

FY 2008 First Quarter Consolidated Financial Results

(April 1, 2008 to June 30, 2008)

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

1. Financial Results for the three months ended June 30, 2008

(1) Consolidated Results of Operations (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Three months ended Jun.30,2008	43,869 -	1,003 -	699 -	234 -
Three months ended Jun.30,2007	44,160 (- 7.2%)	948 (- 62.1%)	573 (- 69.8%)	201 (- 70.7%)

	Net income per share	Diluted net income per share
Three months ended Jun.30,2008	1.93 yen	1.32 yen
Three months ended Jun.30,2007	1.66 yen	1.46 yen

Note: Indication of percentages show the ratio of increase or decrease from the first quarter of the previous year.

(2) Consolidated Financial Position (Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of June 30, 2008	174,279	78,831	45.0 %	645.04 yen
FY 2007	173,529	78,081	44.7 %	638.73 yen

(Reference) Shareholders' equity: Jun./2008: 78,365million yen(Mar./2008: 77,600million yen)

2. Dividend Information

(Record date)	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
FY 2007	-	7.00yen	-	7.00yen	14.00yen
FY 2008	-	-	-	-	-
FY 2008 (forecast)	-	7.00yen	-	7.00yen	14.00yen

Note: Change of the forecast in the first quarter of the fiscal year ended March 31, 2009: No

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

Note: Change of the forecast in the first quarter of the fiscal year ended March 31, 2009: No

4. Other

- (1) Changes in significant subsidiaries during the period (changes in particular subsidiaries accompanying the change in scope of consolidation): No
- (2) Application of Simplified Accounting and the accounting method particular to Preparation of Quarterly Consolidated Financial statements: Yes

Note: For details, refer to page 3 [Qualitative Information and Financial Statements, etc.] 4. Other.

- (3) Changes in principles, procedures and representation method, etc., of accounting concerning preparation of quarterly consolidated financial statements (those to be stated in the changes of the underlying material matters for preparation of quarterly consolidated financial statements)
 - (a) Changes in connection with the accounting standards, etc. : Yes
 - (b) Changes other than (a) : Yes

Note: For details, refer to page 3 [Qualitative Information and Financial Statements, etc.] 4. Other.

- (4) Number of shares outstanding (common stock)

Number of shares outstanding at the end of the period (including treasury stock)

Jun./2008: 125,490,302 (Mar./2008: 125,490,302)

Number of treasury stocks at the end of the period

Jun./2008: 4,001,128 (Mar./2008: 3,998,156)

Average number of shares outstanding during the period

Jun./2008: 121,491,148 (Mar./2008: 121,538,325)

*** Explanation for appropriate use of the Financial Forecast and other matters to be noted**

1. With regard to the forecast for this fiscal year, there is no change in the forecast figures announced on May 9, 2008 for consolidated business results.
2. The forecast described above is based upon information available as of the present time and assumptions we considered valid. Please be advised that there is a host of uncertain factors that could greatly impact actual performance, including global market conditions, competitive environment, the introduction of new products and their acceptance or lack thereof, fluctuations in foreign exchange rates, and the impact of fair-market-value accounting.
3. “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting.” (ASBJ Guidance No. 14) have been applied from the current consolidated fiscal year. Quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

[Qualitative Information and Financial Statements, etc.]

1. QUALITATIVE INFORMATION OF CONSOLIDATED OPERATING RESULTS

In the electronics industry in the current consolidated first quarter, demand has steadily progressed overall due to growth in the demand for digital home appliances, including flat-panel TVs, supported by the continued growth trend of emerging markets, including BRICs and Eastern Europe. Under such circumstances, the Company Group has made strenuous efforts at development of products contributing to lower electric consumption and thinner models, with the keyword of "Ecology and Flat products." We have also concentrated on securing sales and profits by carrying out sales reform, aiming at reinforcing our line-up of semiconductor device products and expanding our share of the flat-panel TV market. Net sales for the current consolidated first quarter were 43,869 million yen, a decrease of 0.7% as compared to the same period in the previous year, however, this was due to the effects of a stronger yen, etc., which significantly progressed from the previous year. On the other hand, as for income, profitability recovered mainly due to improvement in the operation ratio of factories in connection with the recovery of receipt of orders for CCFLs and operating income increased by 5.8% as compared to the same period in the previous year to 1,003 million yen and ordinary income increased by 21.8% as compared to the same period in the previous year to 699 million yen and quarterly net income increased by 16.3% as compared to the same period in the previous year to 234 million yen.

