# ANNUAL REPORT 2011

For the year ended March 31, 2011

## Leveraging Core Competences and Moving into New Markets

Sanken Electric Co., Ltd.

# Profile

Sanken Electric Co., Ltd. began operations as a spin off from a research institute in 1946 conducting R&D activities in semiconductors, which was then a new field of electronics. Technology gained through these activities was used to manufacture a growing line of power supply products.

Having grown in tandem with the electronics industry since then, today Sanken Electric has forged a commanding presence as a manufacturer in the field of power electronics. This reputation enables the Company to offer customers high-quality solutions in power supplies and peripheral business domains that meet their diverse needs. Along with a focus on growth in its core business of semiconductor devices, Sanken Electric is determined to enhance the competitiveness of products for the fast-growing field of automotive electronics and energy-saving consumer products. Underpinned by an extensive track record and expertise gained over the years, Sanken Electric will strive to supply products that are more original and advanced than ever before, and consistently rise to meet any challenge by remaining a consummate innovator in power electronics.

# Contents



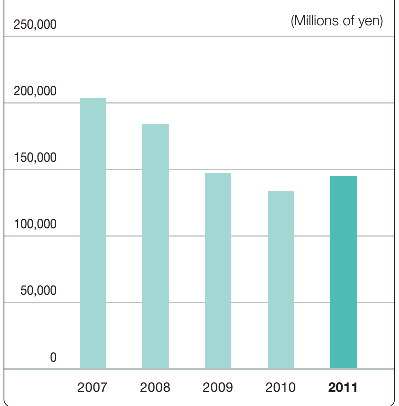
## Warning

This annual Report contains forecasts and other forward-looking statements concerning the Sanken Group future plans and results. Such statements reflect assumptions and beliefs based on information available to the Group at the time of this report's writing. The Group's actual performance may be affected by a host of factors, such as new competition in the electronics industry, risks and uncertainties related to market demand and conditions in global stock and foreign exchange markets. Readers are therefore reminded that actual results may differ from forward-looking statements in this report.

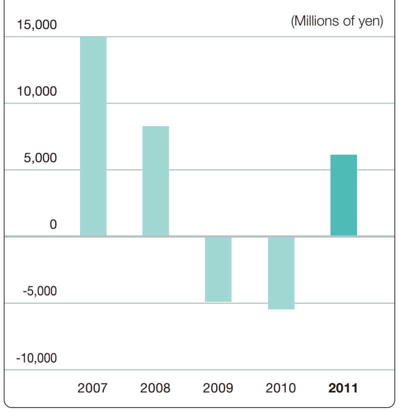
# Financial Performance

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011, 2010, 2009, 2008, and 2007

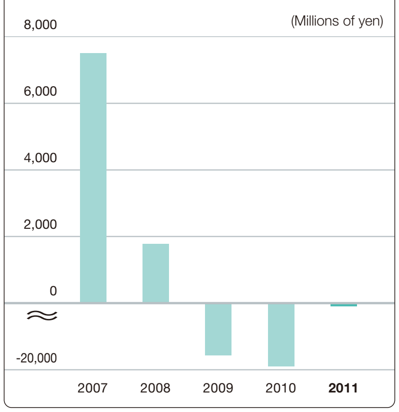
## Net Sales
Years ended March 31



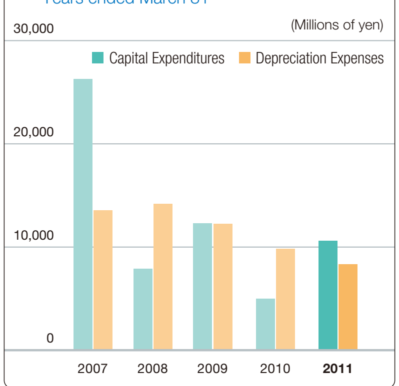

## Operating Income (Loss)
Years ended March 31



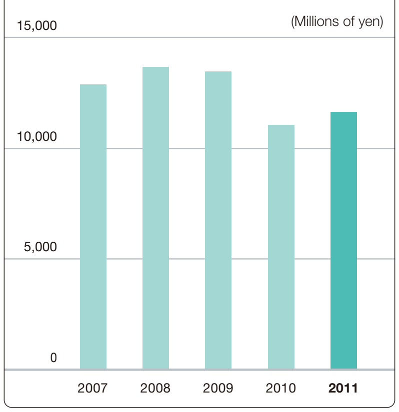

## Net Income
Years ended March 31



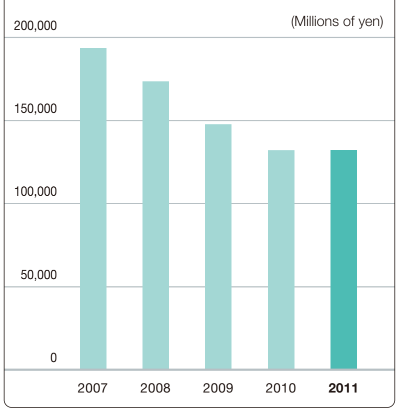

## Capital Expenditures/ Depreciation Expenses
Years ended March 31



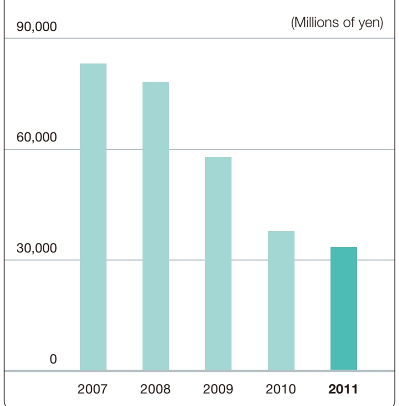

## R&D Expenses
Years ended March 31



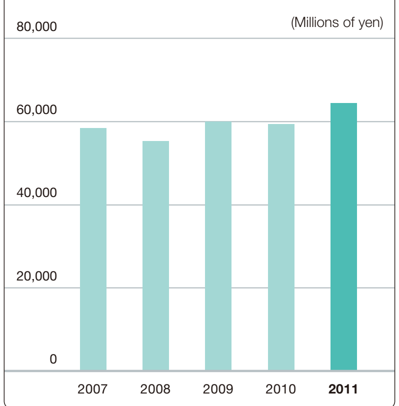

## Total Assets
As of March 31



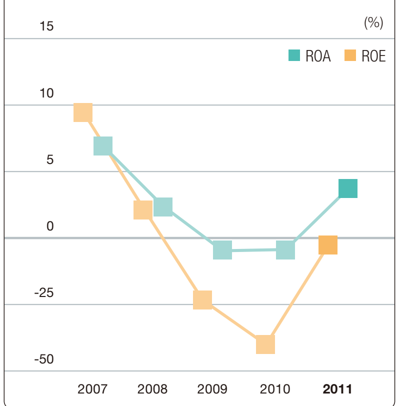

## Total Net Assets
As of March 31




## Interest-bearing Debt
As of March 31




## ROA/ROE
Years ended March 31



# Dear Fellow Shareholders

Sadatoshi Iijima, President
Sanken Electric Co., Ltd.

## FY2010 Business Environment and Our Results

FY 2010 started with two of the business challenges inherited from the preceding fiscal year; the first being the sudden decrease of incoming orders from the electronics industry caused by the after-effect of "the Lehman Shock", and the second being the business contraction in the CCFL segment accelerated by sweeping changes in the market's fundamental structure.

During FY 2010, however, the general business environment overseas gradually improved, lead by growing economies of emerging countries such as China and a rebound of the U.S. economy. In Japan, on the other hand, adverse conditions such as steady appreciation of the yen and the steep rise of material prices continued to put downward pressure on corporate earnings.

Under such circumstances during FY 2010, the Sanken Group focused its actions on accomplishing a "full recovery" as it aimed to return to the earnings level recorded prior to "the Lehman Shock." By keeping the earnings momentum with which the Company earned positive operating income in the fourth quarter of preceding fiscal year, and by building our new profitability structure through structural reform initiatives, the Company's FY 2010 financial results came close to our initial targets.

Toward the end of the fiscal year, however, on March 11, 2001 three of the Sanken Group's production plants were affected by the Great East Japan Earthquake, pushing the Company to report earthquake-related extraordinary losses. The impact of and responses to the Great East Japan Earthquake are described in greater detail in the following section on Page 5.

As a result of these factors, the consolidated net sales for FY 2010 increased by 8.0% as compared to the previous year, and the consolidated operating income reached ¥6.1 billion, putting an end to the two consecutive years of operating losses. Nevertheless, because of a number of extraordinary items such as the purchase of stock options by a U.S. subsidiary, expenses recorded for early retirements at an overseas subsidiary and the disaster loss from the earthquake, the Company closed the fiscal year with a consolidated net loss of ¥0.9 billion as compared to a consolidated net loss of ¥18.9 billion for the previous year.

## Key Management Initiatives in FY 2010

During FY 2010, the Company implemented a number of management initiatives in two basic directions; “sales expansion” and “cost structure reform.”

For “sales expansion,” we selected two of the rapidly growing markets as focus areas, the “eco-friendly and energy saving” market and the “emerging country” market. We developed strategies centered around our core business of semiconductor devices, and provided comprehensive solutions derived from a wide range of our activities ranging from technological development to application assistance for customers.

To achieve “cost structure reform,” we discontinued unprofitable products and worked to raise production efficiency, through such measures as expanded use of foreign EMS for back-end semiconductor assembly processes.

In addition we strengthened our production capacity to simultaneously achieve the two objectives, “sales expansion” and “cost structure reform”. Specifically, we invested in our production systems to respond adequately to sales expansion, such as the expanded wafer fabrication lines at Polar Semiconductor, Inc., a U.S. subsidiary, and the additional equipment to expand our product lineup for power supply ICs, and the enlarged production facilities for white goods motor driver ICs in our plants in Japan. At the same time, we carried out a series of structural reforms on production systems, the most notable of which is factory consolidation in the front-end semiconductor processes.

## Basic Strategies for FY2011

For FY 2011, we will pursue strategies based on the two key concepts; “sales expansion” and “harvesting the benefits of structural reforms.”

The first of the two strategic goals, “sales expansion,” carried over from the previous year, aims to capture “eco-friendly and energy saving” markets and “emerging country markets,” with our core competence in the semiconductor device business. In other words, the Sanken Group will seek to maximize the growth potential of the semiconductor device business, to press for a larger share of these two expanding markets, to rebalance the Company’s business portfolio, and to achieve a “return to its roots” where the semiconductor devices business takes the principal role to lead the whole Company’s growth. In response to the “eco-friendly and energy saving” needs, for example, a number of our products enjoyed tremendous growth during FY 2009 and FY 2010, such as power supply ICs for AV and OA-related equipment which address the growing need for lower power consumption, motor driver ICs for the rapidly growing inverter-operated white goods sector, and automotive devices designed for more electronic control and improved fuel efficiency. We will try to broaden our product portfolio to adapt to new applications appearing in each of these sectors.

Wafers of course are essential for manufacturing any of the devices in each of these semiconductor sub-markets. As such, in order to support future sales growth, we have expanded wafer fabrication capacity at Polar Semiconductor, Inc., our U.S. subsidiary, with its construction and installation beginning in January 2010, and completed in March 2011 for 8-inch facilities and equipment as well as 6-inch equipment. As a result, wafer production capacity roughly doubled, on 6-inch equivalents, at this particular subsidiary, and for the entire Sanken Group approximately 1.5 times prior capacity. We believe that these capacity increases will be able to

# Dear Fellow Shareholders

satisfy the growing wafer demand projected for the next two to three years.

Our second strategic objective, "harvesting the benefits of structural reforms," means the extension into 2011 of the "cost structure reform" undertaken for the past two years augmented by additional emphasis on realizing the benefits of reform efforts and boosting the Company's earnings above and beyond the level achieved in FY 2010.

## Medium to Long-Term Outlook

As described above, the Sanken Group currently is emphasizing a management direction focused on "sales expansion" and "harvesting the benefits of structural reforms." To build a close link between these two efforts and maximize outcomes for the entire Company, we have launched two strategic projects, both of which try to combine our global management resources at three locations, Sanken Electric World Headquarters, Polar Semiconductor, Inc. and Allegro MicroSystems, Inc.

The first is our "Project for New Fab Strategy," which was started in July 2010. It undertakes to study the entire wafer fabrication process, the fundamental base for any product, from numerous perspectives such as migration to larger-diameter wafers, global allocation of capacity, fabrication processes, technological innovation and capabilities, and the use of outside foundries, and formulate a globally optimal fabrication strategy. A tangible outcome already realized out of this project is the wafer production system enhancement at Polar Semiconductor, Inc., described above. This upgraded production system not only increased production capacity for the entire group but also brought such benefits as reduction of per-chip cost due to larger wafers, introduction of narrower design rules for more chips per wafer, and further cost reductions from various sources. A side benefit gained from this project is the quick risk management actions we were able to take immediately after the earthquake, when a decision on global capacity reallocation was necessary to shift fabrication of some of the products from Yamagata Sanken to Polar Semiconductor, Inc. to alleviate the inconveniences of power shortage in the Tohoku region of Japan.

The second project is our "Project for Strategic New Products." This is another effort to combine core competence technologies of the three global nodes for engineering and development to quickly complete development processes for highly sophisticated multi-functional products. Formally begun in April 2011, we believe this project will enable us to achieve shorter development cycle-time for high-value-added products in the near future, as well as to bring about the most efficient and effective use of development resources on the global basis.

In today's environmentally conscious world, "eco-friendly and energy saving" products are in ever greater demand. To satisfy these demands, the Sanken Group is prepared to offer what it proudly holds as its core competences in "power devices" and "power systems," and readies itself to take on larger and more significant role in the present-day electronically-driven world. Convinced of the high expectations from the market place, the Company will apply its "power solution technologies," indispensable for "eco-friendly and energy saving" products, and its "customer trust" cultivated over the years of close communication and technological adaptability through product customization to provide its unparalleled "comprehensive solutions," which are easily recognizable by the global market place as a unique feature of the Sanken Group.

July 2011

**Sadatoshi Iijima**
President

## Impact of and Responses to the Great East Japan Earthquake

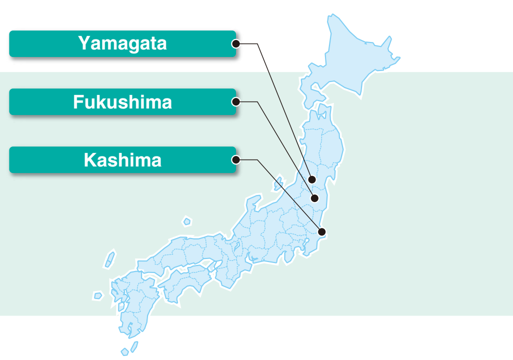
On March 11, 2011, a large earthquake with its epicenter in the Pacific Ocean off the coast of the Tohoku region struck Japan with a registered magnitude of 9.0, the largest ever recorded in the history of observations in Japan. In addition to the damage caused by the earthquake's tremors, the Pacific coastal area in the Tohoku region suffered catastrophic damage from the ensuing massive tsunami.

As a result, social infrastructure, including electricity and gas, water supply and sewerage, roads and telecommunications networks, was severed across a broad area centered on the Tohoku region, and the resulting disruptions to these lifelines required a considerable amount of time to restore.

In the area stricken by the Great East Japan Earthquake, three of the Sanken Group's production facilities were damaged as well. Fortunately none of the Company group's employees was injured or killed, and the damage to buildings, structures and equipment also was light.

Consequently Fukushima Sanken Co., Ltd., which mainly handles back-end processing, and Kashima Sanken Co., Ltd., which is responsible mainly for assembly processing, were both able to complete overall recovery work within one week. At Yamagata Sanken Co., Ltd., the Company's front-end processing plant, power outages caused by aftershocks immediately before overall restoration reset some of the recovery work and full restoration of operations required about one month.

Because of its experience gained from the Noto Hanto Earthquake that struck its plants four years ago, Sanken Electric had made use of the lessons learned at that time to implement its own earthquake preparedness procedures at each plant. Although the power of the recent Great East Japan Earthquake was extremely large-scale and far exceeded that of the Noto Hanto Earthquake, employee training, procedures for facility and equipment safety and the measures to prevent equipment from overturning were sufficiently executed. Thoroughgoing measures were taken and ensured that no damage, such as wafers falling from equipment, or harm to or overturn of the machines used for creating photolithographic masks to print circuit patterns, for example, was suffered at all. This helped to minimize impairment and sped up the recovery.




