

# FY 2009 Consolidated Financial Results

(April 1, 2009 to March 31, 2010)

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. Consolidated Financial Performance over the year, April 1, 2009 to March 31, 2010

### (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 2009	134,134	(-8.8%)	-5,482	-	-6,048	-	-18,950	-
FY 2008	147,003	(-20.2%)	-4,891	-	-7,716	-	-15,773	-

	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 2009	-156.05 yen	-	-40.1%	-4.3%	-4.1%
FY 2008	-129.85 yen	-	-23.4%	-4.8%	-3.3%

Notes1: Ordinary income : Income before income taxes and minority interests, and extraordinary items

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

Mar./ 2010: - yen (Mar./ 2009: - yen)

### (2) Consolidated Financial Position

(Millions of Yen)

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
FY 2009	131,908	37,761	28.2%	306.54 yen
FY 2008	147,768	57,818	38.8%	471.98 yen

Note: Shareholders' equity:

Mar./ 2010: 37,214 million yen (Mar./ 2009: 57,325 million yen)

### (3) Consolidated Results of Cash Flows

(Millions of Yen)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Balance of cash and cash equivalents at the end of year
FY 2009	5,105	(4,568)	(1,280)	12,114
FY 2008	14,056	(12,181)	2,999	12,891

## 2. Dividend Information

(Record date)	Dividend per share					Total dividend (full year)	Dividend payout ratio (consolidated)	Dividend to total net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal-year -end	Annual			
FY 2008	-	7.00 yen	-	3.00 yen	10.00 yen	1,214	-	1.8%
FY 2009	-	0.00 yen	-	0.00 yen	0.00 yen	-	-	-
FY 2010 (forecast)	-	3.00 yen	-	3.00 yen	6.00 yen	-	24.3%	-

## 3. FY 2010 Consolidated Financial Forecast (April 1, 2010 to March 31, 2011)

(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	73,500	(19.3%)	2,500	-	1,800	-	800	-	6.59 yen
Full year	150,000	(11.8%)	6,500	-	5,000	-	3,000	-	24.70 yen

#### 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) : Yes
- (3) Number of shares outstanding (common stock)
- Number of shares outstanding at the end of the term (including treasury stock)  
Mar./ 2010: 125,490,302 (Mar./ 2009: 125,490,302)
- Number of treasury stocks at the end of the term  
Mar./ 2010: 4,089,747 (Mar./ 2009: 4,033,630)

#### (Reference) Summary of Non-consolidated Financial Performance

##### 1. Non-consolidated Financial Performance over the year, April 1, 2009 to March 31, 2010

###### (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 2009	95,639 (-13.5%)	-11,244 -	-11,465 -	-22,495 -
FY 2008	110,553 (-20.2%)	-4,730 -	-5,747 -	-9,485 -

	Net income per share	Diluted net income per share
FY 2009	-185.25 yen	-
FY 2008	-78.09 yen	-

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

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
FY 2009	113,852	36,161	31.8%	297.87 yen
FY 2008	131,878	58,829	44.6%	484.37 yen

Notes: Shareholders' equity:

Mar./ 2010: 36,161million yen (Mar./ 2009: 58,829million yen)

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

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.

# **1. OPERATING RESULTS**

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

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

#### **General Review**

The global economy during the current consolidated fiscal period has continued under very severe conditions due to the lingering effects from the “simultaneous global recession” two years before, but has since increasingly shown signs of a recovery trend based on high economic growth in emerging nations, including China. Also, the Japanese economy has been in a gradual recovery phase, pulled by external demand although the economy has continued to suffer from a prolonged bout with deflation. Under such circumstances, in the electronics industry to which our Company Group belongs, consumer demand for digital home appliances has gradually gained momentum as a result of the effects from economic stimulus measures taken by countries around the world and in the second half, the automotive market got back on a recovery track, all of which led to better conditions.