Overview by segment is as follows.

Net sales of semiconductor devices, out of the semiconductor business, increased for automotive products with the aim of improving cruise control systems and safety. But net sales decreased as compared to the same period in the previous year due to the decrease in sales for TV products caused by an acceleration in the shift to flat-panel TVs from CRT-based models, temporary decrease in white goods due to seasonal factors and further effects of a stronger yen. Net sales of CCFLs largely increased as compared to the same period in the previous year as a result of factories continuing to operate at almost their full capacity as stated above. As a result, net sales in this segment were 35,670 million yen, an increase of 1,093 million yen (3.2%) as compared to the same period in the previous year.

For the PM business, we have concentrated on improvement in performance through structural reform of business, including suspension of production at Sanken Korea, promotion of concentration of production in Indonesia and reinforcement of supply chain management, etc. But net sales were 5,320 million yen, a decrease of 1,409 million yen (20.9%) as compared to the same period in the previous year due to the decrease in receipt of orders for switching power supplies as a result of sluggish sales in the plasma TV market, a focused market.

Net sales of the PS business were 2,878 million yen, an increase of 25 million yen (0.9%) as compared to the same period in the previous year due to the continued favorable sales of telecommunications facilities PS for mobile phone stations.

2. QUALITATIVE INFORMATION OF CONSOLIDATED FINANCIAL POSITION

1) Status of Assets, Liabilities and Net Assets

Total assets as of the end of the 1st quarter were 174,279 million yen, an increase of 749 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,392 million yen in cash and deposits and a decrease of 2,192 million yen in other current assets, etc.

Liabilities were 95,448 million yen, slightly increased from the end of the previous fiscal year. This was mainly due to a decrease of 800 million yen in notes and accounts payable-trade and an increase of 749 million yen in accrued expenses, etc.

Net assets were 78,831 million yen, an increase of 749 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 681 million yen in retained earnings and an increase of 1,447 million yen in valuation and translation adjustments, etc.

2) Status of Cash Flow

Balance of cash and cash equivalents as of the end of the 1st quarter was 11,886 million yen, an increase of 2,343 million yen from the end of the previous consolidated fiscal year.

Net cash provided by operating activities was 6,971 million yen, resulting in an increase of 4,699 million yen as compared to the same period in the previous year. This was mainly due to income before income taxes and minority interests of 555 million yen and depreciation and amortization of 3,270 million yen.

Net cash used in investing activities was 2,774 million yen, resulting in an increase of 574 million yen as compared to the same period in the previous year. This was mainly due to expenditures of 2,314 million yen for property, plant and equipment.

Net cash used in financing activities was 1,537 million yen, resulting in a decrease of 3,256 million yen as compared to the same period in the previous year. This was mainly due to a decrease of 801 million yen in short-term bank loans.

3. QUALITATIVE INFORMATION OF CONSOLIDATED FINANCIAL FORECAST

With regard to the forecast for this fiscal year, there is no change in the forecast figures announced on May 9, 2008 for consolidated business results.

4. OTHER

(1) Changes in significant subsidiaries during the year (changes in particular subsidiaries accompanying the change in scope of consolidation)

There is no pertinent matter.

(2) Application of Simplified Accounting and the accounting method particular to Preparation of Quarterly Consolidated Financial Statements

1)Calculation Method of Estimation of Bad Debts of General Credits

As it is recognized that there is no significant change in the actual ratio of bad debts at the end of the current consolidated first quarter from the estimation at the end of the previous consolidated fiscal year, estimation of bad debts was calculated by using the actual ratio of bad debts at the end of the previous consolidated fiscal year.

2)Valuation Method of Inventories

For calculation of the inventories amount at the end of the current consolidated first quarter, physical inventory was omitted and it was calculated by a rational method based on the physical inventory amount at the end of the previous consolidated fiscal year.