### Actions at Head Office after the Earthquake

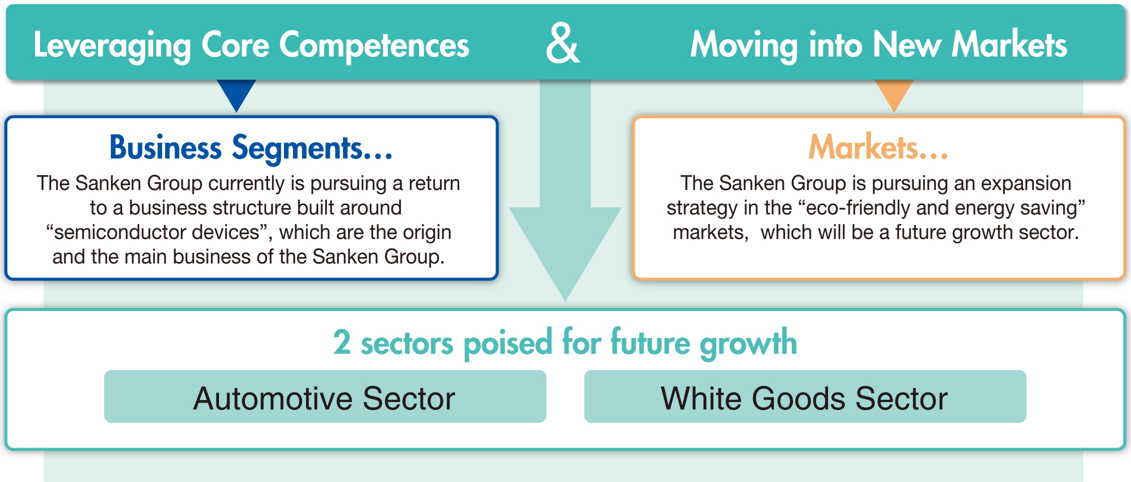
At 3:00 p.m. on March 11, about 15 minutes after the earthquake, Sanken Electric established a Disaster Response Command Center at its headquarters and began responding with steps that included gathering information on the stricken area and studying the impact, and making decisions upon and implementing the details of the Company's response.

On March 12, along with the dispatch of a support team from the head office, we began sending relief materials.

However, restoration of operations at the Sanken Group's three plants alone is not sufficient to put the effects of the Great East Japan Earthquake completely behind us. The quake simultaneously had a significant longer-term effect on Japan's economy and its industrial structure, and also caused sweeping changes in supply and demand conditions on a global scale. To address such problems, on April 1 Sanken launched a "Great East Japan Earthquake Business Continuity Action Committee," creating a mechanism to unify the collection of information, decision-making and leadership functions for ensuring continuity of the Company's operations and implementing responses across the entire group.

Specifically, the task force has undertaken efforts that include;

1. Establishing a special procurement project to implement measures such as strengthening purchasing systems, selecting alternative products and moving production overseas with the objective of maintaining and ensuring supply of our products through stable operations
2. Initiating a global Fab strategy, including installation of additional electric generators and the shift of production to overseas fabrication facilities, with the objective of building back-up systems to supplement the Yamagata fabrication plant while identifying responses to restrictions on electric power consumption
3. Devoting sincere efforts to customer support, including adequate information disclosure, customer-oriented sales and support for substitute demand, with the objective of continuing business relationships with existing customers




## Greater energy efficiency: an agenda for a less carbon-dependent world.

Numerous efforts are currently underway to bring forth an environmentally-conscious society. There are even trends nowadays to coordinate various actions that have been taken separately so far by each industry sector or each company. For example, there are some 200 “smart city” test projects going on around the world to prove real-world feasibility of environmentally-friendly city-planning where energy efficiency is stretched to the maximum by latest technological advancements and the conservation of resources is placed as the utmost priority. At the center of these activities toward a less carbon consuming society lie numerous energy-related technologies, the most notable of which is the power management technologies to save electric power consumption, and eventually reduce carbon dioxide emissions.

## “Power devices” and “power systems”: keys to bring about “eco-friendly and energy-saving” objectives.

Today, “eco-friendly and energy-saving” properties have become sought after anywhere in the world as essential requisites for the creation of “less carbon-dependent society.” Sanken was among the first to put emphasis on the “eco-friendly and energy-saving” properties as strategically important directions, and has since worked to advance the envelope of power electronics technologies, aggressively developed new products, enlarged the scope of our technological solutions and cultivated customers in every part of the world.

Sanken’s core competences in “power devices” and “power systems” are now contributing more than ever as critical technologies for the global goal of achieving “eco-friendly and energy-saving” society.

## Leveraging its core competences and capturing business opportunities in rapidly expanding “eco-friendly and energy-saving” markets

The growth of the “eco-friendly and energy saving” markets can be translated into growth opportunities for Sanken to demonstrate to the fullest extent its core competences and competitive strengths.

To respond to the needs of such growth markets, Sanken currently is focusing on realigning its own business structure and to build a new one around its “semiconductor devices” segment. Sanken started its history in the “semiconductor devices business”, and the segment formed the center of Sanken’s three main operational segments. Today the semiconductor device segment is expected to play a leading role again in the most promising of all growth markets of the future.

In the months and years ahead, Sanken will focus on deploying all kinds of management resources into the “semiconductor devices business”, across the board in each of its research and development, production, and marketing and sales divisions.

## White goods and Automotives: two leading application areas where Sanken keeps its technological edge.

While Sanken addresses the needs of every aspect of the "eco-friendly and energy saving" markets, two of the application areas are worthy of special attention.

The "white goods household appliance sector" and the "automotive electronic components sector" are the application areas where Sanken maintains an extremely advanced technological competitive edge, based on its proprietary technologies and historically proven know-how to advance even higher the "eco-friendly and energy saving" features of products.

### 1 Power solution capabilities for improved energy efficiency

Adoption of inverter-driven motors to boost energy efficiency has become a global trend for the white goods home appliance market in general, and for the air conditioner market in particular. In response to this move, Sanken has developed a technological edge to offer motor driving products that can fine-tune wide range of currents, from very small to large. This is Sanken's "power solution capability," and with it Sanken plans to offer devices best-suited to any requirements.

### 2 Proprietary know-how for stability and reliability under hot and harsh environments

Electronic content of automobiles has risen very rapidly, but electronic devices onboard automobiles must withstand extremely harsh operating environments, such as wide swings of temperature and the forceful stress of vibration. Sanken has amassed from its long history in the automotive business the designing and manufacturing know-how to achieve excellent stability and superb reliability even under such adverse conditions.

Moreover, one of the rapidly expanding corners of the automotive market is that for hybrid and electric vehicles. Sanken has accumulated the requisite high-voltage semiconductor processing technology to be applied to automotive and other applications and can take advantage of these strengths to penetrate into these new markets.

### 3 Power supply-related technology: the basis for higher energy efficiency

Every electric device, apparatus and piece of equipment is powered from electricity taken from wall outlets or batteries, and the electricity must be converted in some way. Thus, power supply circuitry is vital as a foundation for better energy efficiency.

Sanken has plenty of experience in developing and manufacturing highly efficient power supply IC products for liquid crystal display televisions under especially unrelenting cost competition. This experience and track record have brought Sanken its technological and manufacturing competitiveness.

### "Green IT" effort

In recent years, information-processing industries around the world have tried to incorporate the "Green IT" concept to save energy and to reduce waste of resources by IT centers and facilities. In response to this effort, Sanken developed "power supply for data center servers" that can achieve an efficiency rate as high as 94%, the highest in the industry in the 600W class. This product became available for sale in January 2011. Additionally, this product was accorded a "Platinum" grade certification, the first among Japanese products in its class, by the "80 Plus" energy saving standard for power supplies.

Server power supply with 94% efficiency

# White Goods Home Appliances Market

MARKET 1

•Inverter control ICs
•Power Management ICs
•Fast Recovery diodes
•Regulator ICs

## A whole new market emerged with the full-scale "adoption of inverters".

China and other Asian emerging countries as well as other nations in the world are now bringing in stricter efficiency regulations and environmental controls, and the move requires the accelerated "adoption of inverters" for air conditioners. Thus the market acceptance of inverter-driven products is expected to rise rapidly in the near future.

Sanken is prepared to capture this extremely favorable opportunity with its proprietary semiconductor technology to efficiently drive motors.

## From air-conditioner fan motors to compressors, application areas are further expanded.

Sanken's "multichip assembly technique," which enables multiple semiconductor elements to be mounted in a single package, has been developed and refined from long history of mutual communication with customers and the market. Because this proprietary technique brings in lower losses than an assortment of single-chip ICs, it secures higher market share in motor driver ICs for air-conditioner fans.

Besides fan motor drivers, we have added a new line of inverter power modules for compressors, and now completed a comprehensive lineup ranging from low to medium to high current products. We are trying to leverage this competitive advantage, allowed to only a handful in the world of such semiconductor manufacturers.

Sanken plans to use this unique characteristic to offer energy efficiency improvement solutions for white goods household appliances and aggressively meet rising demand.

## Production capacity is expanded to meet active demand from emerging countries.

Given such favorable business environment, Sanken's sales for white goods home appliances have risen rapidly, at approximately 50% in FY 2010 over FY 2009.

Sanken, mindful of the rising huge global demand for white goods, is focusing on widening its product lineup and expanding production capacity on a significant scale.

# Automotive Market MARKET 2

## Tremendous growth opportunity lies in the market for automotive products.

Due to the pressing need for greater fuel efficiency, safety and comfort, electronic contents in automobiles has risen sharply, and some automobiles now might well be called “loaded with electronic components and devices.” Thanks to many power devices now being installed in cars, sales of automotive products have already grown to occupy about 30% of Sanken’s total consolidated net sales.

For instance, Hall-effect sensor devices developed and manufactured by Allegro MicroSystems, Inc., one of Sanken’s consolidated subsidiaries, are indispensable for achieving greater fuel mileage, by accurately detecting engine ignition timing and gear rotational speed. With an excellent reliability record and unsurpassed accuracy and performance, Allegro’s products have captured the leading position in the world’s Hall-effect sensor market, and are projected to grow in the future.

## New opportunities opened up by introduction of hybrid and electric vehicles.

Besides the rising electronic content for economy, safety and drivability of conventional internal combustion automobiles, the demand for similar electronic components and devices used in hybrid automobiles and electric vehicles is anticipated to grow in the future. Further, hybrid automobiles and electric vehicles require new types of electrical equipment for their power train motors and specially-designed batteries. Therefore a whole new set of business opportunities will emerge in the hybrid automobile and electric vehicle markets.

Sanken will continue to monitor market conditions and build its ability to meet any automotive needs and to offer comprehensive solutions in automotive semiconductor markets.

## With the largest sales ever recorded for automotive products, Sanken aims for another stage of expansion by increasing capacity.

Given such a promising market environment and its aggressive device development agenda, Sanken recorded net sales of approximately ¥45.0 billion in FY 2010 from automotive products, an increase of more than ¥10.0 billion from the previous year.

Sanken is now implementing a number of aggressive capacity expansion projects to properly respond to the rising trend of demand, and thereby accelerate growth of business in this automotive sector. (See table).

**Alternators**
- Rectifier diodes
- Regulator ICs

**Fuel injectors**
- Injector driver ICs
- Transistor arrays

**Ignition systems**
- Diodes
- Igniter ICs

**Throttle systems**
- Motor driver ICs
- Hall-effect ICs for position detection

**Camshafts and Crankshafts**
- Hall-effect ICs for position detection

**Power steering**
- MOSFETs for motor driver
- Motor driver ICs

**Automatic transmissions**
- Automatic transmission driver ICs
- Hall-effect ICs

**Infotainment & Audio Systems**
- Transistors for amplifier outputs
- MOSFETs for DC/DC converter
- Switching Regulator & Backlight IC’s
- Current Sensors

**Electric Parking Brake Actuators (EPBAs)**
- Hall-effect ICs

**Seat belts**
- Hall-effect ICs for position detection

**High intensity discharge lamps**
- High-voltage driver ICs
- Thyristors for lighting

**Adaptive front lighting systems (AFSs)**
- Stepping motor driver ICs

**Power windows and sunroofs**
- Hall-effect ICs for position and direction detection

**Anti-lock braking systems (ABSs)**
- Driver ICs for ABS

**Various control nuits**
- Regulator ICs
- Semiconductor Relay ICs
- Power Switch ICs

**Various displays**
- LEDs

**Hybrid / EV**
- Current Sensors
- Transistor and Diodes for AC/DC converter
- Motor Driver ICs

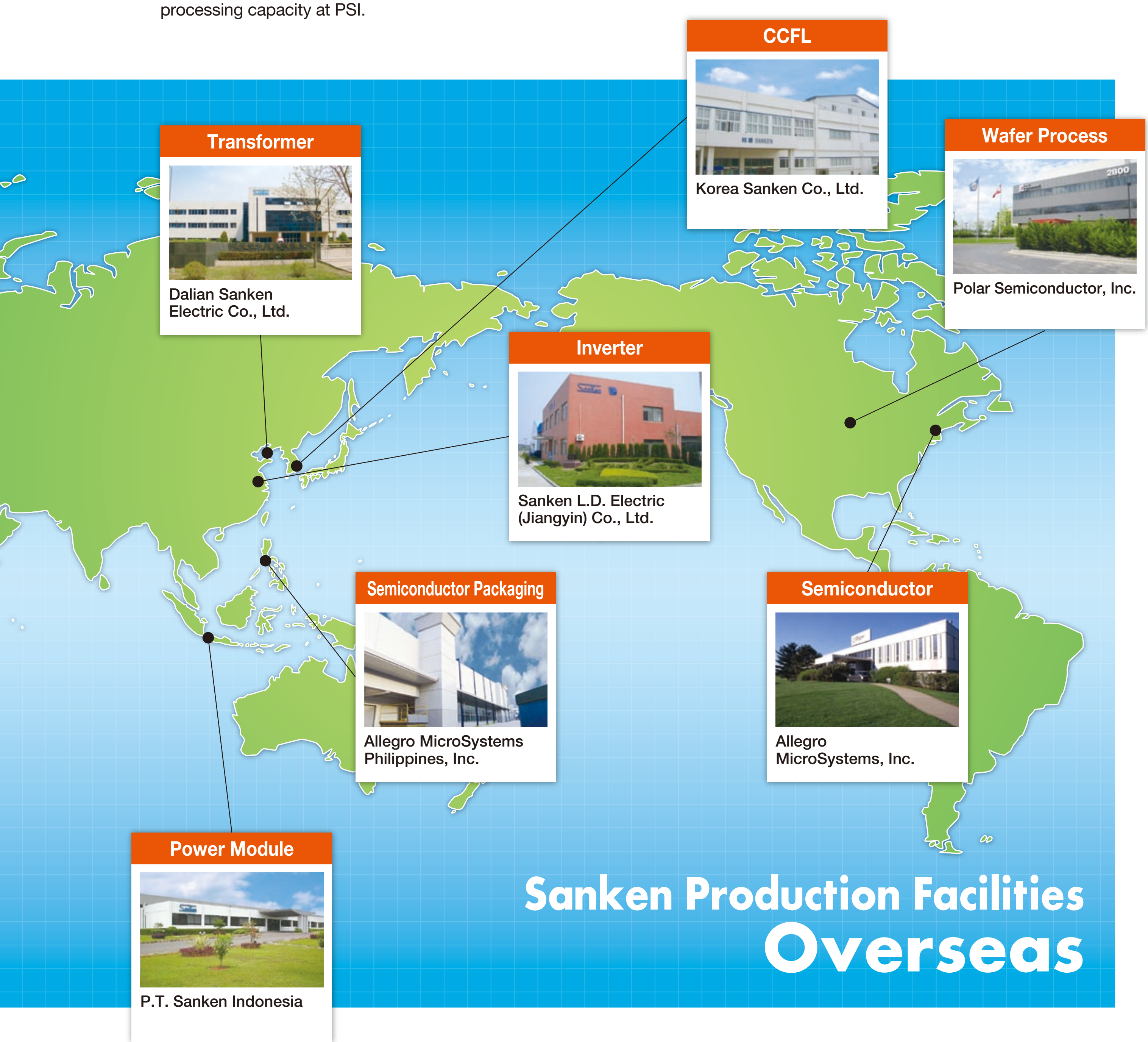
# Domestic and Overseas Locations

Sanken Electric and its affiliated companies in total have sales and production facilities in 11 countries and regions including Japan, and are trying to expand their business on a global scale through application of their unique proprietary technologies.

With the exercise of appropriate management decision-making on a global basis for both the development and production aspects of business, Sanken always strives to choose "the best available decision from "the overall group-wide perspective." This management philosophy is best represented in the arrangement in the semiconductor segment, where Sanken and its group companies are trying to shorten the development cycle time for highly sophisticated multi-functional products through a collaborative trilateral arrangement combining Sanken Electric's power semiconductor technology including packaging technology, Allegro MicroSystems, Inc.'s (AMI) digital and high integration technologies, and Polar Semicon-


ductor, Inc.'s (PSI) wafer processing technology.

In addition to the combination and collaboration of technologies, Sanken and its affiliates are aggressively expanding production capacity in response to the high growth potential of the "eco-friendly and energy saving" market, and in particular improving the wafer supply system and raising cost competiveness, by expanding the front-end wafer processing capacity at PSI.



# Sanken at a Glance

Sanken focuses its business on development, manufacture and sale of power electronics products. Power electronics technology deals with the interface of both simple and straight-forward electric power and the elaborate electronic control of the power, and controls electricity-driven products efficiently and accurately by converting and managing electric power.

Power electronics serves as foundation for all electronic products, and is expected to widen rapidly its area of application under the current, global efforts to bring about a less carbon-consuming society, the stage on which Sanken's proprietary technology can play a more active role in achieving "eco-friendly and energy-saving" properties and functions.