Our group has transitioned toward recovery along with the recovery of the external environment, but under such circumstances, CCFL products have not recovered as a result that the market structure has rapidly changed, prices have largely dropped and the adoption of LEDs has progressed. This significantly impacted our business and has led to very severe group results in the first half. In order to respond to these situations, we have largely reduced the production capacity of CCFL products, and have made efforts to increase production of LED products, which we expect will lead to market expansion. Also, in order to improve the production efficiency of semiconductors, we are now concentrating and reorganizing plants, which is part of the business structural reforms of the entire group. In addition, in product development and sales, we have launched on the market new products strongly focusing on “eco and energy saving” and established a sales and technical support base in China’s Hunan province, where our customers are concentrated, through which we have focused on active measures toward business recovery. Moreover, by significantly reducing fixed costs, which have been carried out through a united effort by the entire group over the last two years, we were able to move ordinary income into the black in the second half and profits have generally progressed according to the budget.

Even with such measures, we were unable to recover from the very severe results in the first half, and, for the business results of the current consolidated fiscal year, consolidated net sales were ¥134,134 million, a decrease of ¥12,869 million (8.8%) as compared to the previous period. For income, a consolidated operating loss of ¥5,482 million and a consolidated ordinary loss of ¥6,048 million were recorded. For expenses in connection with the structural reform of the CCFL business, we recorded an extraordinary loss of ¥11,000 million. All of these impacted our business results in recording significant losses as current consolidated net loss was ¥18,950 million.

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

##### **Semiconductors**

Consolidated net sales for this segment were ¥94,538 million, a decrease of ¥16,005 million (14.5%) as compared to the previous period.

For semiconductor devices, due to the market share expansion of products for flat-panel TVs, etc., sales

of products for audio visual products continued to be favorable and in the second half, orders received for products for automobiles increased due to the economic stimulus measures taken by countries around the world. As a result, manufacture started full-scale operations and in particular, Allegro MicroSystems, Inc., a US subsidiary, attained record-high levels of production. Accordingly, we decided to resume capital investment, which had been held back throughout the entire group, to respond to the rapid increase in orders received. On the other hand, for CCFL products, due to the impact from the increase in the placement of orders by panel manufacturers to their affiliated companies, sales volume and prices dropped sharply. In addition, as the adoption of LEDs for backlights progressed for laptop PCs and large-size LCD TVs, very difficult conditions continued. In order to respond to such situations, we downscaled our production capacity, and have made efforts at strengthening profitability by vigorously promoting cost improvements. As a result, profits have significantly improved in the second half, although net sales have largely decreased as compared to the previous period.

### **Power Modules**

Consolidated net sales for this segment were ¥23,156 million, an increase of ¥1,489 million (6.9%) as compared to the previous period.

In this segment, sales of products for OA equipment decreased due to sluggish corporate IT investment, although the products for LCD TVs continued to sell well throughout the year as a result of market share expansion. As a result, net sales increased as compared to the previous period and profits have improved as indicated by reductions in deficit amounts.

### **Power Systems**

Consolidated net sales for this segment were ¥16,438 million, an increase of ¥1,647 million (11.1%) as compared to the previous period.

In this segment, sales progressed steadily in the domestic market as the sales of direct current power supply units for mobile phone base stations maintained a strong position from the beginning of this period, and in the second half, orders received for permanent power supply units for public infrastructure increased. In the Chinese market, although sales of high pressure inverters started late in the first half, sales have transitioned toward recovery from the second half. As a result, both net sales and profits increased as compared to the previous period.

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

In the next period, the electronics industry is expected to progress, while continuing a steady recovery in demand, although it cannot be regarded as a full recovery. Under such circumstances, our group will strengthen efforts at such growth markets as “emerging countries” and “eco and energy saving” and strive to expand sales. We will also make our best efforts to increase profits by reducing variable costs as well as continuing to rein in fixed costs, which have already been significantly reduced.

For the full-year of consolidated business results, we expect net sales of ¥150,000 million, operating income of ¥6,500 million, ordinary income of ¥5,000 million and net income of ¥3,000 million. In this regard, the figures are based on an exchange rate of 1US\$ = ¥90 for the year 2010.

(Note) 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.