3)Calculation Method of Deferred and Accrued Accounts

Estimated amount calculated by a rational method is recorded for those having a large factor of fixed expense and the difference being small between the budget and actual numbers.

4)Calculation Method of Deferred Tax Assets and Deferred Tax Liabilities

Regarding the judgment of collectibility of deferred tax assets, the method uses the future forecast and tax planning used in the previous consolidated fiscal year as it is recognized that there is no significant change in business environment and accrual of temporary difference, etc., since the end of the previous consolidated fiscal year.

5)Calculation of Tax Expense

We adopted the method in which we have reasonably estimated the effective tax rate after application of tax effect accounting to the net income before tax in the current consolidated fiscal year and calculating by multiplying the quarterly net income before tax by the said estimated effective tax rate.

In this regard, the corporation tax adjustment amount is included in the corporation tax, etc.

(3) Changes in Principles, Procedures and Indication Method of Accounting concerning Preparation of Quarterly Consolidated Financial Statements

1)Application of Accounting Standard for Quarterly Financial Reporting

“Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting.” (ASBJ Guidance No. 14) have been applied from the current consolidated fiscal year. Quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

2)Application of Accounting Standard for Measurement of Inventories

“Accounting Standard for Measurement of Inventories” (ASBJ, July 5, 2006, Statement No. 9) have been applied from the current consolidated first quarter and the valuation standards were changed from lower-of-cost-or-market method to the cost method (method of reducing the book value according to the decreased profitability). There is no effect on income by this change.

3)Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

“Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ, May 17, 2006, PITF No. 18) have been applied from the current consolidated first quarter and adjustment necessary for consolidated closing of accounts was made.

The effect on income is insignificant.

4)Application of Accounting Standards concerning Lease Transactions

“Accounting Standard for Lease Transactions” (ASBJ, June 17, 1993, final amendment, March 30, 2007, Statement No.13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ, January 18, 1994, final amendment, March 30, 2007, Guidance No.16) have been applied early from the current consolidated first quarter. For the finance lease transactions in which ownership is not transferred, accounting was changed from the method according to that concerning ordinary lease transactions to that concerning ordinary sales transactions and they were recorded in lease assets.

Depreciation of lease assets adopted the method which calculates the remaining value as zero, setting the lease period as the life.

For the finance lease transactions in which ownership is not transferred whose lease commencement date is before the first year of application, accounting according to the method concerning ordinary lease transactions has been continually adopted.

As a result, lease assets are recorded in tangible fixed assets at 10 million yen as compared to the previous method.

There is no effect on income by this change.

5. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

	Millions of yen	
	June 30 2008	March 31 2008 (Summary)
ASSETS		
Current assets		
Cash and deposits	12,155	9,763
Notes and accounts receivable-trade	42,827	43,603
Merchandise and finished goods	12,992	13,517
Work in process	16,811	14,369
Raw materials and supplies	11,678	12,719
Deferred tax assets	3,617	3,371
Other	4,643	6,835
Allowance for doubtful accounts	(116)	(129)
Total current assets	104,609	104,050
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	20,885	20,932
Machinery, equipment and vehicles, net	31,425	32,081
Tools, furniture and fixtures, net	2,160	2,266
Land	4,582	4,412
Construction in progress	2,586	1,907
Lease assets, net	10	—
Property, plant and equipment, net	61,650	61,600
Intangible assets		
Software	401	429
Other	691	1,127
Total intangible assets	1,092	1,556
Investments and other assets		
Investment securities	3,024	2,859
Deferred tax assets	561	655
Other	3,590	3,055
Allowance for doubtful accounts	(249)	(249)
Total investments and other assets	6,926	6,321
Total noncurrent assets	69,670	69,479
Total assets	174,279	173,529

