentage change from the previous year)	Net income (percentage change from the previous year)	Net income per share
1st half	73,200 ( 4.4%)	1,200 ( 49.7%)	400 ( - %)	200 ( - %)	1.65yen
Full year	151,100 ( 9.1%)	4,300 ( 55.0%)	2,800 ( 38.9%)	1,700 ( 277.4%)	13.99yen

# **1. OPERATING RESULTS**

## **(1) Analysis of Operating Results**

### **1) Overview of the Current Period**

#### **General Review**

Though the economic downside risks to growth have increased amidst concerns over the slowdown of the U.S. economy and the sub-prime loan debacle, the world economy advanced steadily during the period under review overall, thanks chiefly to higher demand in China and emerging countries. Corporate performance in Japan remained strong in general, with solid support for the export industry from steady foreign demand. Overall, however, the rapid appreciation of the yen against the dollar, stagnant personal consumption, and soaring prices for raw materials placed growing pressures on the Japanese economy. In electronics, the industry in which the Company Group operates, demand for set products, mainly flat-panel TVs, increased globally as the shift from CRT-based TVs to LCD TVs accelerated.

Under these circumstances, the Company Group strengthened its competitiveness by reducing raw material expenses and other expenses, and reducing the outflow of added value chiefly by limiting the outsourcing of products. In the semiconductor device segment, our core business, we have worked to reinforce the business structure by consolidating the process function and assy function. Meanwhile, we have promoted collaboration with two subsidiaries in the U.S. and worked to build the 3FAB structure, a structure with Yamagata Sanken K.K., within the Group. In the CCFL segment, we have re-built our organization to strengthen our management system covering all levels of business, from development to sales. In the PM segment, we have concentrated production centers in Indonesia to reduce management costs and swiftly respond to the changes in the market. We have also reformed our business structure by implementing cell production and reinforcing local systems for design and assessment. On another front, we have endeavored to promote an innovative "Monozukuri (Making Things)" project being conducted by the entire Group. As a result of these efforts, Sanken Optoproducts Co., Ltd., a CCFL manufacturing subsidiary, received the "Fourth Nikkei Monozukuri Award." We have also worked to secure sales and profits by implementing various measures for development, production, and sales.

In the CCFL business, a segment that continued to expand significantly up to the previous year, however, demand for large-screen LCD TVs fell far below our estimated sales target, resulting in a decline in customer orders and rapidly falling prices. As a result, the segment performed weakly until the end of the third quarter. Orders recovered in the fourth quarter, but not sharply enough to cover the decreases in sales and profits earlier in the year. As a result, the consolidated net sales of the Group for the period under review stood at 184,309 million yen, down by 19,506 million yen (9.6%) from the previous period. Consolidated ordinary income was posted at 4,481 million yen, down by 8,263 million yen (64.8%) from the previous period. Consolidated net income was posted at 1,776 million yen, down by 5,723 million yen (76.3%) from the previous period.

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

##### **Semiconductors**

Consolidated net sales in this segment amounted to 142,089 million yen, down by 12,878 million yen (8.3%) from the previous period.

Regarding semiconductor devices, sales of automotive electronic components and household appliances (white goods) remained steady, while sales of CRT-based TVs and OA equipment fell, resulting in sluggish growth in sales in general. Difficult conditions prevailed for CCFLs: over-supply led to rapid price reductions, and the declines in orders commenced from the first quarter year were not reversed until the third quarter.

## **Power Modules**

Consolidated sales in this segment stood at 27,585 million yen, down by 5,932 million yen (17.7%) compared with the previous period.

Sales of switching power supplies for consumer products, the core products of the PM business, decreased as a result of the more selective criteria applied by the Company in accepting orders, mainly in consideration of profitability. Reforms to the business structure and steps to reduce irregular costs incurred in the previous year, such as costs for air shipment, helped to improve profit conditions in this segment.