## (2) Analysis of Financial Conditions

### 1) Status of Assets, Liabilities and Net Assets

Total assets were ¥131,908 million as of the end of the current consolidated fiscal year, a decrease of ¥15,860 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in property, plant and equipment of ¥15,471 million.

Liabilities were ¥94,147 million, an increase of ¥4,197 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts payable-trade of ¥5,595 million, an increase in long-term loans payable of ¥3,847 million, a decrease in short-term loans payable of ¥3,948 million and a decrease in commercial papers of ¥1,000 million.

Net Assets were ¥37,761 million, a decrease of ¥20,057 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings of ¥19,155 million and a decrease in the foreign currency translation adjustment account of ¥1,144 million.

### 2) Status of Cash Flow

Balance of cash and cash equivalents as of the end of the current consolidated fiscal year was ¥12,114 million, a decrease of ¥776 million as compared to the end of the previous consolidated fiscal year.

Net cash provided by operating activities was ¥5,105 million, a decrease of ¥8,951 million as compared to the previous year. This was mainly due to an increase in accounts receivable.

Net cash used in investing activities was ¥4,568 million, a decrease of ¥7,613 million as compared to the previous year. This was mainly due to a decrease in expenditures for the acquisition of tangible fixed assets.

Net cash used in financing activities was ¥1,280 million, a decrease of ¥4,279 million as compared to the previous year. This was mainly due to repayment of debt.

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

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Equity ratio	44.3%	42.7%	44.7%	38.8%	28.2%
Equity ratio on the basis of market price	142.2%	77.5%	41.0%	20.8%	32.9%
Redemption years for liabilities	3.1year	4.1year	4.8year	4.3year	11.6year
Interest coverage ratio	18.9times	12.5times	9.2times	21.0times	6.3times

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 profits to our shareholders is one of the most important missions of management, and we are committed to ensuring steady and stable payment of dividends through improvements in our earnings potential and enhancement of our financial conditions. Regrettably, the year-end dividend for the current period will be suspended based on large losses recorded. For an annual dividend in the next period, we expect it to be ¥6 per share (¥3 for both the interim and year-end dividends), considering the forecast of business results of the Company, etc.

### **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 28 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 Power IC Control IC Hall-effect IC Bipolar Transister MOSFET IGBT Thyristor Rectifier Diode Light Emitting Diode(LED) Cold Cathode Fluorecent Lamp(CCFL)	Sanken Electric Co., Ltd. Subsidiaries Ishikawa Sanken Co., Ltd. (Manufacturer) Yamagata Sanken Co., Ltd. (Manufacturer) Kashima Sanken Co., Ltd. (Manufacturer) Fukushima Sanken Co., Ltd. (Manufacturer) Sanken Optoproducts Co., Ltd. (Manufacturer) Dalian Sanken Electric Co., Ltd. (Manufacturer) Allegro MicroSystems, Inc. (Manufacturing and Sales) Allegro MicroSystems Philippines, Inc. (Manufacturer) Allegro Microsystems Philippines Carmona 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. (Manufacturing and Sales) Sanken Power Systems (UK) Limited (Sales and Technical service) Korea Sanken Co., Ltd. (Manufacturer) 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) Sanken Electric Singapore Pte. Ltd. (Sales company)
PM	Power Modules Switching Mode Power Supply unit Transformer	Sanken Electric Co., Ltd. Subsidiaries Dalian Sanken Electric Co., Ltd. (Manufacturing and Sales) Dalian Sanken Trading Co., Ltd. (Sales company) Sanken Power Systems (UK) Limited (Sales and Design) PT. Sanken Indonesia (Manufacturing and Sales) Sanken Electric (Shanghai)Co., Ltd. (Sales company) Sanken Electric Hong Kong Co., Ltd. (Sales and Purchasing support ) Taiwan Sanken Electric Co., Ltd. (Sales company) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Electric (Malaysia) Sdn. Bhd. (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 L.D. Electric (Jiangyin) Co., Ltd. (Manufacturing and Sales) Sanken Densetsu Co., Ltd. (Power supply sales and installation work)
Others		Subsidiaries Sanken Business Service Co., Ltd. (Business Service) 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 based on original technology. We will also strive to maintain a firm management foundation in order to maximize the corporate value of the Company and to become a socially and environmentally responsible corporate citizen.