	Millions of yen	
	June 30 2008	March 31 2008 (Summary)
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,898	25,699
Short-term loans payable	12,323	12,894
Current portion of bonds	10,000	10,000
Commercial papers	30,000	30,000
Accrued expenses	8,909	8,160
Income taxes payable	693	394
Deferred tax liabilities	0	0
Provision for directors' bonuses	12	30
Other	1,523	1,084
Total current liabilities	<u>88,361</u>	<u>88,262</u>
Noncurrent liabilities		
Long-term loans payable	2,325	2,200
Deferred tax liabilities	821	1,069
Provision for retirement benefits	3,133	3,092
Provision for directors' retirement benefits	147	172
Other	658	651
Total noncurrent liabilities	<u>7,086</u>	<u>7,185</u>
Total liabilities	<u>95,448</u>	<u>95,447</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	21,260	21,261
Retained earnings	41,557	42,239
Treasury stock	<u>(3,879)</u>	<u>(3,878)</u>
Total shareholders' equity	<u>79,835</u>	<u>80,518</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	618	526
Foreign currency translation adjustment	<u>(2,088)</u>	<u>(3,444)</u>
Total valuation and translation adjustments	<u>(1,470)</u>	<u>(2,917)</u>
Subscription rights to shares	<u>206</u>	<u>189</u>
Minority interests	<u>259</u>	<u>291</u>
Total net assets	<u>78,831</u>	<u>78,081</u>
Total liabilities and net assets	<u>174,279</u>	<u>173,529</u>

(2) Quarterly Consolidated Statements of Income

Millions of yen

	Three months ended Jun.30,2008
Net sales	43,869
Cost of sales	36,323
Gross profit	7,545
Selling, general and administrative expenses	6,542
Operating income	1,003
Non-operating income	
Interest income	25
Dividends income	18
Foreign exchange gains	33
Rent income on facilities	6
Gain on forgiveness of consumption taxes	131
Miscellaneous income	46
Total non-operating income	261
Non-operating expenses	
Interest expenses	157
Compensation expense	280
Miscellaneous loss	127
Total non-operating expenses	566
Ordinary income	699
Extraordinary loss	
Loss on retirement of noncurrent assets	82
Loss on disaster	60
Other	0
Total extraordinary losses	143
Income before income taxes and minority interests	555
Income taxes	310
Minority interests in income	10
Net income	234

(3) Quarterly Consolidated Statements of Cash Flows

Millions of yen

**Three months ended
Jun.30,2008**

Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	555
Depreciation and amortization	3,270
Increase (decrease) in allowance for doubtful accounts	(20)
Increase (decrease) in provision for retirement benefits	(72)
Interest and dividends income	(44)
Interest expenses	157
Decrease (increase) in notes and accounts receivable-trade	1,583
Decrease (increase) in inventories	(216)
Increase (decrease) in notes and accounts payable-trade	(1,193)
Other, net	3,392
Subtotal	7,411
Interest and dividends income received	44
Interest expenses paid	(134)
Income taxes paid	(350)
Net cash provided by (used in) operating activities	6,971
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(2,314)
Proceeds from sales of property, plant and equipment	18
Purchase of intangible assets	(108)
Purchase of investment securities	(29)
Payments of loans receivable	(745)
Collection of loans receivable	673
Other, net	(268)
Net cash provided by (used in) investment activities	(2,774)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(801)
Proceeds from long-term loans payable	126
Repayment of long-term loans payable	(196)
Proceeds from sales of treasury stock	0
Purchase of treasury stock	(2)
Cash dividends paid	(663)
Net cash provided by (used in) financing activities	(1,537)
Effect of exchange rate change on cash and cash equivalents	(317)
Net increase (decrease) in cash and cash equivalents	2,342
Cash and cash equivalents at beginning of period	9,543
Increase in cash and cash equivalents from newly consolidated subsidiary	0
Cash and cash equivalents at end of period	11,886

“Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting.” (ASBJ Guidance No. 14) have been applied from the current consolidated fiscal year. Quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(4) Notes on premise of Going Concern

none

(5) Segment information

[Segment information by business]

Three months ended Jun.30,2008

Millions of yen

	Semicon- ductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	35,670	5,320	2,878	43,869	-	43,869
(2) Intersegment	425	17	0	443	(443)	-
Total	36,095	5,338	2,878	44,312	(443)	43,869
Operating income (loss)	1,834	(323)	124	1,634	(631)	1,003

[Segment information by geographic area]