## **Power Systems**

Consolidated sales in this segment were 14,635 million yen, down by 694 million yen (4.5%) compared with the previous period.

Sales and profits both surged for power supplies for telecommunication equipment for mobile phone base stations, with steady growth throughout the period. But with decreases in special-demand large-volume orders year-on-year, sales growth for the segment as a whole was comparable that of the previous year.

## **2) Forecast of the Next Term**

In the electronics industry in 2008, an expansion in demand is expected in flat-panel TVs, set products, including mobile phones, etc., and related component parts in emerging countries. However, there is concern that growth rates will slow in the markets of advanced countries. In addition, the external environment is expected to grow increasingly more severe, as raw material prices will continue to remain at high levels. Under such circumstances, the Company will to the best of its ability improve corporate value by further strengthening its business infrastructure, increasing its profit earning capacity and improving its financial structure.

As for the business results in the next year, we expect to achieve net sales of 195 billion yen, operating income of 11 billion yen, ordinary income of 8 billion yen and net income of 5 billion yen on a consolidated basis, and net sales of 151.1 billion yen, operating income of 4.3 billion yen, ordinary income of 2.8 billion yen and net income of 1.7 billion yen on a non-consolidated basis.

The exchange rate in 2008 is based on the premise of ¥100 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 as of the end of the current consolidated fiscal year were 173,529 million yen, a decrease of 20,257 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in notes receivable and accounts receivable by 6,890 million yen and tangible fixed assets by 10,154 million yen.

Total liabilities were 95,447 million yen, a decrease of 15,253 million yen from the end of the previous

consolidated fiscal year. This was mainly due to a decrease in notes payable and accounts payable by 7,627 million yen and long-term debt by 1,434 million yen.

Net assets were 78,081 million yen.

## 2) Status of Cash Flow

Balance of cash and cash equivalents as of the end of the current consolidated fiscal year was 9,543 million yen, a decrease of 823 million yen from the end of the previous consolidated fiscal year.

Net cash used in operating activities increased by 11,535 million yen, however this resulted in a decrease of 2,854 million yen as compared to the previous year. This was due to a decrease in profit and an increase in inventories.

Net cash used in investing activities decreased by 9,298 million yen, resulting in a decrease of 17,008 million yen as compared to the previous year. This was mainly due to a decrease in capital investment.

Net cash used in financing activities decreased by 3,422 million yen, resulting in a decrease of 13,443 million yen as compared to the previous year. This was mainly due to repayment of long-term debt.

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

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Equity ratio	43.3%	48.3%	44.3%	42.7%	44.7%
Equity ratio on the basis of market price	120.2%	121.3%	142.2%	77.5%	41.0%
Redemption years for liabilities	2.4year	3.5year	3.1year	4.1year	4.8year
Interest coverage ratio	13.9times	13.1times	18.9times	12.5times	9.2times

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.

In addition, regarding the payment of an annual dividend for the next fiscal year, we expect to pay out 14 yen per share (7 yen per share each for both interim and year-end dividend), the same as this fiscal year.

#### **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, 26 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 Switching Mode Power Supply unit Compact size Uninterruptible Power Supply(UPS) 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 company)
PS	Power Systems Uninterruptible Power Supply(UPS) 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 Business Service Co., Ltd. (Business Service and Technology Surveys) 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 has started to institute the next mid-term business plan, thus the business performance target will be announced upon determination.

#### **(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**

Conditions in the world economy are expected to become increasingly severe. The U.S. economy is losing momentum in the wake of the subprime loan debacle. Japan is impacted by the rapid appreciation of the yen against the U.S. dollar, and the global economy is impacted by rising prices for crude oil and other raw materials. Under these circumstances, the Company Group aims to reduce environmental loads, to further develop flat products, and to implement the following measures under its eco slogan, “ecology and flat products.”