## 11.7% Power System Business

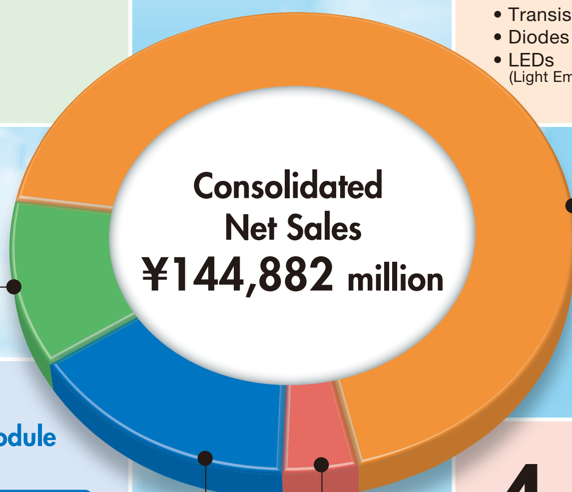
**Main Products**

- UPS
  (Uninterruptible Power Supplies)
- Inverters
- DC Power Supplies
- Instruments for New Energy Sources
- High-intensity Aircraft Warning Lights

## 68.9% Semiconductor Device Business

**Main Products**

- Power ICs
- Hall-effect Sensors
- Driver ICs
- Transistors
- Diodes
- LEDs
  (Light Emitting Diodes)




## 15.3% Power Module Business

**Main Products**

- SMPS
  (Switching Mode Power Supplies)
- AC Adapters
- Transformers
- Reactors
- Modules

## 4.1% CCFL Business

**Main Products**

- CCFLs
  (Cold Cathode Fluorescent Lamps)

## Focus on strategic business areas: 4 principal-markets by 4 business-segment matrix

As Sanken strives to expand business in its four principal markets of home appliance, automotive, office automation and industrial markets, Sanken at the same time manages its activities by categorizing its business into four segments; Semiconductor Device, CCFL, Power Module and Power System Business Units for ease of understanding and comparison by outside stakeholders.

In the fiscal year ended March 2011, the Semiconductor Business, CCFL Business, Power Module Business and Power System Business accounted for 68.9%, 4.1%, 15.3% and 11.7% of consolidated net sales, respectively.

# HOME APPLIANCES

Sanken's products are used widely in the home appliance market. Its power electronic devices and power supply units have applications in a broad range of appliances, ranging from digital AV equipment such as liquid crystal display televisions and blue-ray disc players/recorders as well as information processing devices such as notebook computers, video game machines and digital video cameras, not to mention "white goods," including air conditioners, microwave ovens and refrigerators. Sanken products are used in the LED lighting fixtures that are attracting a great deal of attention as the next generation of lighting technology.

# OFFICE AUTOMATION

Sanken's semiconductor devices and power supply modules, such as motor driver ICs and sensors, are also finding many applications in increasingly sophisticated office automation equipment. The applications include multifunctional printers, scanners, copiers, notebook PCs, uninterruptible power supply units, and a wide variety of other electronic products.


# AUTOMOBILES

With the increasing use of automotive electronics, more than 100 semiconductor devices can now be found in a single car, and Sanken welcomes this evolution of higher electronic contents in automobiles. From power train controls such as automatic transmissions and engines that form the heart of any vehicle, to operational and safety controls such as power steering, antilock braking systems and high-intensity discharge lamps, and other comfort items ranging from car stereos to power windows and sunroofs, Sanken's devices provide solutions for a diverse range of automobile electronics. As the popularity of hybrid and electric vehicles grows, Sanken's technology will be even more actively applied to expanded areas of applications.

# INDUSTRIAL

Sanken develops and supplies a wide range of power-electronics products for industrial markets. Examples include motor driver/controller inverters for fans, pumps, conveyors and other factory or warehouse machines, light-emitting diodes used for lighting purposes or large-scale displays found in athletic fields and arenas, high-intensity aircraft warning lights mounted on tall structures such as bridges, smokestacks and high-rise buildings, DC power supplies fitted in mobile phone base stations and other equipment, and uninterruptible power supplies installed in large data centers and other facilities that require a high-quality, constant and stable supply of power. Even in these industrial markets, "eco-friendly and energy-saving" properties have become important key concepts, and Sanken is also trying to support "Green IT," by addressing new requirements such as wide-range high-efficiency power supply modules for information servers, for example.

# Review of Operations — Semiconductor Devices Business

**The semiconductor devices are at the heart of Sanken's business. Our principal products in this core business segment range from ICs, transistors and diodes to Hall-effect sensors. All of our semiconductor devices are part of a field known as power electronics, and they are key components in many electronic products, such as audio-visual equipment like flat panel display televisions, home appliances, OA equipment and automobiles. In addition, in recent years, we have been successful in launching comprehensive solutions for LEDs as a lighting source, in addition to LEDs as indicators, through the development of products such as advanced driver ICs for LEDs.**

**Sanken Electric currently is participating in a trilateral collaboration with Allegro MicroSystems, Inc. ("AMI") and Polar Semiconductor, Inc. ("PSI"), two of its subsidiaries in the U.S., to accelerate development cycle-time and provide products that are best-suited for the needs of our customers.**

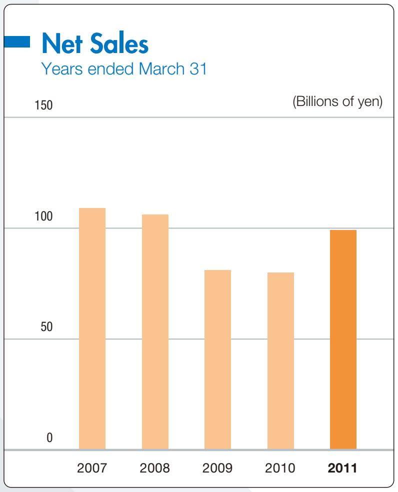
## Market Conditions

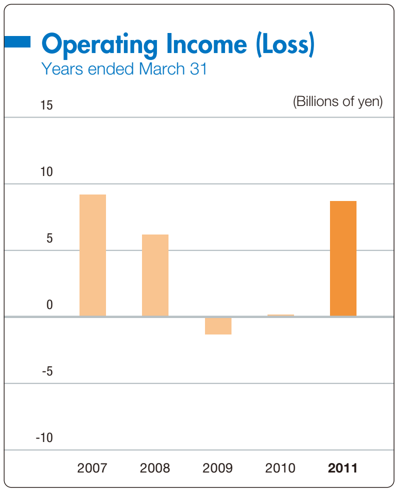
In contrast to fiscal 2009, when the economy was still struggling to come out of the global recession following the collapse of Lehman Brothers, during fiscal 2010 the market environment surrounding the semiconductor device business returned to the level prevailing prior to the collapse of Lehman Brothers, and overall, demand for our products showed a steady increase.

The composition of the demand before and after the collapse of Lehman Brothers however was markedly different. The market in fiscal 2010 required more innovative technologies than before to bring about "eco-friendly and energy saving" functionalities, which Sanken has already strived for over a long period of time. This change has further accelerated after March 11, 2011, when the Great East Japan Earthquake hit and triggered the accident at the nuclear power plant.

Given such drastic change in circumstances, technological innovation is destined to occur, centered on the concept of "eco-friendliness and energy savings," and in particular in such areas as the white goods and automotive markets, for which Sanken thus far has poured significant amount of efforts and resources.

Under these changes in the social circumstances, a great deal of international efforts have already been expended for wider acceptance of the "International ENERGY STAR Program" in many countries such as Japan, the U.S. and European countries seeking less energy-consuming products. This can be achieved by duplicating the "ENERGY STAR" certification program established by the U.S. Environmental Protection Agency for energy-saving office automation equipment. Moreover, a number of "Green IT Projects," focusing on development of technologies to reduce power consumption and thus protect the environment, are simultaneously being implemented, in response to the rapid increase



of IT-related power consumption, driven by the move toward a more IT-managed society. Against these backgrounds, the concept, "innovations for lower power consumption," has now become one of the most important goals for the development of any line of electronic devices.

In the white goods sector, for instance, products that have adopted inverters to achieve a significant power saving effect are exhibiting a significant sales growth worldwide. While primarily confined in the past to energy-guzzling air conditioners, the adoption of inverters has now spread to all white goods home appliances including refrigerators and washing machines. Further, in the emerging countries of Asia, including the huge market in China, more and more air conditioners are now being equipped with inverters, in line with the adoption of stricter environmental regulations.

The automotive market has too started to recognize the indispensable nature of electronic components in cars, as vehicle manufacturers seek more of fuel efficiency, safety and comfort. Thus, it is expected that demand would explode for innovative devices to electronically control drive-trains as hybrid automobiles and electric vehicles capture more of the market in the near future.

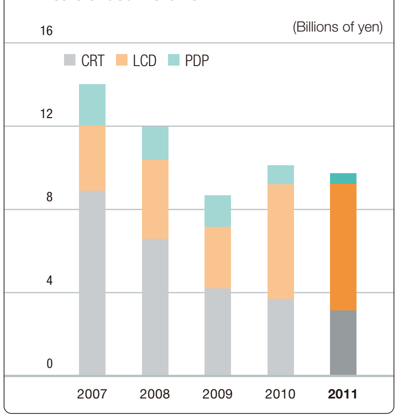
## Fiscal 2010 Results

Within this segment, net sales for flat-panel display TVs were sharply affected by the adverse environment, chiefly because overseas TV markets entered into an inventory adjustment phase during the second half of the year. Sales for white goods expanded significantly, reflecting factors such as the growing adoption of inverters in emerging countries and the extraordinarily warm summer in Japan. Sales of products for office automation/factory automation were brisk, driven by moves at companies to restart IT investments. Sales for automobiles were strong throughout the year, boosted by greater needs for fuel efficiency and the ongoing shift to higher electronic contents.

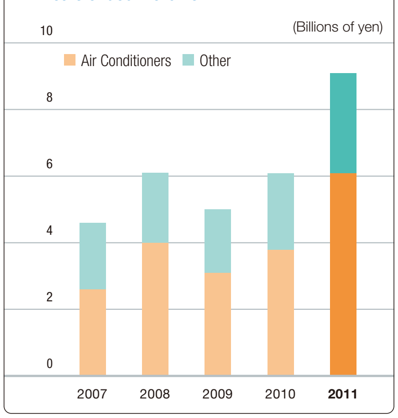
To respond to the increased demand for semiconductor devices, Sanken concentrated on improving production systems through such measures as aggressive capital investments to increase production capacity at domestic and overseas plants. The sales growth of automotive products by Allegro MicroSystems, Inc., a U.S. subsidiary, was especially noteworthy and contributed to the improved over-all results of this business segment.

As a result, consolidated net sales for semiconductor devices were ¥99,846 million, an increase of ¥18,918 million or 23.4% as compared to the previous fiscal year. Earnings were ¥8,714 million, a ¥8,626 million increase, compared with the previous fiscal year.

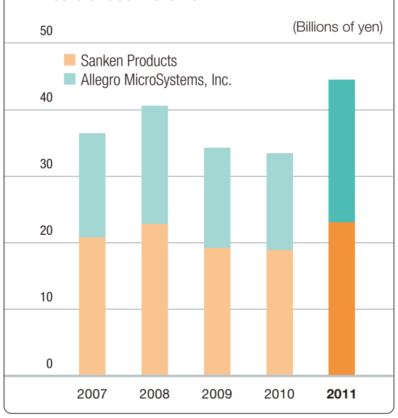
### Focus Market: FPD-TVs
Years ended March 31




### Focus Market: White Goods
Years ended March 31




### Focus Market: Automotive
Years ended March 31



## Agenda for the Future

During fiscal 2010 Sanken took steps to develop new businesses and reformulated its business infrastructure around the semiconductor devices business, Sanken's core segment, to which we are to return and re-evolve. As one of Sanken's latest management policies says, "to return to our roots." As a result, net sales in the semiconductor devices business recovered nearly to the level in the pre-Lehman fiscal 2007, when net sales exceeded ¥100 billion, and operating income recovered even stronger and reached a level that greatly exceeded the results in fiscal 2007.

Against the background of this strong recovery in net sales and earnings, Sanken has adopted a clear strategy and a corresponding reorganization of production systems that are aligned to the quickly evolving market environment.

First, Sanken's current corporate strategy is to develop new products with its focus on growth market, using the key concept, "eco-friendliness and energy-savings." The current high-priority markets are the white goods market and the automotive market, and Sanken will continue to actively develop technologies and products that will bring about "eco-friendliness and energy-savings," and to penetrate into new markets.

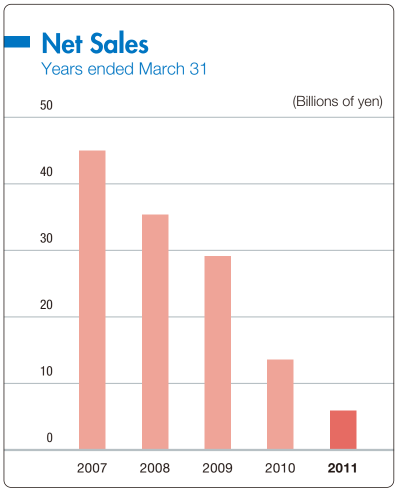
Second, Sanken has expanded its production capacity to satisfy the demand for products in remarkably growing markets such as power supply ICs, ICs for white goods, ICs for automobiles, and sensors, and it continues to improve its over-all production system. With respect to the front-end processes that are indispensable for device manufacturing, Sanken will build a production system capable of handling Sanken's plans to increase device output, by roughly doubling wafer fabrication capacity at PSI. As for the production of diode products, we have completed our capacity expansion project by transplanting the Niiza diode chip plant into Yamagata Sanken Co., Ltd., and installed new epitaxial equipment. Finally, Sanken will take steps to separate what is to be manufactured in-house and what is to be externally sourced from domestic and foreign semiconductor foundries, and thereby enhance overall production efficiency.

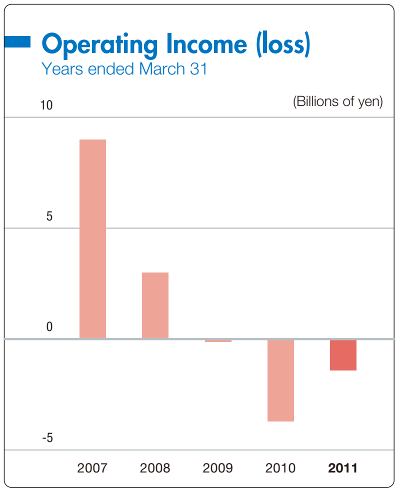
As a measure to identify potential growth markets, Sanken forms a number of cross-functional projects aimed at quickly generating tangible results. The three projects launched in 2010 will begin yielding specific results gradually from 2011. The HV/EV Project is actively engaged in the development of new products for hybrid automobiles and electric vehicles, while the AHVD Project is aggressively undertaking both development of proprietary high-voltage semiconductor processes and the design of various drivers using those new processes, and the LED Lighting Solutions Sales Group is vigorously pursuing the opportuinities to offer totally integrated solutions for LED lighting.

# Review of Operations — CCFL Business

## Fiscal 2010 Results

In the CCFL business segment, sales fell significantly due to the accelerated market penetration of LEDs into backlight systems used in LCD TVs. Sanken Electric is proceeding to lower its fixed costs to a level that corresponds to these adverse market conditions, with steps that include reorganization and shrinking of both production systems and headcount. For the current fiscal year, net sales in the CCFL business were ¥5,928 million, down ¥7,681 million or 56.4% from the previous year, and the operating loss was ¥1,425 million, compared with an operating loss in the previous year of ¥3,712 million.



# Review of Operations — Power Module Business

**Power modules bring together Sanken's superior semiconductor and power supply circuitry technologies. The sector covers a wide range of products from power supply boards for liquid crystal display televisions and other flat panel display televisions, switching mode power supplies for computers and office automation/factory automation (OA/FA) equipment, to products such as AC adapters for PCs.**

## Fiscal 2010 Results

In this power module business, the volume of orders received for OA/FA products such as multifunctional printers remained strong, driven by moves at companies to restart IT investments. However, net sales of switching mode power supplies for consumer electronics, the focus area of this segment, decreased compared with the previous year. The principal reasons included difficulties in parts procurement in both domestic and overseas TV markets due to quick pick-up of orders during the first half, while an inventory adjustment suddenly started in the overseas TV markets occurred during the second half.

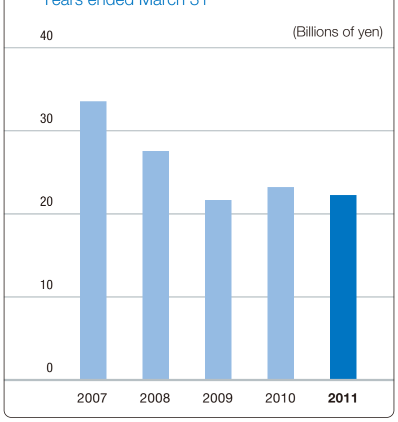
As a result of these factors, net sales for the Power Module business segment were ¥22,230 million, down ¥926 million or 4.0% from the previous year. In earnings, the Company reported an operating loss of ¥1,024 million, compared with an operating loss of ¥1,178 million for the period one year earlier.