#### **(2) Management Goals**

We believe that it is extremely difficult to calculate reasonable mid-term numerical targets due to economic environment that cannot be regarded as a full recovery. As such, we have not set mid-term management goals at this time and have only set single year numerical targets. We will consider setting mid-term management goals, watching future economic trends.

#### **(3) Mid and Long-term Management Strategies**

We have established our mid-term business plan for the coming three years from April 2009 as follows.

Like the previous mid-term business plan, business domains were determined to be power electronics and optical devices and we set out the slogan of “The Powerful Leader in P&O (Achieve Further Strength Amid Constant Challenge).”

#### **Fundamental Policy of the Plan**

##### **1) Pursuing “Ecology and Energy Savings” by Total Solutions**

- Setting “Ecology and Energy Savings” as our key words, we will promote the development of new products and new markets and new applications.
- We will realize early commercialization of module power supplies and LED modules.
- Exerting the total capacity of our semiconductor, optical and power supply technologies, we will provide total solutions.

##### **2) Creation of Differentiated Technologies and Promotion of Innovative Manufacturing**

- We will realize commercialization of wide gap semiconductors (GaN, SiC) and power supply systems for solar power and fuel cells.
- Utilizing circuit and packaging technologies unique to Sanken Electric, including active PFC, secondary power supply modules, DC/DC converters, etc., we will develop highly efficient products with respective high added-value.
- In developing products, by establishing platforms, we will accelerate development by increasing QCDDE.
- We will convert to offensive intellectual property strategies from a defensive posture and promote differentiated technologies.
- By acceleration of internal manufacturing of equipment (by blackboxing production technologies) and thorough cost reductions, we will increase market competitiveness.
- By strengthening development purchases, development of global purchasing and optimization of SCM, we



will further promote material cost reductions.

### **3) Establishment of Marketing and Thorough Sales Activities Close to Market**

- In strategic cooperation among the technology, sales and marketing departments, we will provide customers with optimum solutions.
- The marketing department will mainly develop market strategies and deeply mine existing markets of flat-panel TVs, automobiles, white goods, and industrial equipment, etc., and firmly enter new markets such as lighting, communications and IT.
- We will deploy an offense-oriented sales approach, anticipating the needs of the market in close contact with customers.

### **4) Deploying Global Strategies and Exerting Total Capacity of the Group**

- Making the most of our wafer processing capacity of Yamagata Sanken Co., Ltd., and Polar Semiconductor, Inc., we will promote enhancement of 3 production capacities and cost reductions.
- Through collaboration with Allegro MicroSystems, Inc., and Polar Semiconductor, Inc., we will promote development of products using the next generation process and aim at sales expansion.
- We will build up a comprehensive management system of assembly, including subcontractors and EMS and establish flexible production systems which enable us to respond to changes quickly.
- We will determine highly focused markets by sales area and formulate optimum sales strategies.
- By promoting a global risk management system and internal control, we will carry out group management focused on CSR.

### **5) Improvements in Productivity for Each and Every Employee**

- We will establish target settings and visualization of results for each and every employee and make efforts to change the consciousness and actions of employees, challenging ever-higher goals.
- We will have employees acquire speed that can respond to rapidly changing digital markets and act with a sense of tension.

## **(4) Tasks to be addressed**

As for the future of the global economy, an unpredictable situation exists, but gradual recovery will continue, pulled by the emerging nations, including China, and we expect demand will firmly recover in the electronics industry to which our Company Group belongs.

Under such circumstances, our group is poised to accurately capture market recovery trends and we will focus on the following efforts. For the “eco and energy saving” markets, as adoption of inverters for white goods in China and Korea is expected to accelerate, we will improve the system of development, production and sales. For electric and hybrid cars and LED lights, as full-scale market formation is expected, we will establish an exclusive organization, aiming at stronger development capacity and sales expansion to increase sales. In the “emerging nation markets,” which are expected to continue to expand in the future, we will actively develop our business by promoting sales in close contact with customers through strengthening development speed, cost competitiveness and supply chain management corresponding to these markets. Further, in order to promote cost structural reform, we will realize competitive chip prices by launching new high pressure process and enhancement of production capacity of 8 inch process. Also, in the post-process, we

will promote realignment of plants, elimination and consolidation of lines and utilization of production outsourcing of package products for general purpose, etc., to focus on reducing variable costs. In addition, we will make every effort to maximize profits including further checks on fixed costs, which have already been reduced significantly.