As a Group, we will work to develop low power consumption electric products that qualify for Energy Star Version 3, the environmental standard expected to become the status quo. We provide total solutions to customers by coordinating wide-ranging manufacturing technologies covering every stage of production from entrance to exit—technologies applied to semiconductor devices, power supply board, and other optical devices as CCFL, LED, of the Company Group. In our core business of semiconductor devices, we aim to regain our market share for TVs and achieve total solutions for flat-panel TV power by introducing a new generation of products. In the CCFL business, where orders finally recovered in the fourth quarter, we worked out a marketing strategy for LCD TVs to maintain orders at levels stable enough to keep our manufacturing lines in full production, and we plan to enhance cost competitiveness in anticipation of declines in prices. In the PM segment, we will develop new products for flat-panel TVs and continue to downsize and lighten our product designs. In marketing, we will promote an aggressive schedule for organized marketing functions and pursue marketing reforms under the slogans of “customer intimacy,” “global marketing system for each zone,” and “comprehensive strategy for production and sales.” Together with these measures, the Company Group will work towards structural reforms from a global point of view to keep pace with the speed of change in the digital market.

## **4. CONSOLIDATED FINANCIAL STATEMENTS**

### **(1) Consolidated Balance Sheets**

	Millions of yen	
	March 31 2007	March 31 2008
<b>ASSETS</b>		
Current assets		
Cash and deposits	10,603	<b>9,763</b>
Notes and accounts receivable	50,494	<b>43,603</b>
Inventories	39,736	<b>40,606</b>
Deferred tax assets	3,270	<b>3,371</b>
Other current assets	8,505	<b>6,835</b>
Allowance for doubtful receivables	(146 )	<b>(129 )</b>
Total current assets	<u>112,464</u>	<u><b>104,050</b></u>
Fixed assets:		
Property, plant and equipment, net:		
Buildings	22,623	<b>20,932</b>
Machinery and equipment	37,083	<b>32,081</b>
Tools, furniture and fixtures	2,805	<b>2,266</b>
Land	4,566	<b>4,412</b>
Construction in progress	4,677	<b>1,907</b>
Property, plant and equipment, net	<u>71,755</u>	<u><b>61,600</b></u>
Intangible assets:		
Software	551	<b>429</b>
Other intangible assets	1,296	<b>1,127</b>
Total intangible assets	<u>1,847</u>	<u><b>1,556</b></u>
Investments and other assets:		
Investments in securities	4,722	<b>2,859</b>
Deferred tax assets	1,186	<b>655</b>
Other long-term receivables	1,835	<b>3,055</b>
Allowance for doubtful accounts	(25 )	<b>(249 )</b>
Total investments and other assets	<u>7,719</u>	<u><b>6,321</b></u>
Total fixed assets	<u>81,323</u>	<u><b>69,479</b></u>
Total assets	<u><u>193,787</u></u>	<u><u><b>173,529</b></u></u>

	March 31 2007	March 31 2008
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Current liabilities:		
Notes and accounts payable	33,326	<b>25,699</b>
Short-term bank loans	14,534	<b>12,894</b>
Straight Bonds Current Portion	-	<b>10,000</b>
Commercial Paper	30,000	<b>30,000</b>
Accrued expenses	9,157	<b>8,160</b>
Income taxes payable	2,184	<b>394</b>
Deferred tax liabilities	2	<b>0</b>
Allowance for directors' bonus payable	50	<b>30</b>
Other current liabilities	1,898	<b>1,084</b>
Total current liabilities	<u>91,153</u>	<u><b>88,262</b></u>
Long-term liabilities:		
Bonds and debentures	10,000	-
Long-term debt	3,634	<b>2,200</b>
Deferred tax liabilities	937	<b>1,069</b>
Accrued employees' retirement benefits	4,227	<b>3,092</b>
Accrued retirement benefits for directors	261	<b>172</b>
Other long-term liabilities	486	<b>651</b>
Total long-term liabilities	<u>19,547</u>	<u><b>7,185</b></u>
Total liabilities	<u>110,701</u>	<u><b>95,447</b></u>
Net assets		
Shareholders' equity:		
Capital stock	20,896	<b>20,896</b>
Capital surplus	21,263	<b>21,261</b>
Retained earnings	42,369	<b>42,239</b>
Treasury stock	(3,832 )	<b>(3,878 )</b>
Total shareholders's equity	<u>80,697</u>	<u><b>80,518</b></u>
Valuation and translation adjustments:		
Unrealized loss on securities	1,648	<b>526</b>
Translation adjustments	314	<b>(3,444 )</b>
Total valuation and translation adjustments	<u>1,962</u>	<u><b>(2,917 )</b></u>
Equity Warrant	<u>111</u>	<u><b>189</b></u>
Minority interests	<u>314</u>	<u><b>291</b></u>
Total net assets	<u>83,086</u>	<u><b>78,081</b></u>
Total liabilities and net assets	<u>193,787</u>	<u><b>173,529</b></u>