## Agenda for the Future

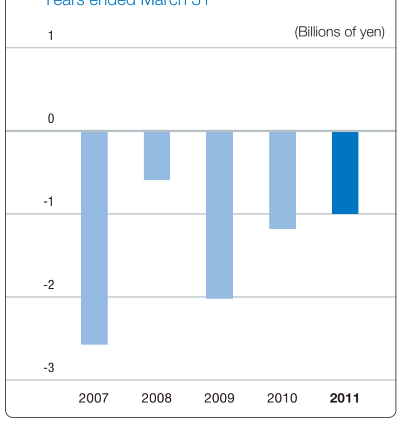
In light of the difficulties in parts procurement encountered during the first half of fiscal 2010, Sanken continues its efforts to build a procurement system that will strengthen Sanken's own supply chain. In addition, by transferring and consolidating some of the production to P.T. Sanken Indonesia, Sanken will try to aim for greater operating efficiency and profitability.

From a technology development perspective, Sanken tries to develop super-slim power supplies for flat panel display TVs, with such development priorities as slimness, compactness, lightness and high efficiency, as well as to supply new products that surpass the U.S. Environmental Protection Agency's "ENERGY STAR" environmental certification. Furthermore, in order to reconfigure Sanken's product lineup and move away from the current overemphasis on TVs, Sanken will take steps to cultivate new demand for our products, such as power supplies for servers, and try to expand sales in market sectors such as telecommunications and factory automation.

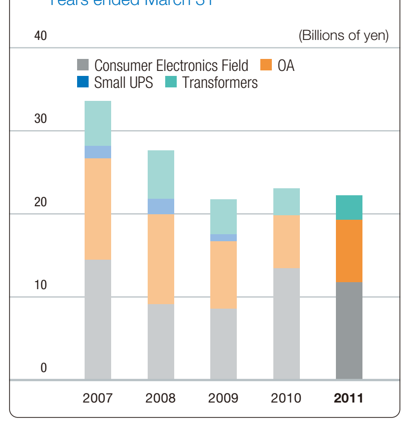
### Net Sales
Years ended March 31




### Operating Income (Loss)
Years ended March 31




### Power Module Sales by Use
Years ended March 31



# Review of Operations — Power System Business

**The Power System business is the root of our company and the source of our "excellence in manufacturing" tradition. This segment's products, such as large DC power supplies, high-intensity aircraft warning lights, or "strobes," and uninterruptible power supplies, along with general-purpose inverters to control industrial motors, have earned trust and a reputation for excellence while serving in critical areas of social infrastructure where power interruptions are unacceptable, such as in telecommunications systems, dams, transformer substations and highway tunnels.**

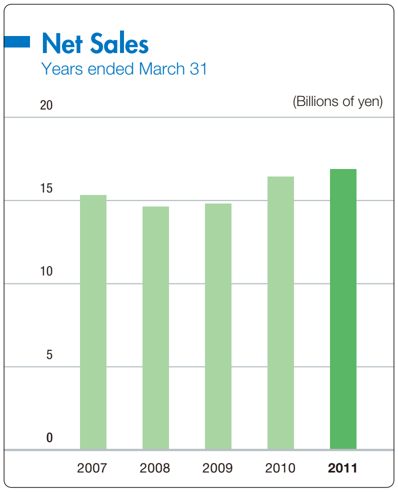
## Fiscal 2010 Results

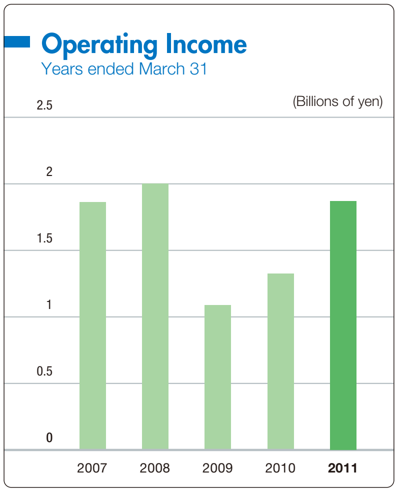
In the Power System business, sales of power supply units for mobile phone base stations were strong thanks to the increase in capital investment projects that were prompted by a number of factors such as the reallocation of frequencies and the widespread use of smartphones. In addition, sales of uninterruptible power supply units for airports and road-related facilities also progressed on budget. As a result, consolidated net sales in the Power System business were ¥16,877 million, a ¥438 million, a 2.7% increase compared with the previous fiscal year, and operating income reached ¥1,871 million, a ¥547 million, a 41.4% increase.

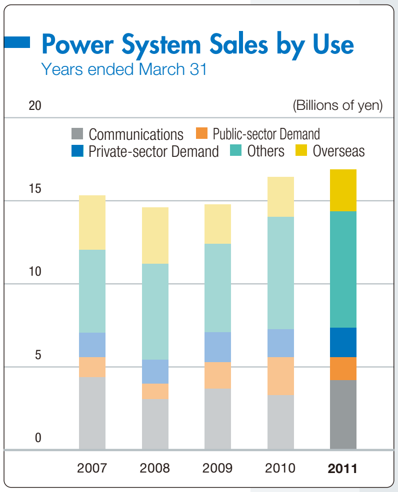
## Agenda for the Future

In the future, Sanken will continue to direct its efforts to the existing areas of business, such as our extremely stable government-related business to maintain the current level of sales. As for our effort to expand into new markets, Sanken will focus on the development of new products including high-efficiency/large-capacity power supply systems and high voltage inverters, aimed at potential growth markets such as surface-wave digital television broadcasts, disaster preparedness and response, protection of the environment and conservation of energy.

Moreover, in the "green" energy markets including solar and wind power generation, Sanken has already successfully launched and scored tangible results from power conditioners designed for installation with photo voltaic panels and uninterruptible power supply with a stabilizer for wind power generation systems, and in the future, Sanken will leverage these applications to broaden the potential of power electronics technology applied to small-scale, decentralized electric power generation systems of the future.

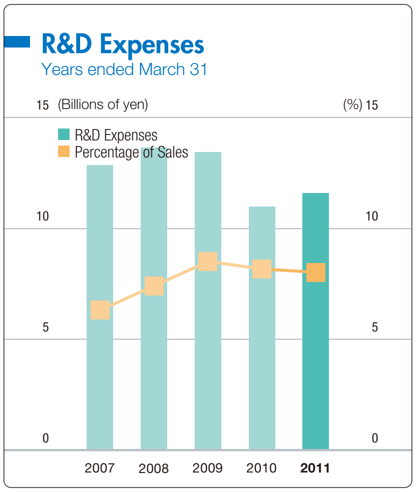


# R&D and Intellectual Property

**The "eco-friendly and energy-saving" concept of doing business, which Sanken has long claimed as the critical element of its corporate strategy, has now become one of the universally accepted goals of human activities in this era of exploding demand for energy by both the developed and emerging economies of the world. To translate this "eco-friendly and energy-saving" concept into a real world context, Sanken's core competence in power electronics serves as an indispensable key component of accessible technologies. To address the world's present and future needs, and to develop and supply truly innovative technologies and products, Sanken has taken further steps to strengthen its R&D organization, to encourage coordination and cooperation among technological experts available at various parts of the entire company including overseas subsidiaries, and to initiate new development projects for high value-added products to be completed within a short development cycle.**

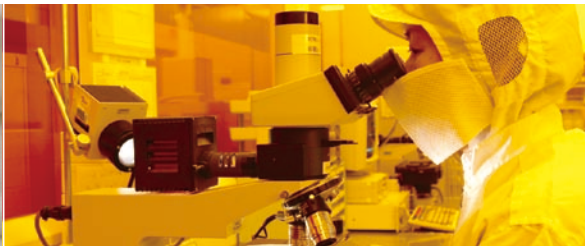



## R&D Focus and Sanken's Competitive Advantage

Sanken is now focusing its R&D efforts to bring about tangible benefits in everyday life from the fundamental "eco-friendly and energy-saving" concept. And the whole range of R&D activities is now aligned to two basic directions. The first sets out to make "eco-friendliness" a reality, by making smaller, lighter and thinner components and systems which mitigate the negative impact on the environment. The other aims to improve "energy-saving" properties by means of achieving "lower power consumption" through "reduced standby power requirements" and "higher efficiency" through the wider application of inverters.

Today Sanken possesses a comprehensive array of power-related elemental technologies used, for example, in the development and manufacture of semiconductor devices, the circuit design and assembly of power supply boards and large power systems, and the design and manufacture of high performance transformers, etc. This ample pool of available technologies and know-how at hand gives us a unique position in the global power electronics component industry and is the major source of Sanken's competitive strength upon which we strive for developing "eco-friendly and energy-saving" products.

In the semiconductor business, the heart of Sanken's business, two areas are now the centers of activities; the power conversion area including power management and the motion control area including sensors. At these focal points, we are working to develop high value added products capable of meeting market expectations for low-loss, high-efficiency, low power consumption, environmentally friendly and value engineered products, as well as elemental technologies for semiconductor process and assembly.

## R&D Achievements in Fiscal 2010

Sanken's efforts to take "eco-friendly and energy-saving" products to the market are directed specifically toward solving a number of real-world challenges, including high efficiency and low power consumption, compact design, lighter weight and fewer material requirements, a reduced number of components, and standardization and sharing of common platforms. From such perspectives, our major R&D results during fiscal 2010 are discussed below.

- With adoption of the quasi-resonance switching mode, our LC5500 series of LED driver ICs can realize high efficiency and low noise, and is contributing to the compact size of power supply boards through incorporation of startup circuit into a single IC package.
- The RBPMOS series of automotive devices can eliminate a device for reverse battery connection protection when mounted onto load switch circuitry, and can simplify overall circuits and reduce the number of components.
- Our SPF3000 series of automotive power supply ICs contributes significantly to reduce the number of parts, offers various built-in applications including a watchdog function, enable function, power-on reset function, overcurrent protection function and overheating protection function.
- Sanken's STR2A100/2W100 series of general-purpose power supply ICs reduces standby power consumption by approximately 16% compared with conventional products, with improved heat radiation from the package that achieves a 25% lower operating temperature compared with prior products.
- Our module ICs, that fully house in its molded package a set of a power factor correction circuit, a DC/DC converter and a standby power circuit through the application of our multichip mounting technology, can reduce mounting area by half, reduce thickness to one-third and reduce weight by half compared with conventional power supply boards, and can achieve substantially smaller size, slimmer packages and lighter weight.
- With Sanken's ability to offer comprehensive solutions, our newly developed LED straight tube lamps achieve an excellent energy conservation level of approximately 50% compared with conventional 40W type fluorescent lamps, and are ranked at the top of the industry.

Other instances of technology and product developments contributed to the fiscal 2010 net sales, and more is expected to come to support net sales in fiscal 2011.

# R&D and Intellectual Property



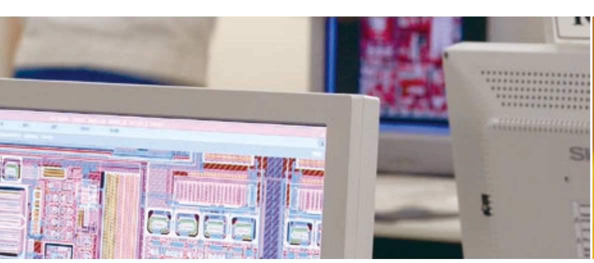
## R&D Organization

Sanken's global R&D organization is structured on the basic concept of "Trilateral Collaboration," comprised of Sanken Electric and two of its U.S. subsidiaries, Allegro MicroSystems, Inc., an IC design specialist for sensors and motor drivers, and Polar Semiconductor, Inc., an operator of a design center focusing on new circuit development. This global collaboration efficiently creates new technologies by taking advantage of the mutually complementary expertise of the development engineers.

To give a tangible framework to this global collaboration arrangement among the three companies, in April 2011 Sanken launched its New Product Strategy Project as one of its initiatives to bring high-value added products to the market quickly, by encouraging collaborative application and integration of the technological capabilities possessed by the three companies.

At Sanken's headquarters in Japan, at the most upstream of company-wide development efforts, the Device Marketing Division serves as the organization to accurately understand the actual and potential requirements of our customers. Down the stream, Sanken established in the Engineering Headquarters two centers for technology development; the Device Technology Development Center and the Power Technology Development Center. These organizations act as hubs for the two core development areas, and are focused on bringing strategic products quickly to commercial viability. The Strategic Product Decision-Making Council, composed of staff from the Device Marketing Division, Sales Headquarters and Engineering Headquarters, meets regularly to more precisely define the orientation of new product development activities based on the latest survey of customer needs and emerging "seed" technologies, and acts to ensure that decision-making is conducted on a cross-functional basis. To give more practical strength to the activities of this Council, in April 2011 Sanken added a new unit to monitor and manage the progress of strategic product development efforts. We will try to link these and other initiatives to the sales growth of semiconductor device products as quickly as possible.

At the core of all product development efforts, within the Engineering Headquarters, Sanken organized intra-company dedicated technology development units, directly controlled by the Engineering Headquarters to flexibly and rapidly address technological issues expected to become vital in the near future, two of which were launched in April 2010, and with the addition of another in October 2010, Sanken currently has three strategic product development projects underway. The first of these focuses on accelerated development of new products for hybrid and electric vehicles, which are expected to grow rapidly in the coming years. The second is aimed at quick development of general-purpose ICs to allow us early entry into new markets. The third project will try to expand Sanken's lineup of modular products in response to the wider adoption in other countries of inverters for white goods household appliances. These three projects have been placed under the direct supervision of the Engineering Headquarters to encourage collaborative R&D work among the various departments within the Engineering Headquarters.

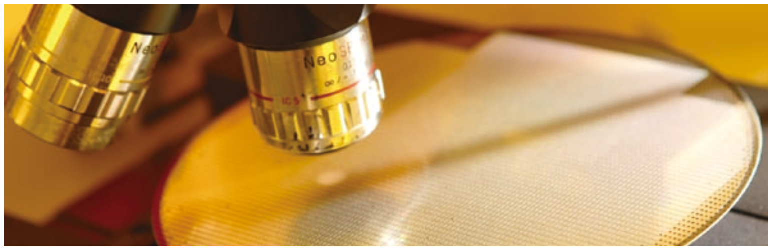


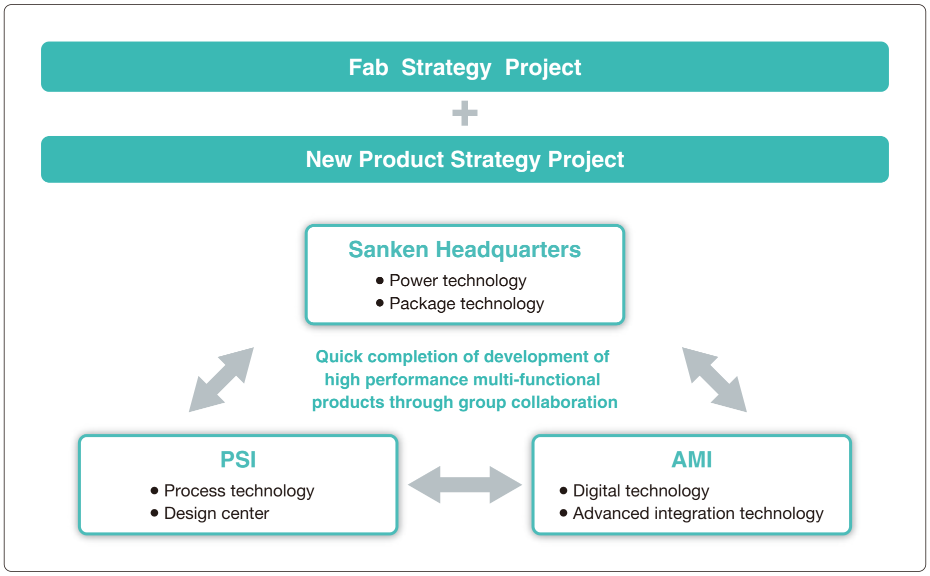

## Cooperation with the Production Headquarters

"Offering more modular-type standardized and simplified products" and "Offering more functionally systematically designed products" are the two variations of the fundamental philosophy upon which Sanken strives to achieve the ideal of "Offering comprehensive solutions to address customers' needs." And when this philosophical framework is put into realistic exercise in the real-world corporate strategic management, it is extremely important to find practical ways to make our products more efficiently and less costly, in order to win the stiff competition in the global marketplace.

With this in mind, Sanken has already laid out a platform that unifies our work in product development and manufacturing technology development. In 2007 the Manufacturing Division was established within the Production Headquarters which is basically in charge of mass production of products. This new division however is active in the development of manufacturing technologies, production line design, production equipment construction, and production efficiency maximization. Staff from the Engineering Headquarters, which usually handles product R&D, works together with the Manufacturing Division staff from the initial stages of new product development, deploying development engineers to the actual production plants to help create an optimized mass production system. In short, by getting Engineering Headquarters personnel involved in all phases of the mass production preparation process, from developing manufacturing technologies and building equipment in-house to the selection of materials and parts for procurement, Sanken can construct the most efficient mass production system in a short period of time. This approach results in very significant cost reductions, too.