Our group will further strengthen our profit earning structure that has been built up through conquering difficult situations so far, and make every effort to realize growth trends in our business.

## **4. CONSOLIDATED FINANCIAL STATEMENTS**

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

	Millions of yen	
	March 31 2009	March 31 2010
<b>ASSETS</b>		
Current assets		
Cash and deposits	13,069	<b>12,300</b>
Notes and accounts receivable-trade	23,111	<b>32,285</b>
Merchandise and finished goods	15,085	<b>10,497</b>
Work in process	16,522	<b>14,443</b>
Raw materials and supplies	11,227	<b>10,821</b>
Deferred tax assets	226	<b>106</b>
Other	3,890	<b>3,343</b>
Allowance for doubtful accounts	(233 )	(71 )
Total current assets	<u>82,900</u>	<u>83,725</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	19,077	<b>17,423</b>
Machinery, equipment and vehicles, net	29,590	<b>15,816</b>
Tools, furniture and fixtures, net	1,377	<b>899</b>
Land	4,502	<b>4,436</b>
Lease assets, net	87	<b>528</b>
Construction in progress	3,864	<b>3,924</b>
Total property, plant and equipment	<u>58,501</u>	<u>43,029</u>
Intangible assets		
Software	289	<b>193</b>
Other	700	<b>649</b>
Total intangible assets	<u>990</u>	<u>842</u>
Investments and other assets		
Investment securities	2,010	<b>2,252</b>
Deferred tax assets	126	<b>144</b>
Other	3,490	<b>2,162</b>
Allowance for doubtful accounts	(250 )	(249 )
Total investments and other assets	<u>5,376</u>	<u>4,309</u>
Total noncurrent assets	<u>64,868</u>	<u>48,182</u>
Total assets	<u>147,768</u>	<u>131,908</u>

	March 31 2009	March 31 2010
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,240	21,836
Short-term loans payable	19,590	15,642
Commercial papers	16,000	15,000
Income taxes payable	398	521
Deferred tax liabilities	19	263
Provision for business structure reform	492	-
Accrued expenses	7,100	6,837
Other	1,237	1,133
Total current liabilities	<u>61,078</u>	<u>61,233</u>
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	4,212	8,060
Deferred tax liabilities	1,123	765
Provision for retirement benefits	2,798	3,053
Provision for directors' retirement benefits	156	33
Other	580	999
Total noncurrent liabilities	<u>28,871</u>	<u>32,913</u>
Total liabilities	<u>89,950</u>	<u>94,147</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	21,249	21,246
Retained earnings	24,699	5,543
Treasury stock	<u>(3,885 )</u>	<u>(3,898 )</u>
Total shareholders' equity	<u>62,960</u>	<u>43,788</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	19	225
Foreign currency translation adjustment	<u>(5,655 )</u>	<u>(6,799 )</u>
Total valuation and translation adjustments	<u>(5,635 )</u>	<u>(6,574 )</u>
Subscription rights to shares	<u>253</u>	<u>287</u>
Minority interests	<u>239</u>	<u>259</u>
Total net assets	<u>57,818</u>	<u>37,761</u>
Total liabilities and net assets	<u>147,768</u>	<u>131,908</u>