## (2) Consolidated Statements of Income

	Millions of yen	
	March 31 2007	March 31 2008
Net sales	203,815	<b>184,309</b>
Cost of sales	160,859	<b>149,064</b>
Gross profit	42,956	<b>35,244</b>
Selling, general and administrative expenses	27,941	<b>26,975</b>
Operating income	15,014	<b>8,269</b>
Non-operating income	878	<b>717</b>
Non-operating expenses	3,147	<b>4,504</b>
Ordinary income	12,745	<b>4,481</b>
Profit on sales of fixed assets	30	<b>56</b>
Government grant	584	<b>318</b>
Other extraordinary income	-	<b>6</b>
Total extraordinary income	615	<b>381</b>
Loss on disposals of fixed assets	383	<b>168</b>
Loss on sales of stock of affiliated company	215	-
Impairment loss	39	-
Factory closure related expenses	123	<b>65</b>
Casualty loss	262	-
Factory restructuring related expenses	-	<b>315</b>
Other extraordinary loss	14	<b>42</b>
Total extraordinary loss	1,039	<b>591</b>
Income before income taxes , minority interests	12,320	<b>4,271</b>
Income taxes	4,579	<b>1,092</b>
Income tax - deferred	140	<b>1,281</b>
Minority interest in consolidated subsidiaries	100	<b>121</b>
Net income	7,499	<b>1,776</b>

### (3) Consolidated Statements of Changes in Net Assets

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	20,896	21,263	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	20,896	21,263	42,369	(3,832)	80,697	1,648	314	1,962	111	314	83,086

This Fiscal Year (April 1, 2007 to March 31, 2008)

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	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			(1,701)		(1,701)			-			(1,701)
Net income			1,776		1,776			-			1,776
Redemption of treasury stock				(55)	(55)			-			(55)
Disposal of treasury stock		(2)		10	7			-			7
Resulting from increase in number of consolidated subsidiaries			(205)		(205)			-			(205)
Net changes of items other than shareholders' equity					-	(1,121)	(3,759)	(4,880)	77	(22)	(4,825)
Total changes of items	-	(2)	(130)	(45)	(178)	(1,121)	(3,759)	(4,880)	77	(22)	(5,004)
Balance at March 31	20,896	21,261	42,239	(3,878)	80,518	526	(3,444)	(2,917)	189	291	78,081