In addition to the concurrent development of both the products themselves and the way to manufacture them, in July 2010, Sanken started its Fab Strategy Project aimed at building a manufacturing system and organization to support future sales growth in the semiconductor device business. Sanken has since made great deal of efforts to formulate, and then execute, its global wafer fabrication strategy through collaboration among the three entities; Sanken headquarters, AMI and PSI. The combined goal of this Fab Strategy Project and the New Product Strategy Project described earlier is to generate new sales quickly by promoting global collaboration between the two closely linked headquarters; the Engineering Headquarters and the Production Headquarters.





# CSR Initiatives

## 1 CSR Policies and System for Advancing CSR

**Sanken Electric and the Sanken Group of companies clearly define the role of Corporate Social Responsibility ("CSR") as "social contribution through practice of our Management Philosophy," and are engaged in various aspects of CSR initiatives based on the following fundamental policies:**

### Fundamental CSR Policies

1. **Fair and just conduct in compliance with ethics and laws and ordinances**
   An enterprise is a member of society. As such, the Company will respond to society's trust with honest conduct of its business.
2. **Energy-saving products developed and marketed through integrated application of technological capabilities**
   To move closer to the ultimate goal to realize a sustainable society, the Company will use its portfolio of proprietary technologies and strive to solve environmental problems.
3. **Good relationships with all stakeholders**
   The Company will conduct necessary dialogue and cooperate with individuals, groups, and communities with which it has various forms of relationships.

### Challenges to overcome

In order to fulfill the obligations expected under the concept of CSR, Sanken will strive to devise solutions for each of the "environment," "social" and "governance" aspects of CSR.

**"Environmental" Challenges:** development of energy-saving products; reduction of greenhouse-effect gas, or CO2 emissions; reduction of environmentally-hazardous substances

**"Social" Challenges:** employee health concerns and workplace safety; work-life balance; compliance; information disclosure; contribution to local communities

**"Governance" Challenges:** quality control; customer satisfaction; risk management and information security; business continuity planning and management

### The CSR Committee

Sanken seeks to continue to improve its over-all corporate value by pursuing responsible business activities. As a special corporate-wide, cross-functional organization, the CSR Committee tries to promote dissemination of the concept of, and encouragement of actions for, CSR at all Group companies.

**- Basic Directions of the CSR Committee -**

1. **To align CSR activities in line with the management philosophy and business plans.**
2. **To exercise appropriate control of economic, legal, and ethical risks.**
3. **To disclose the outcomes of our CSR activities, and maintain dialogue with the various parties involved.**

The CSR Committee is an organization reporting directly to the Management Committee. The Committee monitors the CSR efforts conducted in the Group companies as well.

#### CSR Promotion Framework


## 2 Corporate Governance

**To raise the Company's corporate value and fulfill its social responsibilities, Sanken aims to continuously upgrade its system of corporate governance to ensure the appropriate formulation of its business objectives and goals, and adequate implementation of initiatives to achieve those goals.**

### Basic Approach to Corporate Governance

Sanken is striding forward to enhance the accountability and secure appropriateness of strategic decision-making by the Board of Directors and strengthen the board's supervisory role in order to boost efficiency, improve transparency and maintain soundness of management. At the same time, the Company adopts a corporate officer system in order to build a structure for more flexible business execution, and to strengthen its ability to manage tactical operations.

Additionally, we have set the term of office of directors at one year, with the aim to ensure that the Board of Directors is more responsive to changes in the business environment and to clarify that the performance of the duties of the Board of Directors is evaluated each year corresponding to the Company's fiscal period. The Company also strengthens its governance and its ability to communicate with various stakeholders by creation of an office for both CSR and Investor Relations (IR).

## Corporate Governance Structure

The Company, a global business enterprise, believes that it must select "a corporate governance system that is best suited for the current unique nature of the Company," taking into consideration such factors as the need to open wide channels of communication with various stakeholders including overseas investors. With this basic framework in mind, the Company does not appoint outside directors but has adopted the Statutory Auditor System, in which the six-member Board of Directors and the four-member Board of Statutory Auditors, including two Outside Statutory Auditors, are installed as the Company's corporate organs, providing a mechanism that the Company believes ensures an objective, unbiased management monitoring function through the appropriate exercise of oversight functions by the two Outside Statutory Auditors.

Furthermore, the adoption of the corporate officer system has enabled the Company to effectively separate business execution from strategic decision-making and supervisory functions. This system is also designed to facilitate rapid responses to changes in the business environment. As of the end of March 2011 Sanken has 17 Corporate Officers.

## Internal Audits, Audits by Statutory Audits, and Financial Audits

For internal audits, Sanken has a CSR Office staffed by nine individuals. The CSR Office is involved in on-site and off site auditing and evaluating all corporate activities performed by employees, formulating proposals for improvements, and providing execution support and holding compliance education and training sessions.

The Statutory Auditors sit on the Board of Statutory Auditors, and meet to set audit policies and audit plans, and to decide other matters as prescribed by law, as well as to share audit information among Statutory Auditors. In accordance with the division of duties determined by the Board of Statutory Auditors, the Statutory Auditors attend Board of Directors' meetings, management committee meetings and other important meetings, as well as inspect important documents. The findings of their audits are reported to the Board of Statutory Auditors. The Statutory Auditors also meet regularly for discussions with directors, the head of the CSR Office and the Accounting Auditors to improve the efficacy of audits performed.

As for the clerical affairs of the Office of the Board of Statutory Auditors, staff members from the General Affairs section usually provide assistance and full-time staff members are assigned as necessary, and the selection of the full-time staff is decided by joint consultation between the Board of Directors and the Board of Statutory Auditors.

The independence of the two Outside Statutory Auditors has been reviewed, and the Company concludes that no conflict of interest exists between the Outside Statutory Auditors and the Company's general shareholders.

## Internal Control System and Compliance System

The Company compiled the Conduct Guidelines, which are a practicable form of the code of conduct based on the Company's statement of Management Philosophy. The Company also strives to construct and operate a highly effective system for internal control through such efforts as organizational adjustments, the introduction of a new framework of operations and the enactment of rules and regulations, in order to ensure compliance to laws and regulations by both management and employees, to improve the efficiency of operations, and to keep the reliability of financial reports. To place its compliance organization on a solid footing, Sanken also is working to enhance its rules and systems through measures such as setting up the "Helpline System," a whistleblowing mechanism, which serves as an internal information reporting channel and consultation desk for employees.

The Company sends, as necessary, its Corporate Officers to its Group companies as directors in order to facilitate close communication of the Group's strategies, to get involved actively in the important operational decision-making, and to try to implement effective management processes in general. Moreover, the Company enacted a set of policies such as the Affiliated Company Management Regulations and the Management Guidelines to clarify the duties and authority of each company in the Group. The Company has assigned from among its departments a unit that is principally responsible for overseeing group companies, is trying to maintain close sharing of information and is engaged in management guidance and performance control.

## Risk Management System and Related Activities

Sanken has established a Risk Management Committee, which reports directly to the President, to strengthen overall risk management for the entire Group and promote risk-event preparedness. In addition to measures to cope with natural disasters, the Committee studies, evaluates and analyzes a wide range of risks encountered by the Group during the course of business operations, and proposes and implements business continuity management plans to ensure integrated and cross-divisional risk management across the entire Group.

To provide for the occurrence of unpredictable disasters, the committee has prepared a Disaster Response Manual as a measure to cope with natural disasters, which outlines steps to minimize damage as well as recovery procedures. Additionally, the Company's production bases in each region have drafted and implemented plans for continuing critical operations in the event of a disaster.

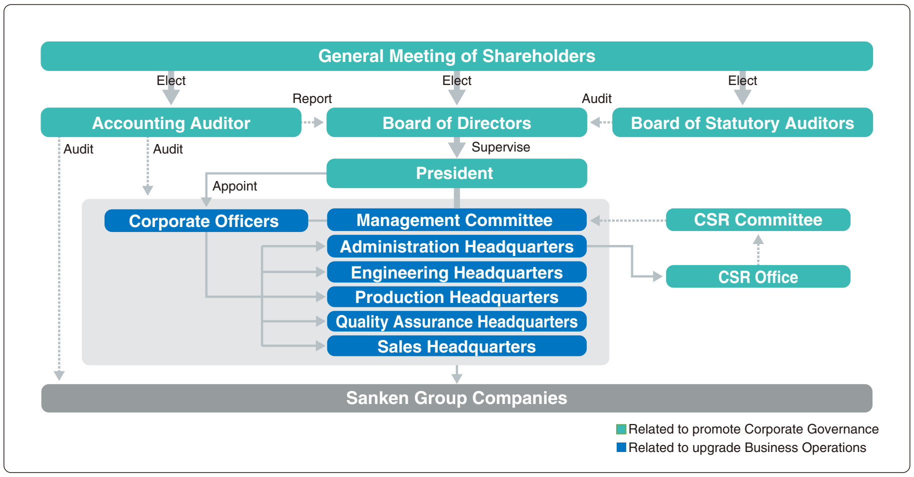
Thanks to these disaster preparedness efforts, and a collection of practical knowledge derived from our past lessons learned from other quakes, although three of our production facilities were affected by the Great East Japan Earthquake on March 11, 2011, the equipment and inventory at each facility incurred relatively minor damage. Further, at the occurrence of the disaster, Sanken quickly formed a Disaster Response Command Center, assembled and dispatched a rescue team the next morning, with backup tools and relief materials for the three affected facilities, and thus sped up the entire recovery process, which ended basically within one month by the full restoration of production capacity.

At the same time, Sanken started a new group-wide effort to study circumstances and decide actions to keep steady and reliable production operation even under such restrictions as electric power shortage, disrupted supply chain both upstream and downstream, etc. by establishing a Business Continuity Action Committee and its sub-committees to deal with practical topics. The outcome will be executed and then compiled as additions to the next version of the Disacter Response Manual in the near future.

## Disclosure System

The General Affairs section continuously collects, confirms and examines information on material decision-making and material facts, and makes timely disclosures without delay after authorization by the decision-making body or occurrence of the relevant facts in accordance with applicable laws and regulations. The IR Office, meanwhile, actively provides corporate information, including financial results, to shareholders, investors, analysts, the media and other parties, carries out public relations activities, operates the Company's website and holds financial result presentation sessions.

Information security is an issue that applies to all corporate secrets, including the terms and conditions of contracts with customers, technical information and manufacturing requirements. To strengthen its protection and control of information assets, Sanken has prepared Information Management Rules that it has fully implemented throughout the entire Group. Moreover, in conjunction with reforms and revisions of the Act on the Protection of Personal Information and the Unfair Competition Prevention Act, the Company prepared manuals defining the scope of information that must be protected, together with control measures.




## 3 Environmental Initiatives

**Sanken and its Group companies placed as a critical part of our CSR activities the basic philosophy of keeping harmony with the environment. Accordingly, we are actively undertaking environmental conservation initiatives through the use of our environmental management system. We also have adopted "eco-friendly and energy-saving" as a management strategy, which we are addressing vigorously from a product development perspective.**

## The Sanken Group Environmental Charter

Sanken established the "Sanken Group Environment Charter" and announced to all stakeholders, both inside and outside the Group, our basic principles and code of conduct related to the environment. In accordance with this basic philosophy, Sanken Group is committed to undertake a variety of environmental conservation measures including the development of energy-saving and resource-saving products, the set-up and effective operation of an environmental management system based on ISO 14001 certification standards, and compliance with environmental laws and regulations, execution of programs to reduce waste and promote recycling, achievement of a lower level of environmentally hazardous substances in our products, and the progress of "green" procurement mechanisms. Sanken also takes steps to ensure that environmental conservation is positioned as a high priority part of our overseas business development programs, holding discussions with and seeking cooperation from local communities, foreign government agencies, customers, and purchasing partners. Sanken Group further makes certain that all our employees are educated and made familiar with the Environment Charter, and makes the Charter accessible to the general public through Sanken's website.

## Environmental Policies and Action Plan

Sanken and each of the Sanken Group companies have established their own environmental policies. Although the policies prescribe various conservation activities following in principle the provisions of the Environment Charter, medium-term and annual plans are also developed in tune with the nature of each individual business, emphasizing the importance of continuous commitment to conservation activities.

Each year, Sanken issues the Sanken Group Environmental Action Plan as part of its yearly planning process, setting the direction for environmental conservation for the Group.

## Conservation Activities

Sanken currently has established environmental management systems for its production bases at 15 domestic locations and 8 overseas offices, all of which have obtained ISO14001 certification.

To evaluate whether its environmental management system is functioning properly and whether required improvements have been achieved, each year the Company conducts its own environmental audits and verifies that its PDCA (Plan, Do, Check, Act) cycle is functioning effectively. Furthermore, during fiscal 2010 the Company received its certification renewal examination, which is performed once every three years by a third-party institution.

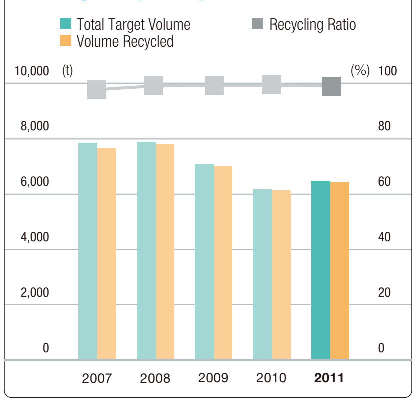
As a specific result of our environmental protection activities, in fiscal 2010 we achieved a 22% reduction in CO2 emission volume compared with the previous year as the result of implementing thorough energy management policies, including energy conservation at Company facilities, efficiency improvements in logistics, and efforts to reduce greenhouse gases. Furthermore, by taking steps to limit the generation of waste at nine domestic manufacturing locations, we achieved an industrial waste recycling rate of 99.6% for all nine production bases. Additionally, for chemicals management we put into place controls on environmental risk, which include reporting to the central government on six categories of materials handled in amounts of one ton or more annually at each office, based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof ("PRTR Law"), and conducted spot soil surveys on the Company's own properties.

The "Energy Conservation Committee," which we established in 2007 with the goal of bolstering CO2 emission reduction activities at the Company's business sites, conducts energy-saving patrols once a year and meets four times annually. The committee checks the status of controls concerning lighting, air-conditioning, boilers, OA devices and electrical equipment, and makes improvements in divisions where problems have been found.

## Environmental Responsiveness of Products

Sanken has adopted a number of measures such as the adoption of environmentally friendly design of products, and "green procurement" mechanisms in order to comply with international regulations governing hazardous substances. In response to the European Union's RoHS Directive restricting the use of six substances, including cadmium and lead, and other regulations, Sanken's steps toward achieving more environmentally friendly products include its diligent work in collaboration with Group companies to complete the transition to the use of lead-free solder, and its effort to strengthen controls on products containing hazardous substances, mainly through enforcement of "green procurement" mechanisms. As a result of these early adoptions of the regulations, Sanken and its Group companies are recognized as the source of choice for "green procurement" by its client companies with rigorous environmental policies. Since fiscal 2009 we have promoted "eco-friendly and energy-saving" as a priority policy, and successfully developed and brought to market numerous products that have achieved low power consumption and resource savings.

### Waste Volume and Recycling Progress



# Financial Highlights

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 2010, 2009, 2008, 2007 and 2006

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| **Statements of income** | | | | | | |
| Net sales | ¥ 144,882 | ¥ 134,134 | ¥ 147,003 | ¥ 184,309 | ¥ 203,815 | ¥ 173,527 |
| Cost of sales | 114,741 | 117,626 | 127,107 | 149,064 | 160,859 | 135,876 |
| Gross profit | 30,141 | 16,508 | 19,895 | 35,244 | 42,956 | 37,650 |
| Selling, general and administrative expenses | 23,991 | 21,990 | 24,787 | 26,975 | 27,941 | 25,642 |
| Operating income (loss) | 6,149 | (5,482) | (4,891) | 8,269 | 15,014 | 12,008 |
| Other income (expenses), net | (5,004) | (12,684) | (5,719) | (3,997) | (2,693) | (712) |
| Income (loss) before income taxes and minority interests | 1,144 | (18,166) | (10,611) | 4,271 | 12,320 | 11,295 |
| Net income (loss) | (922) | (18,950) | (15,773) | 1,776 | 7,499 | 7,035 |
| **Balance sheets** | | | | | | |
| Total current assets | ¥ 84,414 | ¥ 83,725 | ¥ 82,900 | ¥ 104,050 | ¥ 112,464 | ¥ 100,736 |
| Total investments and long-term receivables | 3,724 | 4,309 | 5,376 | 6,321 | 7,719 | 10,214 |
| Property, plant and equipment, net | 43,430 | 43,029 | 58,501 | 61,600 | 71,755 | 59,348 |
| Other assets | 813 | 842 | 990 | 1,556 | 1,847 | 2,027 |
| Total assets | 132,384 | 131,908 | 147,768 | 173,529 | 193,787 | 172,327 |
| Total current liabilities | 68,469 | 61,233 | 61,078 | 88,262 | 91,153 | 70,880 |
| Total long-term liabilities | 30,394 | 32,913 | 28,871 | 7,185 | 19,547 | 24,821 |
| Total net assets | 33,520 | 37,761 | 57,818 | 78,081 | 83,086 | 76,329 |
| Total liabilities and net assets | 132,384 | 131,908 | 147,768 | 173,529 | 193,787 | 172,327 |

| | % | | | | | |
|---|---|---|---|---|---|---|
| **Financial indicators** | | | | | | |
| Return on assets | 3.76 | (4.33) | (4.80) | 2.44 | 6.96 | 7.35 |
| Return on equity | (2.62) | (40.09) | (23.38) | 2.22 | 9.43 | 9.74 |
| Return on sales | (0.63) | (14.13) | (10.73) | 0.96 | 3.68 | 4.05 |
| Equity ratio | 25.1 | 28.2 | 38.8 | 44.7 | 42.7 | 44.3 |
| Current ratio | 123.3 | 136.7 | 135.7 | 117.9 | 123.4 | 142.1 |

| | Yen | | | | | |
|---|---|---|---|---|---|---|
| **Per share** | | | | | | |
| Total net assets per share | ¥ 274.05 | ¥ 306.54 | ¥ 471.98 | ¥ 638.73 | ¥ 680.11 | ¥ 627.66 |
| Net income (loss) per share | (7.60) | (156.05) | (129.85) | 14.62 | 61.69 | 57.41 |
| Cash dividends per share | 6.00 | 0.00 | 10.00 | 14.00 | 14.00 | 15.00 |

# Financial Sectoin

# Contents

# Management's Discussion and Analysis

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

## OVERVIEW

### Management strategy

Sanken Electric has defined "power electronics" and "optical devices" as strategic business domains within our core semiconductor business, and we are striving for innovation in our technological and creative capabilities while also developing global businesses through our unique technologies. We are also working to secure a solid management base and maximize our Group's corporate value, by living up to social expectations of a company and our commitment to exist in harmony with the environment.