## (2) Consolidated Statements of Income

Millions of yen

	March 31 2009	March 31 2010
Net sales	147,003	<b>134,134</b>
Cost of sales	<u>127,107</u>	<u>117,626</u>
Gross profit	<u>19,895</u>	<u>16,508</u>
Selling, general and administrative expenses	<u>24,787</u>	<u>21,990</u>
Operating loss	<u>(4,891 )</u>	<u>(5,482 )</u>
Non-operating income		
Interest income	86	22
Dividends income	30	20
The government subsidy for employment adjustment	—	449
Gain on forgiveness of consumption taxes	131	52
Miscellaneous income	<u>416</u>	<u>666</u>
Total non-operating income	<u>664</u>	<u>1,211</u>
Non-operating expenses		
Interest expenses	714	773
Foreign exchange losses	917	49
Compensation expense	756	130
Depreciation of inactive noncurrent assets	582	530
Miscellaneous loss	<u>519</u>	<u>293</u>
Total non-operating expenses	<u>3,489</u>	<u>1,777</u>
Ordinary loss	<u>(7,716 )</u>	<u>(6,048 )</u>
Extraordinary income		
Gain on sales of investment securities	0	—
Gain on sales of noncurrent assets	12	2
Compensation income for expropriation	<u>19</u>	<u>—</u>
Total extraordinary income	<u>32</u>	<u>2</u>
Extraordinary loss		
Loss on disposal of noncurrent assets	177	196
Loss on sales of noncurrent assets	6	0
Impairment loss	1,762	660
Loss on disaster	60	—
Special retirement expenses	314	19
Loss on valuation of investment securities	—	47
Provision for business structure reform	599	—
Business structure reform cost	—	11,089
Other	<u>5</u>	<u>106</u>
Total extraordinary losses	<u>2,927</u>	<u>12,120</u>
Loss before income taxes and minority interests	<u>(10,611 )</u>	<u>(18,166 )</u>
Income taxes-current	1,048	730
Income taxes for prior periods	—	226
Income taxes-deferred	<u>4,093</u>	<u>(171 )</u>
Total income taxes	<u>5,141</u>	<u>785</u>
Minority interests in income (loss)	<u>20</u>	<u>(1 )</u>
Net loss	<u>(15,773 )</u>	<u>(18,950 )</u>

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

Millions of yen

	March 31 2009	<b>March 31 2010</b>
Shareholders' equity		
Capital stock		
Balance at the end of previous period	20,896	<b>20,896</b>
Changes of items during the period		
Total changes of items during the period	<u>—</u>	<u>—</u>
Balance at the end of current period	<u>20,896</u>	<u><b>20,896</b></u>
Capital surplus		
Balance at the end of previous period	21,261	<b>21,249</b>
Changes of items during the period		
Disposal of treasury stock	<u>(11)</u>	<u>(3)</u>
Total changes of items during the period	<u>(11)</u>	<u>(3)</u>
Balance at the end of current period	<u>21,249</u>	<u><b>21,246</b></u>
Retained earnings		
Balance at the end of previous period	42,239	<b>24,699</b>
Effect of changes in accounting policies applied to foreign subsidiaries	(142)	—
Changes of items during the period		
Dividends from surplus	(1,700)	<b>(364)</b>
Net loss	(15,773)	<b>(18,950)</b>
Increase Of Consolidated Subsidiaries	76	<b>158</b>
Total changes of items during the period	<u>(17,397)</u>	<u><b>(19,155)</b></u>
Balance at the end of current period	<u>24,699</u>	<u><b>5,543</b></u>
Treasury stock		
Balance at the end of previous period	(3,878)	<b>(3,885)</b>
Changes of items during the period		
Purchase of treasury stock	(26)	<b>(18)</b>
Disposal of treasury stock	19	<b>4</b>
Total changes of items during the period	<u>(7)</u>	<u><b>(13)</b></u>
Balance at the end of current period	<u>(3,885)</u>	<u><b>(3,898)</b></u>
Total shareholders' equity		
Balance at the end of previous period	80,518	<b>62,960</b>
Effect of changes in accounting policies applied to foreign subsidiaries	(142)	—
Changes of items during the period		
Dividends from surplus	(1,700)	<b>(364)</b>
Net loss	(15,773)	<b>(18,950)</b>
Purchase of treasury stock	(26)	<b>(18)</b>
Disposal of treasury stock	7	<b>1</b>
IncreaseOfConsolidatedSubsidiaries	76	<b>158</b>
Total changes of items during the period	<u>(17,416)</u>	<u><b>(19,172)</b></u>
Balance at the end of current period	<u>62,960</u>	<u><b>43,788</b></u>