Three months ended Jun.30,2008

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	30,728	4,517	5,518	3,104	43,869	-	43,869
(2) Intersegment	3,320	6,247	4,780	0	14,348	(14,348)	-
Total	34,048	10,765	10,298	3,104	58,217	(14,348)	43,869
Operating income	333	278	665	76	1,353	(350)	1,003

[Overseas Sales]

Three months ended Jun.30,2008

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	17,561	3,464	3,105	3	24,134
Consolidated sales					43,869
Ratio of overseas sales to consolidated	40.0	7.9	7.1	0.0	55.0

(6) Notes on significant changes in the amount of shareholders' equity

Three months ended Jun.30,2008

Millions of yen

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	20,896	21,261	42,239	(3,878)	80,518
Resulting from change of accounting policies applied to foreign subsidiaries			(142)		(142)
Changes of items during the period:					
Distribution of retained earnings			(850)		(850)
Net income			234		234
Redemption of treasury stock				(2)	(2)
Disposal of treasury stock		(0)		1	0
Resulting from increase in number of consolidated subsidiaries			76		76
Total changes of items	-	(0)	(539)	(1)	(541)
Balance at June 30, 2008	20,896	21,260	41,557	(3,879)	79,835

[Reference]

Quarterly Consolidated Statements of Income (Summary)

Three months ended Jun.30,2007

Millions of yen

	1st Quarter FY 2007
Net sales	44,160
Cost of sales	36,128
Gross profit	8,032
Selling, general and administrative expenses	7,083
Operating income	948
Non-operating income	290
Non-operating expenses	665
Ordinary income	573
Extraordinary income	6
Extraordinary loss	72
Income before income taxes, minority interests	507
Income taxes	298
Minority interest in consolidated subsidiaries	7
Net income	201

[Reference]

Quarterly Consolidated Statements of Cash Flows (Summary)

Three months ended Jun.30,2007

	Millions of yen
	1st Quarter FY 2007
Operating activities	
Income before income taxes and minority interests in earnings of affiliates	507
Depreciation and amortization	3,587
Decrease (increase) in notes and accounts receivable	5,458
Decrease (increase) in inventories	(2,672)
Increase (decrease) in notes and accounts payable	(5,695)
Other	2,945
Income taxes paid	(1,859)
Net cash provided by (used in) operating activities	2,272
Investing activities	
Purchases of property, plant and equipment	(1,942)
Proceeds from sales of property, plant and equipment	44
Decrease (increase) in investment securities	0
Decrease (increase) in Loan	(194)
Other	(107)
Net cash provided by (used in) investing activities	(2,199)
Financing activities	
Increase (decrease) in short-term bank loans	2,751
Increase (decrease) in Commercial Paper	-
Repayment of long-term debt	(329)
Redemption of treasury stock	(10)
Cash dividends paid	(692)
Dividends paid to minority interests	-
Net cash provided by (used in) financing activities	1,719
Effect of exchange rate changes on cash and cash equivalents	268
Net increase (decrease) in cash and cash equivalents	2,061
Cash and cash equivalents at beginning of the term	10,367
Decrease in cash and cash equivalents at beginning of the year, due to the change in fiscal term of consolidated subsidiary	-
Increase of beginning cash and cash equivalents due to new entry of a subsidiary	-
Cash and cash equivalents at end of term	12,428

[Reference]

Segment information

[Segment information by business]

Three months ended Jun.30,2007

Millions of yen

	Semicon- ductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	34,576	6,730	2,853	44,160	-	44,160
(2) Intersegment	295	400	0	697	(697)	-
Total	34,872	7,131	2,853	44,857	(697)	44,160
Operating income	1,512	(66)	236	1,682	(734)	948

[Segment information by geographic area]

Three months ended Jun.30,2007

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	29,195	4,894	6,290	3,779	44,160	-	44,160
(2) Intersegment	3,726	7,583	4,113	22	15,445	(15,445)	-
Total	32,921	12,478	10,403	3,802	59,606	(15,445)	44,160
Operating income	1,300	(263)	225	196	1,459	(510)	948

[Overseas Sales]

Three months ended Jun.30,2007

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	17,612	4,360	3,836	27	25,836
Consolidated sales					44,160
Ratio of overseas sales to consolidated	39.9	9.9	8.7	0.0	58.5