We have established five themes as part of our medium-term management strategy: i) maximize our "eco-friendly" and "energy saving" efforts by offering total solutions, ii) promote innovative manufacturing and the creation of technology to differentiate us from competitors, iii) firmly establish our company through marketing and operate our business in close contact with the markets, iv) develop a global strategy and exercise our comprehensive Group strength, and v) improve the productivity of each employee.

Regarding the basic directions of each business, our semiconductor devices business has elevated the power conversion (power management) and motion control (sensors) areas as its core, and we are working to develop BCD process technology and high-value added products that are capable of meeting market demands for low-loss, high-frequency, low-power consumption, environmentally friendly and VE products. Our PM business has further strengthened collaboration with our semiconductor business, to focus on the development of high-density, highly reliable slim products through modularization, while at the same time rapidly providing solutions to meet the current needs of the digital market. Our PS business is developing products capable of meeting the specifications of next-generation communication systems, in addition to developing new energy-saving, environmentally friendly products.

On the sales front, we will focus on expanding the scale of sales, not only in the domestic market but also in the markets of China, Korea, Europe, and North America, by promoting sales of high-value added products responsive to changes in the markets based on the mutually beneficial relationships we have established through close contact with customers and support systems. We expect Allegro MicroSystems, Inc., our US subsidiary, to achieve steady growth in orders received in the automobile market in the future, which will contribute to expanded sales.

In production, over the last few years we implemented aggressive structural reforms aimed at expanding production and enhancing efficiency. To ensure a more certain outcome from these actions, we will strive to harvest the results by promoting closer communication with manufacturing sites and closer contact with actual products through the dispatch of engineers to our group production bases, and by strengthening moves aimed at further production increases. Polar Semiconductor, Inc., another subsidiary in the US, has already completed production capacity reinforcements, and constructed systems that will enable it to cope with increases in semiconductor demand.

Power semiconductors and power systems, the two core products of the Sanken Group, occupy a pivotal position in today's rapidly growing "eco-friendly and energy-saving" markets. The Sanken Group will further accelerate development in this market by providing customers with total solutions backed by our broad technological experience and product lineup.

Thanks to the restoration activities coordinated by Sanken Electric's disaster response control center, our production bases affected by the Great East Japan Earthquake were able to resume production during March 2011. Because we anticipate various problems attributable to the disaster to continue over an extended period, however, including disruptions in the supply chain, power restrictions and frequent aftershocks, we established a committee under direct control of the President on April 1, 2011 to cope with these and other problems and strive for stable operations at our plants.

The Sanken Group will move forward to improve its business results with a sense of "global perspectives" and "speed in digitally-driven markets."

### Fund procurement and liquidity

The Group raises funds in a number of ways, including bond and commercial paper issuance, commitment line contracts and bank loans. As of March 31, 2011, short-term loans totaled ¥20,382 million (including long-term loans payable within one year of ¥3,025 million), commercial paper totaled ¥19,000 million, unsecured bonds redeemable in 2013 (issued September 2008) totaled ¥20,000 million, and long-term loans totaled ¥5,031 million. The Group's basic policy is to fund working capital and capital expenditures through internal financing. In order to procure working capital and undertake the capital expenditures necessary to maintain the growth of the Sanken Group, however, we may raise outside funds by utilizing ¥11,000 million in unused commercial paper issuance facilities, ¥17,100 million in unexecuted overdraft protection and ¥12,000 million in commitment line agreements, in addition to utilizing internally generated cash-flow from operations.

### Dividend policy

As its basic policy for distribution of profits, Sanken Electric recognizes the return of profits to shareholders as one of its most important management priorities. Accordingly, we aim to provide stable returns by continually improving earnings capabilities and strengthening our financial position. We further intend to use retained earnings effectively to reinforce our corporate framework and expand the scope of our business, beginning with capital expenditures and R&D investments.

In accordance with this basic policy, Sanken Electric distributes its capital surplus to shareholders twice a year in the form of interim and year-end cash dividends. The decision-making bodies for dividends are the Board of Directors for interim dividends and the General Meeting of Shareholders for year-end dividends.

For the period under review, we paid an interim dividend of ¥3 per share and a year-end of ¥3 per share, bringing the full-year dividend per share to ¥6.

## RESULTS OF OPERATIONS

### Summary

In electronics, the industry to which the Company group belongs, there have been declines in some orders received, chiefly because overseas TV markets moved into an inventory adjustment phase in the second half of the period. Sales of electrical components for automobiles and white goods progressed favorably, however, and demand remained steady as a whole.

Given these circumstances, the Company group has made efforts to increase its business under a basic policy of "expanding the scale of sales" and "instituting structural reforms" in the significantly changed market following the Lehman Brothers collapse. In the "eco-friendly and energy saving" markets and "emerging country markets," both of which continue to grow rapidly, we developed total solutions on both the development and sale sides to expand sales centered on our core semiconductor device business. We also implemented factory reorganizations, including an increase in production systems, to ensure the product supply capacity needed to support this effort.

We also concentrated on strengthening our earnings structure. This included continuing the effort to curtail fixed costs that we had previously initiated. Three production subsidiaries in the Company group were severely damaged by the Great East Japan Earthquake that occurred at the end of the fiscal period, however, forcing us to report earthquake-related expenses in extraordinary losses, including fixed costs incurred from the suspension of production and repair expenses for equipment.

As a result, consolidated net sales for the current consolidated fiscal year were ¥144,882 million, an increase of 8.0% compared with the previous period, and consolidated operating income was ¥6,149 million, compared with a consolidated operating loss of ¥5,482 million in the previous period. Despite these results, the Company group recorded a current period consolidated net loss of ¥922 million (a consolidated net loss of ¥18,950 million in the previous period), mainly due to disaster-related losses.

### Results of operations by business segment

**Semiconductor Devices business**

Consolidated net sales for this segment were ¥99,846 million, an increase of ¥18,918 million (23.4%) compared with the previous period.

Overseas TV markets entered an inventory adjustment phase in the second half, pushing down orders received related to products for LCD TVs. Sales of products for white goods substantially improved, however, driven by the growing adoption of inverters in emerging countries and the extraordinarily warm summer in Japan. Sales of products for OA/FA remained steady because of the resumption of corporate IT investments. Sales of automotive products advanced favorably throughout the year, driven by the growing demand for fuel-efficiency solutions and the progress of electronic content in automobiles. To respond to increased demand for semiconductors, we reinforced production systems through measures such as aggressive capital investments to increase production capacity and took other efforts to increase sales. The growth in sales of products for automobiles by Allegro MicroSystems, Inc., a US subsidiary, was especially significant and contributed to the improved business results of this segment.

As a result, operating income in this segment rose significantly, increasing ¥8,626 million compared with the previous period to ¥8,714 million.

**CCFL business**

Consolidated net sales for this segment were ¥5,928 million, a decrease of ¥7,681 million (56.4%) compared with the previous period.

Orders received remained depressed, with competition becoming more severe, and sales significantly contracted due to the accelerated market penetration of LED backlight systems for LCD TVs. To cope with this situation, we undertook various measures to reduce fixed costs, including a reorganization of our CCFL-related production bases and a headcount reduction proportional to the drop in production volume.

As a result, we reported an operating loss of ¥1,425 million, compared with an operating loss of ¥3,712 million in the previous period.

**Power module business**

Consolidated net sales for this segment were ¥22,230 million, a decrease of ¥926 million (4.0%) compared with the previous period.

Orders received related to products for OA and industrial products such as multifunctional printers remained steady, buoyed by the recovery of corporate IT investments. In domestic and overseas TV markets, however, difficulties in parts procurement resulting from rapidly increasing orders continued in the first half, and overseas TV markets entered into an inventory adjustment phase in the second half, resulting in a sales decline compared with the previous period. Although income improved in this segment, delays in a smooth changeover to new models better adapted to rising parts prices and price reductions limited the effects of the income improvement to a narrowing of the deficit margin.

As a result we reported an operating loss of ¥1,024 million, compared with an operating loss of ¥1,178 million in the previous period.

**Power system business**

Consolidated net sales for this segment were ¥16,877 million, an increase of ¥438 million (2.7%) compared with the previous period.

Sales of power supply units for base stations progressed favorably, thanks mainly to an increase in corporate capital investments for the widespread use of smartphones and reallocation of frequencies in the telecommunication market. Sales of uninterruptible power supply units for airports and road-related facilities have also progressed according to budget. Based on these factors, sales and profits both increased compared with the previous period.

As a result, operating income in this segment rose ¥547 million (41.4%) compared with the previous period to ¥1,871 million.

(Note) Beginning from the current consolidated fiscal period, the "Accounting Standard for Disclosures about Segment of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been applied and our businesses classified into four segments of "semiconductor device business," "CCFL business," "PM business" and "PS business."

### Other income (expenses)

Other income (expenses) improved by ¥7,679 million compared with the previous period, with the net expense amounting to ¥5,004 million. Because of the Great East Japan Earthquake, which struck Japan during the current period, we reported a loss on natural disaster of ¥813 million. Compared with the previous period, when we reported and extraordinary loss of ¥11,089 million yen for business structure reform costs, we did not report any restructuring losses for the current period.

## FINANCIAL POSITION

### Assets

Total assets as of the end of the current consolidated fiscal year were ¥132,384 million, an increase of ¥475 million from the end of the previous consolidated fiscal year. Current assets increased by ¥689 million compared with the end of the previous period to ¥84,414 million. This mainly reflected an increase of ¥676 million in inventories and a decrease in notes and accounts receivable of ¥915 million. Investments and long-term receivables fell by ¥585 million compared with the end of the previous period to ¥3,724 million. This reflected decreases in investments in securities and in other long-term receivables. Total plant, property and equipment increased by ¥401 million compared with the end of the previous period, reaching ¥43,430 million. This was mainly the result of an increase in construction in progress.

### Liabilities

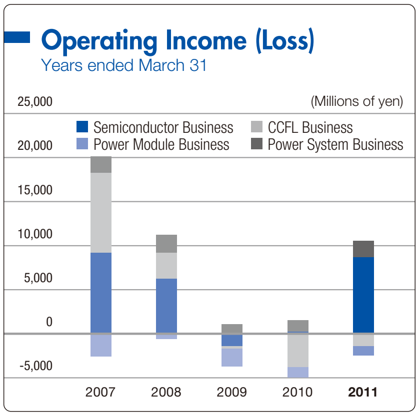
Current liabilities at the end of the current consolidated fiscal year increased ¥7,235 million compared with the end of the previous period to ¥68,469 million. This was mainly the result of a ¥1,698 million decrease in notes and accounts payable-trade, an increase of ¥2,841 million in short-term loans payable and an increase of ¥4,000 million in commercial papers. Noncurrent liabilities at the end of the current fiscal year were ¥30,394 million, ¥2,518 million less than at the end of the previous period. This reflected a ¥3,028 million decrease in long-term debt.

### Net assets

Total net assets at the end of the current consolidated fiscal year were ¥33,520 million, a decrease of ¥4,241 million from the end of the previous period. Shareholders' equity decreased by ¥1,305 million compared with the end of the previous period to ¥42,483 million. This was mainly because of an increase of ¥1,291 million in retained earnings and a decrease of ¥2,578 million in capital surplus. The decrease in foreign currency translation adjustments totaled ¥2,639 million. The equity ratio at the end of the current consolidated fiscal year fell by 3.1 points compared with the end of the previous period to 25.1%.

### Cash flows

Net cash provided by operating activities of the Sanken Group, including the increase in income before income taxes and minority interests, totaled ¥7,392 million, an increase of ¥2,287 million compared with the

previous period. Net cash used in investing activities was ¥10,272 million, an increase of ¥573 million compared with the previous period that reflected, among other changes, funds used for purchases of property, plant and equipment. Net cash provided by financing activities was ¥3,728 million, an increase of ¥509 million compared with the previous period, primarily because of an increase in short-term bank loans. As a result, the balance of interest-bearing debt at the end of the current fiscal year rose by ¥5,714 million compared with the end of the previous period to ¥65,026 million, which increased the interest-bearing debt to total assets ratio to 49.1%. As a result of these changes, the balance of cash and cash equivalents as of the end the current consolidated fiscal year was ¥12,756 million, an increase of ¥642 million compared with the end of the previous consolidated fiscal year.

### Capital Expenditures

The Sanken Group's capital expenditures during the current consolidated fiscal year totaled ¥10,595 million and primarily consisted of purchases of production, testing and research equipment.

In the semiconductor devices business, Sanken Electric made capital expenditures of ¥432 million for production, testing and research equipment, and consolidated subsidiaries including Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Fukushima Sanken Co., Ltd., Allegro MicroSystems, Inc. and Polar Semiconductor, Inc. made capital expenditures of ¥9,678 million to enhance production equipment.

In the CCFL business, Fukushima Sanken Co., Ltd. and Sanken Optoproducts Co., Ltd. made capital expenditures of ¥54 million for CCFLs production equipment and other equipment.

In the PM business, Sanken Electric made capital expenditures of ¥53 million for product molds and other equipment, and consolidated subsidiaries including P.T. Sanken Indonesia made capital expenditures of ¥184 million for production equipment, product molds and other equipment.

In the PS business, Sanken Electric made capital expenditures of ¥56 million for product molds and other equipment, and consolidated subsidiaries including Sanken L.D. Electric (Jiang Yin) Co., Ltd. made capital expenditures of ¥26 million for production equipment and other equipment.

Funds for capital expenditures were provided principally from internal funds and loans.

## BUSINESS RISKS

Management has identified the following issues as posing potential risks to the Group's business performance and financial condition. Concerning risks to business strategy, forecasts regarding the future presented here are judgments made as of the end of the consolidated fiscal year under review (March 31, 2011). It is important to keep in mind that actual outcomes may deviate considerably from these forecasts due to inherent uncertainties.

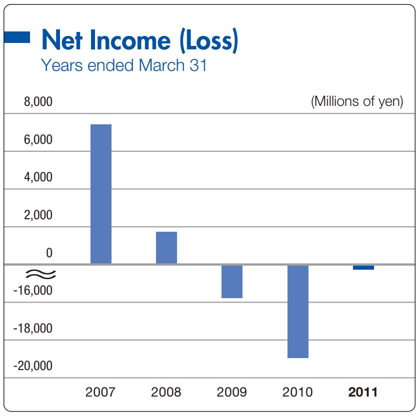
### Strategy risk

**New product development**

The Sanken Group has to develop and introduce products that correspond to market needs in the electronics industry, which is characterized by drastic changes in the pace of technical progress and product cycles. Although the Group conducts R&D while continually monitoring market trends, its profitability, earnings, and financial condition could suffer if the Group fails to introduce products in a timely manner or its products fail to win acceptance in the marketplace.

**Price competition**

Price competition in the electronics industry is escalating. The emergence of competitors using production bases in Southeast Asia, and particularly China, has had a major impact on the determination of prices for the Company's products. While price competition is expected to continue escalating, the Group is responding by working to further reduce its cost of sales and to introduce high-value-added products that leverage its inherent technologies. However, the Group's profitability,




earnings, and financial condition could suffer due to the appearance of products made by companies with a greater ability to respond to price reductions or to changes in demand by its customers.

**Fund procurement**

The Group procures funds necessary for capital investment and R&D through the issue of corporate bonds, the issue of commercial paper, and through commitment lines of credit and bank loans. In the event the Company's credit standing is judged to have declined by the bond market or by financial institutions, there may be restrictions on fund procurement methods or an increase in procurement costs, which could adversely affect the earnings and financial condition of the Company.