Millions of yen

	March 31 2009	March 31 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	526	19
Changes of items during the period		
Net changes of items other than shareholders' equity	(507)	205
Total changes of items during the period	(507)	205
Balance at the end of current period	19	225
Foreign currency translation adjustment		
Balance at the end of previous period	(3,444)	(5,655)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,210)	(1,144)
Total changes of items during the period	(2,210)	(1,144)
Balance at the end of current period	(5,655)	(6,799)
Total valuation and translation adjustments		
Balance at the end of previous period	(2,917)	(5,635)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,717)	(938)
Total changes of items during the period	(2,717)	(938)
Balance at the end of current period	(5,635)	(6,574)
Subscription rights to shares		
Balance at the end of previous period	189	253
Changes of items during the period		
Net changes of items other than shareholders' equity	64	33
Total changes of items during the period	64	33
Balance at the end of current period	253	287
Minority interests		
Balance at the end of previous period	291	239
Changes of items during the period		
Net changes of items other than shareholders' equity	(52)	20
Total changes of items during the period	(52)	20
Balance at the end of current period	239	259
Total net assets		
Balance at the end of previous period	78,081	57,818
Effect of changes in accounting policies applied to foreign subsidiaries	(142)	—
Changes of items during the period		
Dividends from surplus	(1,700)	(364)
Net loss	(15,773)	(18,950)
Purchase of treasury stock	(26)	(18)
Disposal of treasury stock	7	1
IncreaseOfConsolidatedSubsidiaries	76	158
Net changes of items other than shareholders' equity	(2,705)	(884)
Total changes of items during the period	(20,121)	(20,057)
Balance at the end of current period	57,818	37,761

## (4) Consolidated Statements of Cash Flows

Millions of yen

	March 31 2009	March 31 2010
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(10,611 )	(18,166 )
Depreciation and amortization	12,709	9,836
Impairment loss	1,762	10,041
Increase (decrease) in allowance for doubtful accounts	110	(151 )
Increase (decrease) in provision for retirement benefits	(520 )	1,315
Increase (Decrease) in provision for business structure reform	599	(539 )
Interest and dividends income	(117 )	(42 )
Interest expenses	714	773
Decrease (increase) in notes and accounts receivable-trade	20,355	(9,391 )
Decrease (increase) in inventories	(2,971 )	6,505
Increase (decrease) in notes and accounts payable-trade	(9,054 )	5,924
Other, net	2,725	701
Subtotal	<u>15,702</u>	<u>6,809</u>
Interest and dividends income received	117	42
Interest expenses paid	(669 )	(814 )
Income taxes paid	<u>(1,093 )</u>	<u>(932 )</u>
Net cash provided by (used in) operating activities	<u>14,056</u>	<u>5,105</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(12,186 )	(4,392 )
Proceeds from sales of property, plant and equipment	208	321
Purchase of intangible assets	(277 )	(129 )
Purchase of investment securities	(29 )	(10 )
Payments of loans receivable	(2,059 )	(28 )
Collection of loans receivable	2,122	27
Other, net	40	(357 )
Net cash provided by (used in) investing activities	<u>(12,181 )</u>	<u>(4,568 )</u>
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	7,365	(3,534 )
Increase (decrease) in commercial papers	(14,000 )	(1,000 )
Repayments of finance lease obligations	(58 )	(152 )
Proceeds from long-term loans payable	3,150	5,000
Repayment of long-term loans payable	(1,591 )	(1,146 )
Proceeds from issuance of bonds	19,900	—
Redemption of bonds	(10,000 )	—
Proceeds from sales of treasury stock	7	1
Purchase of treasury stock	(26 )	(18 )
Cash dividends paid	(1,699 )	(371 )
Cash dividends paid to minority shareholders	(49 )	(57 )
Net cash provided by (used in) financing activities	<u>2,999</u>	<u>(1,280 )</u>
Effect of exchange rate change on cash and cash equivalents	<u>(1,526 )</u>	<u>(115 )</u>
Net increase (decrease) in cash and cash equivalents	<u>3,347</u>	<u>(859 )</u>
Cash and cash equivalents at beginning of period	9,543	12,891
Increase in cash and cash equivalents from newly consolidated subsidiary	0	82
Cash and cash equivalents at end of period	<u>12,891</u>	<u>12,114</u>