## (4) Consolidated Statements of Cash Flows

Millions of yen

	March 31 2007	March 31 2008
Operating activities		
1. Income before income taxes and minority interests in earnings of affiliates	12,320	4,271
2. Depreciation and amortization	14,380	14,970
3. Reversal of allowance for doubtful receivables	(109 )	228
4. Provision of accrued retirement benefits for employees	(1,376 )	(1,973 )
5. Interest and dividend income	(287 )	(320 )
6. Interest expense	1,170	1,189
7. Gain on sales of investment securities	215	-
8. Decrease (increase) in notes and accounts receivable	(3,943 )	5,075
9. Decrease (increase) in inventories	(4,870 )	(3,128 )
10. Decrease (increase) in notes and accounts payable	6,495	(5,815 )
11. Other	(2,724 )	690
12. Interest and dividends received	288	320
13. Interest paid	(1,152 )	(1,255 )
14. Income taxes paid	(6,016 )	(2,717 )
Net cash provided by (used in) operating activities	14,390	11,535
Investing activities		
1. Purchases of property , plant and equipment	(27,436 )	(8,460 )
2. Proceeds from sales of property , plant and equipment	1,150	126
3. Purchases of intangible fixed assets	(305 )	(272 )
4. Purchases of investment securities	(52 )	(28 )
5. Proceeds from sales of investment securities	516	-
6. Purchases of subsidiary stock due to changing scope of consolidation	-	(46 )
7. Expenditure of loan	(48 )	(1,017 )
8. Proceeds from collection of loan	149	817
9. Other	(280 )	(417 )
Net cash used in investing activities	(26,306 )	(9,298 )
Financing activities		
1. Decrease in short-term bank loans	3,542	1,601
2. Proceeds from issuance of Commercial Paper	12,000	-
3. Proceeds from issuance of long-term bank loans	-	3,300
4. Repayment of long-term debt	(3,266 )	(6,487 )
5. Proceeds from sales of treasury stock	3	7
6. Redemption of treasury stock	(104 )	(55 )
7. Cash dividends paid	(2,063 )	(1,696 )
8. Dividends paid to minority interests	(88 )	(91 )
Net cash provided by (used in) financing activities	10,021	(3,422 )
Effect of exchange rate changes on cash and cash equivalents	218	361
Net increase (decrease) in cash and cash equivalents	(1,676 )	(823 )
Cash and cash equivalents at beginning of the year	12,231	10,367
Decrease in cash and cash equivalents at beginning of the year, due to the change in fiscal term of consolidated subsidiary	(188 )	-
Cash and cash equivalents at end of the year	10,367	9,543

## 5. SEGMENT INFORMATION

### (1) Segment information by business

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

Millions of yen

	Semicon- ductors	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
Assets	134,192	32,261	9,417	175,870	17,916	193,787
Depreciation	13,294	674	120	14,089	291	14,380
Impairment loss	39	-	-	39	-	39
Capital Expenditures	24,144	1,169	135	25,449	1,214	26,663

This Fiscal Year (April 1, 2007 to March 31, 2008)

Millions of yen

	Semicon- ductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	142,089	27,585	14,635	184,309	-	184,309
(2) Intersegment	1,309	953	2	2,265	(2,265)	-
Total	143,398	28,539	14,637	186,575	(2,265)	184,309
Operating expenses	134,151	29,130	12,632	175,913	126	176,040
Operating income	9,247	(591)	2,005	10,661	(2,391)	8,269
Assets	120,932	26,775	8,162	155,869	17,660	173,529
Depreciation	13,764	718	144	14,627	342	14,970
Capital Expenditures	7,668	336	137	8,142	168	8,310

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

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

Millions of yen

	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
Assets	133,414	25,606	32,427	5,541	196,989	(3,201)	193,787

This Fiscal Year (April 1, 2007 to March 31, 2008)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	126,403	19,965	23,648	14,291	184,309	-	184,309
(2) Intersegment	14,515	29,738	17,169	33	61,458	(61,458)	-
Total	140,919	49,704	40,818	14,325	245,767	(61,458)	184,309
Operating expenses	134,658	49,026	38,670	13,699	236,054	(60,014)	176,040
Operating income	6,261	678	2,147	625	9,713	(1,444)	8,269
Assets	118,253	20,646	27,098	5,061	171,060	2,469	173,529

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

Previous 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

This Fiscal Year (April 1, 2007 to March 31, 2008)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	72,792	16,478	13,481	17	102,769
Consolidated sales					184,309
Ratio of overseas sales to consolidated sales (%)	39.5	9.0	7.3	0.0	55.8

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.