**Intellectual property**

The Group takes steps to differentiate its products from those of competitors by using proprietary technologies and know-how. Although the Company files and registers intellectual property rights as necessary to protect these technologies, such protections are inadequate in some nations and regions. As such, in some cases it may be impossible to effectively prohibit third parties from manufacturing analogous products that use the Group's intellectual property. Should a third party gain intellectual property rights related to the Group's business or possess such intellectual property rights without the Group's knowledge, the Group may be requested to pay royalties, prohibited from using the applicable intellectual property rights, or have a lawsuit brought against it by a third party asserting infringement of intellectual property rights. Such actions could give rise to an increase in costs and may limit the development and sales of products.

## External risk

**Economic environment**

In addition to Japan, the Group produces products in several other nations and regions, including Asia, North America, and Europe. Overseas production value accounted for 42.7% of consolidated production value in fiscal 2008, 43.1% in fiscal 2009 and 46.0% in fiscal 2010. Overseas sales on a consolidated basis as a proportion of total sales in fiscal 2008, fiscal 2009 and fiscal 2010 were 53.7%, 54.8% and 56.3%, respectively. As a consequence, the Group's earnings and financial condition could be adversely affected by changes in the operating environment, including economic trends, in the relevant areas.

**Exchange rates**

The Group derives a portion of its earnings from production and sales in nations and regions outside of Japan, and related accounts are settled in U.S. dollars or the local currencies of the corresponding nations or regions. Consequently, exchange rates prevailing at the time of conversion into Japanese yen may affect earnings.

Exports as a share of the Company's sales were 40.1% in fiscal 2008, 38.0% in fiscal 2009 and 37.6% in fiscal 2010. Of these exports, the proportion denominated in foreign currencies was 49.4% in fiscal 2008, 91.2% in fiscal 2009 and 91.4% in fiscal 2010. To manage the exchange risk associated with transactions, the Group engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover, by expanding overseas procurement of products and raw materials and through the use of forward currency contracts. By doing so, the Company aims to minimize the impact of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar and the Japanese yen.

Additionally, appreciation of the currencies in the regions and nations where the Group has production bases may drive up manufacturing and procurement costs. Higher costs would have the impact of lower margins and diminished price competitiveness, which may adversely affect earnings.

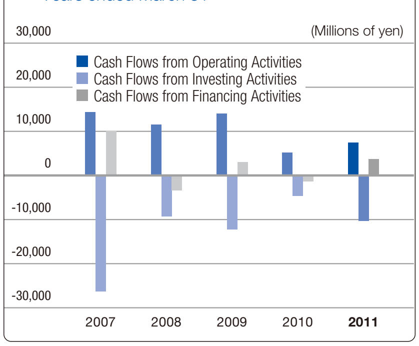
## Internal risk

**Legal restraints**

The Group has production and sales bases in 11 regions and nations,

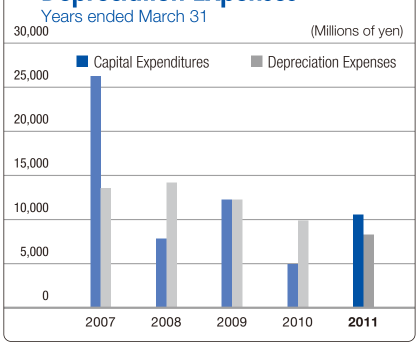
**Cash Flows**

Years ended March 31




**Capital Expenditures/ Depreciation Expenses**

Years ended March 31



including Japan, and establishes businesses subject to the application of various laws, ordinances, and regulations (hereinafter "legal restraints") specified in each region or nation. In addition, with respect to the export and import of technology, products, and materials necessary for sales and production by the Group around the world, business activities are subject to legal restraints relating to tariffs, trade, foreign currency, strategic materials, specific technologies, antitrust, patents, the environment, and other areas in each region and nation. Failure to

comply with these legal restraints could result in restrictions on the Group's business activities or undermine public confidence, which may adversely affect the Company's earnings and financial condition.

**Quality issues**

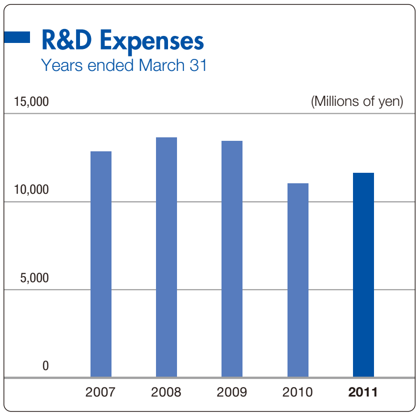
The Group provides a variety of products that satisfy its own internal quality standards, as well as those of its customers. To sustain and improve its quality control system, the Company has acquired ISO 9001 certification, an international standard for quality management and, when necessary, acquires certification for product safety based on relevant standards, including those of Underwriters Laboratories Inc. However, these efforts do not guarantee that any or all products will not be defective, recalled, or require repair. Large-scale recalls, repairs, or product defects that result in liability for damage could potentially lead to substantial costs and diminished public confidence, which in turn could adversely affect the Company's earnings and financial condition.

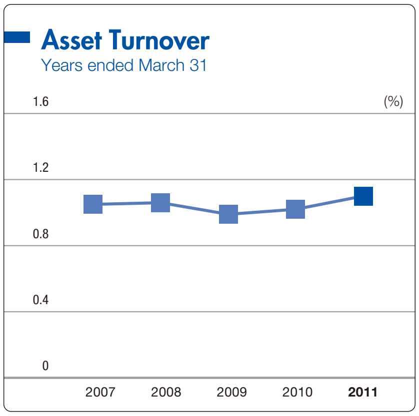
**Environmental problems**

The Group complies with all legal restraints pertaining to the prevention of environmental damage and pollution in the nations and regions where it has production bases. As part of its own environmental activities, the Group pursues ISO 14001 certification, an international standard for environmental management systems. Also, the Group works to better understand and reduce the use of substances that carry environmental burdens and that are used in its production processes or contained in its products. Failure to comply with these restraints, the occurrence of an accident that results in the discharge of a large volume of hazardous substances, or the elimination of prohibited substances from products could result in substantial costs to rectify these situations. In addition, this could result in restrictions on business activities, liability for reparations to customers, and loss of public confidence, all of which could adversely affect the Company's earnings and financial position. Besides the above, in addition to possible occurrence of a calamity such as natural disaster, fire, or damage to the social or telecommunications infrastructure, there may be unforeseeable country risks such as a war, terrorist attack, epidemic of infectious disease, or significant changes to laws or the taxation system in a particular country or region.

Alternatively, there is the risk of legal action or the obligation to make compensation payments that could arise from a product defect causing the loss of life or impacting society, the environment, or business activities. Other risks include potential changes to the compulsory corporate contribution to retirement benefits and the increasing risk of improper or illegal use of company information, including personal information, as the use of information systems expand.

If any one or more of these potential risks occurs, and such an occurrence results in a lowering of public trust, suspension of business operations, or significant financial loss, there could be a detrimental impact on business performance.



# Consolidated Balance Sheets

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

| Assets | March 31, 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 4) |
| **Current assets:** | | | |
| Cash and deposits (Notes 5 and 7) | ¥ 12,826 | ¥ 12,300 | $ 154,255 |
| Notes and accounts receivable (Notes 6 and 7): | | | |
| Trade and other | 32,772 | 33,696 | 394,141 |
| Less allowance for doubtful receivables | (64) | (71) | (769) |
| | 32,708 | 33,624 | 393,372 |
| Inventories (Note 10) | 36,438 | 35,761 | 438,229 |
| Deferred tax assets (Note 18) | 196 | 106 | 2,360 |
| Other current assets | 2,244 | 1,932 | 26,992 |
| **Total current assets** | 84,414 | 83,725 | 1,015,210 |
| **Investments and long-term receivables:** | | | |
| Investments in other securities (Notes 7 and 8) | 1,956 | 2,252 | 23,526 |
| Deferred tax assets (Note 18) | 162 | 144 | 1,956 |
| Other long-term receivables | 1,855 | 2,162 | 22,310 |
| Less allowance for doubtful receivables | (249) | (249) | (2,997) |
| **Total investments and long-term receivables** | 3,724 | 4,309 | 44,795 |
| **Property, plant and equipment, at cost (Note 11):** | | | |
| Land | 4,290 | 4,436 | 51,595 |
| Buildings | 54,162 | 54,296 | 651,385 |
| Machinery and equipment | 106,407 | 119,017 | 1,279,705 |
| Construction in progress | 5,724 | 3,924 | 68,842 |
| | 170,584 | 181,675 | 2,051,529 |
| Less accumulated depreciation and impairment losses | (127,153) | (138,645) | (1,529,208) |
| **Property, plant and equipment, net** | 43,430 | 43,029 | 522,320 |
| **Other assets (Note 11)** | 813 | 842 | 9,783 |
| **Total assets** | ¥ 132,384 | ¥ 131,908 | $ 1,592,110 |

| Liabilities and net assets | March 31, 2011 (Millions of yen) | 2010 (Millions of yen) | 2011 (Thousands of U.S. dollars) (Note 4) |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term bank loans (Notes 7 and 17) | ¥ 17,357 | ¥ 14,515 | $ 208,750 |
| Current portion of long-term debt (Notes 7 and 11) | 3,025 | 1,126 | 36,380 |
| Commercial paper (Note 7) | 19,000 | 15,000 | 228,502 |
| Notes and accounts payable (Note 7): | | | |
| Trade and other | 20,106 | 21,784 | 241,815 |
| Construction | 31 | 52 | 374 |
| | 20,138 | 21,836 | 242,190 |
| Accrued bonuses for directors and corporate auditors | 30 | — | 360 |
| Accrued expenses | 7,450 | 6,837 | 89,600 |
| Income taxes payable | 395 | 521 | 4,755 |
| Deferred tax liabilities (Note 18) | 0 | 263 | 1 |
| Other current liabilities | 1,073 | 1,133 | 12,906 |
| **Total current liabilities** | 68,469 | 61,233 | 823,448 |
| **Long-term liabilities:** | | | |
| Long-term debt (Notes 7 and 11) | 25,031 | 28,060 | 301,038 |
| Accrued retirement benefits for directors | 38 | 33 | 464 |
| Accrued employees' retirement benefits (Note 17) | 3,029 | 3,053 | 36,436 |
| Deferred tax liabilities (Note 18) | 572 | 765 | 6,882 |
| Other long-term liabilities | 1,722 | 999 | 20,712 |
| **Total long-term liabilities** | 30,394 | 32,913 | 365,534 |
| **Net assets** (Note 19): | | | |
| Shareholders' equity: | | | |
| Common stock: | | | |
| Authorized – 257,000,000 shares | | | |
| Issued and outstanding: 2011 – 125,490,302 shares | 20,896 | — | 251,314 |
| 2010 – 125,490,302 shares | — | 20,896 | — |
| Capital surplus | 18,667 | 21,246 | 224,509 |
| Retained earnings | 6,834 | 5,543 | 82,194 |
| Less treasury stock, at cost: 4,138,777 shares in 2011 and 4,089,747 shares in 2010 | (3,916) | (3,898) | (47,097) |
| Total shareholders' equity (Note 27) | 42,483 | 43,788 | 510,920 |
| Accumulated other comprehensive income: | | | |
| Net unrealized gain on securities | 212 | 225 | 2,561 |
| Translation adjustments | (9,439) | (6,799) | (113,522) |
| Total accumulated other comprehensive income (loss) | (9,226) | (6,574) | (110,961) |
| Stock acquisition rights | — | 287 | — |
| Minority interests | 263 | 259 | 3,168 |
| **Total net assets** | 33,520 | 37,761 | 403,127 |
| **Contingent liabilities** (Note 20) | | | |
| **Total liabilities and net assets** | ¥ 132,384 | ¥ 131,908 | $ 1,592,110 |

*The accompanying notes are an integral part of the consolidated financial statements.*

# Consolidated Statements of Operations

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

| | Year ended March 31, 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 4) |
| **Net sales** | ¥ 144,882 | ¥ 134,134 | $ 1,742,427 |
| Cost of sales (Notes 17, 21 and 25) | 114,741 | 117,626 | 1,379,931 |
| **Gross profit** | 30,141 | 16,508 | 362,495 |
| Selling, general and administrative expenses (Notes 13, 17, 21 and 25) | 23,991 | 21,990 | 288,535 |
| **Operating income (loss)** | 6,149 | (5,482) | 73,960 |
| **Other income (expenses):** | | | |
| Interest expense | (653) | (773) | (7,858) |
| Interest and dividend income | 39 | 42 | 474 |
| Foreign exchange loss | (452) | (49) | (5,439) |
| Impairment losses (Note 14) | (245) | (660) | (2,956) |
| Impairment loss on other securities (Note 8) | (274) | — | (3,307) |
| Loss on cancellation of treasury stock acquisition rights (Note 25) | (1,707) | — | (20,536) |
| Loss on natural disaster (Note 15) | (813) | — | (9,785) |
| Additional retirement benefits | (670) | — | (8,066) |
| Business structure reform costs (Note 16) | — | (11,089) | — |
| Product compensation costs | — | (130) | — |
| Other, net | (225) | (21) | (2,716) |
| | (5,004) | (12,684) | (60,190) |
| Income (loss) before income taxes and minority interests | 1,144 | (18,166) | (13,769) |
| Income taxes (Note 18): | | | |
| Current | 2,402 | 730 | 28,898 |
| Deferred | (530) | (171) | (6,376) |
| Prior year's income taxes | 165 | 226 | 1,995 |
| Loss before minority interests | (893) | (18,951) | (10,748) |
| Minority interests in income (loss) | (29) | (1) | (350) |
| **Net loss** (Note 27) | ¥ (922) | ¥ (18,950) | $ (11,098) |

*The accompanying notes are an integral part of the consolidated financial statements.*

# Consolidated Statements of Comprehensive Income

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

| | Year ended March 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 4) |
| Loss before minority interests | ¥ (893) | ¥ (18,951) | $ (10,748) |
| Other comprehensive income: | | | |
| Net unrealized gain (loss) on securities | (12) | 205 | (151) |
| Translation adjustments | (2,664) | (1,127) | (32,040) |
| Total other comprehensive income (loss) | (2,676) | (922) | (32,191) |
| Comprehensive income (loss) | ¥ (3,570) | ¥ (19,873) | $(42,940) |
| Breakdown: | | | |
| Comprehensive income (loss) attributable to owners of the parent-Company | (3,575) | (19,888) | (42,996) |
| Comprehensive income attributable to minority interests | 4 | 15 | 56 |

*The accompanying notes are an integral part of the consolidated financial statements.*

# Consolidated Statements of Changes in Net Assets

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

| | Year ended March 31, 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 4) |
| **Shareholders' equity** | | | |
| Common stock: | | | |
| Balance at the end of previous year | ¥ 20,896 | ¥ 20,896 | $ 251,314 |
| Balance at the end of current year | 20,896 | 20,896 | 251,314 |
| Capital surplus: | | | |
| Balance at the end of previous year | 21,246 | 21,249 | 255,524 |
| Changes of items during the year: | | | |
| Deficit disposition | (2,214) | — | (26,627) |
| Cash dividends paid (other capital surplus) | (364) | — | (4,379) |
| Disposition of treasury stock | (0) | (3) | (7) |
| Total changes of items during the year | (2,578) | (3) | (31,014) |
| Balance at the end of current year | 18,667 | 21,246 | 224,509 |
| Retained earnings: | | | |
| Balance at the end of previous year | 5,543 | 24,699 | 66,664 |
| Changes of items during the year: | | | |
| Deficit disposition | 2,214 | — | 26,627 |
| Cash dividends paid | — | (364) | — |
| Net loss | (922) | (18,950) | (11,098) |
| Adjustments for inclusion of subsidiaries in consolidation | — | 158 | — |
| Total changes of items during the year | 1,291 | (19,155) | 15,529 |
| Balance at the end of current year | 6,834 | 5,543 | 82,194 |
| Treasury stock: | | | |
| Balance at the end of previous year | (3,898) | (3,885) | (46,886) |
| Changes of items during the year: | | | |
| Acquisition of treasury stock | (18) | (18) | (225) |
| Disposition of treasury stock | 1 | 4 | 13 |
| Total changes of items during the year | (17) | (13) | (211) |
| Balance at the end of current year | (3,916) | (3,898) | (47,097) |
| Total shareholders' equity: | | | |
| Balance at the end of previous year | 43,788 | 62,960 | 526,617 |
| Changes of items during the year: | | | |
| Deficit disposition | — | — | — |
| Cash dividends paid (other capital surplus) | (364) | — | (4,379) |
| Cash dividends paid | — | (364) | — |
| Net loss | (922) | (18,950) | (11,098) |
| Acquisition of treasury stock | (18) | (18) | (225) |
| Disposition of treasury stock | 0 | 1 | 6 |
| Adjustments for inclusion of subsidiaries in consolidation | — | 158 | — |
| Total changes of items during the year | (1,305) | (19,172) | (15,696) |
| Balance at the end of current year | 42,483 | 43,788 | 510,920 |