## 5. SEGMENT INFORMATION

### (1) Segment information by business

Previous Fiscal Year (April 1, 2008 to March 31, 2009)

Millions of yen

	Semicon- ductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	110,544	21,667	14,791	147,003	-	147,003
(2) Intersegment	1,728	1,181	1	2,910	(2,910)	-
Total	112,272	22,848	14,792	149,914	(2,910)	147,003
Operating expenses	113,979	24,867	13,704	152,551	(656)	151,894
Operating income (loss)	(1,706)	(2,019)	1,088	(2,637)	(2,254)	(4,891)
Assets	102,929	18,804	8,700	130,435	17,333	147,768
Depreciation	11,695	511	162	12,369	340	12,709
Impairment loss	18	1,744	-	1,762	-	1,762
Capital Expenditures	11,889	516	148	12,554	128	12,682

This Fiscal Year (April 1, 2009 to March 31, 2010)

Millions of yen

	Semicon- ductors	PM	PS	Total	Eliminations or unallocated amounts	Consolidated
Sales						
(1) Third parties	94,538	23,156	16,438	134,134	-	134,134
(2) Intersegment	2,390	691	1	3,082	(3,082)	-
Total	96,928	23,848	16,439	137,217	(3,082)	134,134
Operating expenses	100,553	25,027	15,116	140,697	(1,081)	139,616
Operating income (loss)	(3,624)	(1,178)	1,323	(3,480)	(2,001)	(5,482)
Assets	90,595	17,035	9,297	116,928	14,980	131,908
Depreciation	9,326	53	161	9,541	295	9,836
Impairment loss	9,732	275	-	10,008	33	10,041
Capital Expenditures	4,939	289	133	5,361	95	5,457

## (2) Segment Information by Geographic Area

Previous Fiscal Year (April 1, 2008 to March 31, 2009)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	101,310	18,552	17,541	9,599	147,003	-	147,003
(2) Intersegment	11,045	21,823	17,207	5	50,081	(50,081)	-
Total	112,356	40,375	34,748	9,604	197,084	(50,081)	147,003
Operating expenses	117,706	38,891	34,008	9,495	200,102	(48,207)	151,894
Operating income	(5,350)	1,483	739	109	(3,017)	(1,873)	(4,891)
Assets	97,013	16,863	26,891	3,277	144,045	3,723	147,768

This Fiscal Year (April 1, 2009 to March 31, 2010)

Millions of yen

	Japan	Asia	North America	Europe	Total	Eliminations or unallocated amounts	Consolidated
Sales							
(1) Third parties	85,060	23,357	17,475	8,239	134,134	-	134,134
(2) Intersegment	11,900	15,763	14,923	13	42,601	(42,601)	-
Total	96,961	39,121	32,399	8,253	176,735	(42,601)	134,134
Operating expenses	104,165	37,787	30,912	8,030	180,894	(41,278)	139,616
Operating income (loss)	(7,203)	1,334	1,487	222	(4,159)	(1,322)	(5,482)
Assets	85,680	18,421	26,149	3,557	133,809	(1,901)	131,908

## (3) Overseas Sales

Previous Fiscal Year (April 1, 2008 to March 31, 2009)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	58,155	10,114	10,698	8	78,976
Consolidated sales					147,003
Ratio of overseas sales to consolidated sales (%)	39.5	6.9	7.3	0.0	53.7

This Fiscal Year (April 1, 2009 to March 31, 2010)

Millions of yen

	Asia	North America	Europe	Other Regions	Total
Overseas sales	54,351	9,872	9,316	2	73,544
Consolidated sales					134,134
Ratio of overseas sales to consolidated sales (%)	40.5	7.4	6.9	0.0	54.8