# Consolidated Statements of Changes in Net Assets (continued)

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

| | Year ended March 31, 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 4) |
| **Accumulated other comprehensive income** | | | |
| Net unrealized gain on securities: | | | |
| Balance at the end of previous year | ¥ 225 | ¥ 19 | $ 2,712 |
| Changes of items during the year: | | | |
| Net changes of items other than shareholders' equity | (12) | 205 | (151) |
| Total changes of items during the year | (12) | 205 | (151) |
| Balance at the end of current year | 212 | 225 | 2,561 |
| Translation adjustments: | | | |
| Balance at the end of previous year | (6,799) | (5,655) | (81,776) |
| Changes of items during the year: | | | |
| Net changes of items other than shareholders' equity | (2,639) | (1,144) | (31,746) |
| Total changes of items during the year | (2,639) | (1,144) | (31,746) |
| Balance at the end of current year | (9,439) | (6,799) | (113,522) |
| Total accumulated other comprehensive income: | | | |
| Balance at the end of previous year | (6,574) | (5,635) | (79,063) |
| Changes of items during the year: | | | |
| Net changes of items other than shareholders' equity | (2,652) | (938) | (31,898) |
| Total changes of items during the year | (2,652) | (938) | (31,898) |
| Balance at the end of current year | (9,226) | (6,574) | (110,961) |
| **Stock acquisition rights** | | | |
| Balance at the end of previous year | 287 | 253 | 3,454 |
| Changes of items during the year: | | | |
| Net changes of items other than shareholders' equity | (287) | 33 | (3,454) |
| Total changes of items during the year | (287) | 33 | (3,454) |
| Balance at the end of current year | — | 287 | — |
| **Minority interests** | | | |
| Balance at the end of previous year | 259 | 239 | 3,125 |
| Changes of items during the year: | | | |
| Net changes of items other than shareholders' equity | 3 | 20 | 43 |
| Total changes of items during the year | 3 | 20 | 43 |
| Balance at the end of current year | 263 | 259 | 3,168 |
| **Total net assets** | | | |
| Balance at the end of previous year | 37,761 | 57,818 | 454,134 |
| Changes of items during the year: | | | |
| Deficit disposition | — | — | — |
| Cash dividends paid (other capital surplus) | (364) | — | (4,379) |
| Cash dividends paid | — | (364) | — |
| Net loss | (922) | (18,950) | (11,098) |
| Acquisition of treasury stock | (18) | (18) | (225) |
| Disposition of treasury stock | 0 | 1 | 6 |
| Adjustments for inclusion of subsidiaries in consolidation | — | 158 | — |
| Net changes of items other than shareholders' equity | (2,936) | (884) | (35,309) |
| Total changes of items during the year | (4,241) | (20,057) | (51,006) |
| Balance at the end of current year | ¥ 33,520 | ¥ 37,761 | $ 403,127 |

*The accompanying notes are an integral part of the consolidated financial statements.*

# Consolidated Statements of Cash Flows

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

| | Year ended March 31, 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) (Note 4) |
| **Operating activities** | | | |
| Income (loss) before income taxes and minority interests | ¥ 1,144 | ¥ (18,166) | $ 13,769 |
| Depreciation and amortization | 8,272 | 9,836 | 99,487 |
| Impairment losses | 245 | 10,041 | 2,956 |
| Decrease in allowance for doubtful receivables | (0) | (151) | (8) |
| Interest and dividend income | (39) | (42) | (474) |
| Interest expense | 653 | 773 | 7,858 |
| Increase in provision for retirement benefits for employees | 380 | 1,315 | 4,575 |
| Loss on cancellation of treasury stock acquisition rights | 1,707 | — | 20,536 |
| Decrease in provision for business structure reform | — | (539) | — |
| Decrease (increase) in notes and accounts receivable | 110 | (9,391) | 1,333 |
| Decrease (increase) in inventories | (2,080) | 6,505 | (25,017) |
| Increase (decrease) in notes and accounts payable | (678) | 5,924 | (8,163) |
| Other | 1,036 | 701 | 12,466 |
| **Subtotal** | 10,752 | 6,809 | 129,320 |
| Interest and dividends received | 38 | 42 | 466 |
| Interest paid | (659) | (814) | (7,929) |
| Income taxes paid | (2,739) | (932) | (32,951) |
| **Net cash provided by operating activities** | 7,392 | 5,105 | 88,906 |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | (10,327) | (4,392) | (124,202) |
| Proceeds from sales of property, plant and equipment | 126 | 321 | 1,518 |
| Purchases of intangible assets | (175) | (129) | (2,112) |
| Purchases of investment securities | — | (10) | — |
| Increase in loans receivable | (9) | (28) | (114) |
| Proceeds from loans receivable | 43 | 27 | 527 |
| Other | 69 | (357) | 840 |
| **Net cash used in investing activities** | (10,272) | (4,568) | (123,543) |
| **Financing activities** | | | |
| Increase (decrease) in short-term bank loans | 3,398 | (3,534) | 40,868 |
| Increase (decrease) in commercial paper | 4,000 | (1,000) | 48,105 |
| Proceeds from issuance of long-term debt | — | 5,000 | — |
| Repayment of long-term debt | (1,125) | (1,146) | (13,539) |
| Repayment of finance lease liabilities | (207) | (152) | (2,497) |
| Purchases of treasury stock acquisition rights | (1,949) | — | (23,445) |
| Proceeds from sales of treasury stock | 0 | 1 | 6 |
| Retirement of treasury stock | (18) | (18) | (225) |
| Cash dividends paid | (368) | (371) | (4,430) |
| Dividends paid to minority interests | — | (57) | — |
| **Net cash provided by (used in) financing activities** | 3,728 | (1,280) | 44,843 |
| **Effect of exchange rate changes on cash and cash equivalents** | (206) | (115) | (2,484) |
| **Net increase (decrease) in cash and cash equivalents** | 642 | (859) | 7,721 |
| **Cash and cash equivalents at beginning of the year** | 12,114 | 12,891 | 145,699 |
| **Increase in cash resulting from inclusion of subsidiaries in consolidation** | — | 82 | — |
| **Cash and cash equivalents at end of the year (Note 5)** | ¥ 12,756 | ¥ 12,114 | $ 153,420 |

*The accompanying notes are an integral part of the consolidated financial statements.*

# Notes to Consolidated Financial Statements

Sanken Electric Co., Ltd.and Consolidated Subsidiaries
March 31, 2011

## 1. Summary of Significant Accounting Policies

### (a) Basis of Presentation

The accompanying consolidated financial statements of Sanken Electric Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2011 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. See Note 2.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

### (b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. As of March 31, 2011, the number of consolidated subsidiaries was 29 (28 in 2010). Five subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, i.e., December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. Significant intercompany transactions and account balances have been eliminated in consolidation. Generally, the difference, if significant in amount, between the cost and the equity in the underlying net assets of a consolidated subsidiary at the date acquired is capitalized in the year of acquisition and amortized principally over a five-year period.

Investment in a significant affiliate is accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost or less; where there has been a persistent decline in the value of such investments, they have been written down.

### (c) Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair market value with any changes in unrealized gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. The cost of securities sold is determined by the moving average method.

### (d) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost and net realizable value. Cost is determined principally by the first-in, first-out method.

### (e) Property, Plant and Equipment; Intangible Assets; Leased Assets; and Depreciation and Amortization

Property, plant and equipment are recorded at cost. Depreciation at the Company and its domestic subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the respective assets except that the straight-line method is applied to buildings acquired on or after April 1, 1998. Depreciation at its overseas subsidiaries is computed principally by the straight-line method. The estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 8 – 60 years |
| Machinery and equipment | 3 – 12 years |

Intangible assets are amortized over a period of 5 years by the straight-line method.

Leased assets under finance lease transactions that stipulate the transfer of ownership of the leased assets to the lessee are depreciated principally over the estimated useful lives of similar-owned assets by the straight-line method.

Leased assets under finance lease transactions that do not stipulate the transfer of ownership of the leased assets to the lessee are depreciated over their lease period by the straight-line method with a residual value of zero. Lease transactions which have been entered into before April 1, 2008 and do not stipulate the transfer of ownership of the leased assets to the lessee are accounted for as operating leases.

### (f) Allowance for Doubtful Receivables

Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection of doubtful receivables.

### (g) Accrued Bonuses for Directors and Corporate Auditors

Accrued bonuses for directors and corporate auditors are calculated based on estimated bonus payments attributable to the fiscal year.

### (h) Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The overseas consolidated subsidiaries principally have defined contribution pension plans.

Accrued retirement benefits for employees have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for the net unrecognized actuarial gain or loss and unrecognized prior service cost.

Prior service cost is amortized from the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 10 through 18 years).

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 10 through 23 years).

### (i) Retirement Benefits for Directors

To prepare for the payment of retirement benefits to directors and corporate auditors, a reserve for retirement benefits has been provided for the estimated amounts as of the year end based on the Company's internal rules.

The retirement benefits system for directors and corporate auditors of the Company was abolished in June 23, 2006.

### (j) Foreign Currency Translation

All monetary assets and liabilities of the Company denominated in foreign currencies are translated into yen at the exchange rates prevailing as of the fiscal year end, and the resulting gain or loss is credited or charged to income.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the fiscal year-end exchange rates. Income statements of overseas consolidated subsidiaries are translated at average exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests as components of net assets in its consolidated financial statements.

### (k) Derivatives

The Company has entered into various derivatives transactions in order to manage its risk exposure arising from adverse fluctuation in foreign currency exchange rates and interest rates. Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income.

### (l) Cash Equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

### (m) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

## 2. Accounting Changes

***Accounting standard for asset retirement obligations***

Effective the year ended March 31, 2011, the "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan (ASBJ) Statement No. 18, March 31, 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) have been applied.

As a result, operating income and ordinary income decreased by ¥3 million ($45 thousand), respectively, and income before income taxes and minority interests decreased by ¥87 million ($1,057 thousand). The change in asset retirement obligations attributable to the adoption of this accounting standard is ¥60 million ($724 thousand).

***Accounting standard for employees' retirement benefits***

Effective the year ended March 31, 2010, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No. 19, July 31, 2008) has been applied. This change had no impact on the retirement benefit obligations at March 31, 2010. Therefore, there was no effect on the financial statements for the year ended March 31, 2010.

## 3. Additional Information

***Accounting Standard for Presentation of Comprehensive Income***

Effective the year ended March 31, 2011, the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010) has been applied. The items "Valuation, translation adjustments and other" and "Total valuation, translation adjustments and other" as of March 31, 2010 are shown in the accompanying balance sheets as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income," respectively.

***Consolidated Taxation System***

The Company and its domestic consolidated subsidiaries have received approval from the Commissioner of the National Tax Agency regarding the application of the consolidated taxation system from the fiscal year ending March 31, 2012. Therefore, beginning with the fiscal year ended March 31, 2011, related accounting procedures have been based on the "Practical Solution on Tentative Treatment of Tax-Effect Accounting under the Consolidated Taxation System (Part 1)" (Practical Issues Task Force (PITF) No. 5) and the "Practical Solution on Tentative Treatment of Tax-Effect Accounting under the Consolidated Taxation System (Part 2)" (PITF No. 7).

## 4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥83.15 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2011. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

## 5. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and deposits with cash and cash equivalents as of March 31, 2011 and 2010:

| | March 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Cash and deposits | ¥ 12,826 | ¥ 12,300 | $ 154,255 |
| Restricted cash | (69) | (185) | (834) |
| Cash and cash equivalents | ¥ 12,756 | ¥ 12,114 | $ 153,420 |

## 6. Notes and Accounts Receivable

The retroactively adjusted liability upon transfer of export receivables was ¥1,451 million ($17,456 thousand) at March 31, 2011, and ¥1,619 million at March 31, 2010.

## 7. Financial Instruments

As of March 31, 2011

**a. Summary of financial instruments**

(1) Policy for financial instruments

The Group raises funds necessary for capital investments, R&D, etc. by bond issues and bank loans. It manages temporary surplus funds through highly secure financial instruments, and also raises short-term operating funds by issuing commercial paper and obtaining bank loans. The Group follows a policy of using derivatives to hedge foreign currency exchange fluctuation risks and avoids any speculative dealings.

(2) Financial instruments and their risks

Receivables resulting from the ordinary course of business, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Receivables denominated in foreign currencies derived from global business operations are also exposed to foreign currency exchange fluctuation risks. The Group hedges these risks mainly through the use of forward exchange contracts against positions after netting payables denominated in the same foreign currencies, in principle. Investment securities are mainly the shares of corporations with which the Group has business relationships and therefore are exposed to the risk of market price fluctuations.

Payables from the ordinary course of business such as notes and accounts payable-trade are mostly to be settled in one year. As some of them are denominated in foreign currencies due to importing materials and exposed to foreign currency exchange fluctuation risks, they are constantly maintained within the range of receivables in the same currencies. Short-term bank loans and commercial paper are used for financing mainly in relation to operating funds, while long-term bank loans and bonds are used for the purpose of financing capital investments. Some have floating interest rates and are therefore exposed to the risk of interest rate fluctuation.

Forward exchange contracts are derivative transactions that are entered into in order to hedge foreign currency exchange fluctuation risks associated with foreign currency denominated receivables and payables arising from the ordinary course of business.

(3) Risk management for financial instruments

<1> Management of credit risk (risk of customer default)

The sales division of the Group regularly monitors the financial position of main customers and manages due dates and outstanding balances due from each customer in accordance with provisions of credit management regulations to minimize the risk of defaults resulting from the deterioration of a customer's financial position.

<2> Management of market risk (foreign exchange risk, interest rate risk and others)

For receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange fluctuation risks by currency each month and enters into forward exchange contracts to hedge such risk. Regarding the market price risk of investment securities, the Group regularly monitors the fair value of such securities as well as financial positions of the issuers. The Group also continuously reviews the status of possessing such securities taking into consideration business relationships with the issuers. When borrowing a bank loan with a floating interest rate, the Group reduces the risk by limiting the loan term to within three years in principle, monitoring the remaining term until the interest rate renewal date, monitoring the interest rate fluctuation trends, and responding in consideration of the balances between short-term loans and long-term loans or between fixed interest rates and floating interest rates.

In regard to derivative transactions, the finance division enters into contracts, confirms balances and keeps accounts based on the corporate policy. The status of derivative transactions is reported monthly to the management meeting.

<3> Management of liquidity risk (risk of failure to repay obligations)

The finance division manages liquidity risk in a timely manner by updating the cash-flow budget based on reports from each business division.

(4) Supplemental explanation of the fair value of financial instruments

Fair values of financial instruments are measured based on the quoted market price, if available, or are reasonably estimated if a quoted market price is not available. The fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

In addition, the contract amounts of the derivative transactions described below in "b. Fair value of financial instruments" do not represent the market risk of the derivative transactions.

**b. Fair value of financial instruments**

The carrying amounts on the consolidated balance sheets, fair value, and difference as of March 31, 2011 are as follows. Financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2: Financial instruments for which the fair value is extremely difficult to measure," below)

| | March 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Difference | Carrying amount | Fair value | Difference |
| | (Millions of yen) | | | (Thousands of U.S. dollars) | | |
| Assets | | | | | | |
| (1) Cash and deposits | ¥ 12,826 | ¥ 12,826 | ¥ — | $ 154,255 | $ 154,255 | $ — |
| (2) Notes and accounts receivable-trade | 31,208 | 31,208 | — | 375,322 | 375,322 | — |
| (3) Investment securities Other securities | 1,862 | 1,862 | — | 22,399 | 22,399 | — |
| Total | ¥ 45,896 | ¥ 45,896 | ¥ — | $ 551,977 | $ 551,977 | $ — |

| | | | | | | |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | |
| (1) Notes and accounts payable-trade | ¥ 20,138 | ¥ 20,138 | ¥ — | $ 242,190 | $ 242,190 | $ — |
| (2) Short-term bank loans and current portion of long-term debt | 20,382 | 20,382 | — | 245,131 | 245,131 | — |
| (3) Commercial paper | 19,000 | 19,000 | — | 228,502 | 228,502 | — |
| (4) Bonds | 20,000 | 20,120 | (120) | 240,529 | 241,972 | (1,443) |
| (5) Long-term debt (except for bonds) | 5,031 | 5,047 | (15) | 60,509 | 60,698 | (189) |
| Total | ¥ 84,552 | ¥ 84,687 | ¥ (135) | $1,016,862 | $1,018,495 | $ (1,632) |
| Derivative transactions (*) | ¥ (78) | ¥ (78) | ¥ — | $ (943) | $ (943) | $ — |

(*) Derivative transactions are shown at the net value of the assets and liabilities arising from the transactions.

Note 1: Methods to measure the fair value of financial instruments, investment securities, and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable-trade

The carrying amount approximates fair value because of the short maturities of these instruments.

(3) Investment securities

The fair value of equity securities equals quoted market prices, if available. Information on investment securities classified by holding purpose is described in "Note 8. Securities."

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term bank loans and current portion of long-term debt, and (3) Commercial paper

The carrying amount approximates fair value because of the short maturities of these instruments.

(4) Bonds

The fair value equals quoted market prices.

(5) Long-term debt (except for bonds)

The fair value of long-term debt on floating interest rates is nearly equal to the carrying value as market rate is reflected in a short period. The fair value of long-term debt on fixed interest rates is based on the present value of the total amount of principal and interest discounted by the interest rates that would presumably apply to similar debt.

Derivative transactions

Contract amounts and estimated fair value are described in "Note 9. Derivatives."

Note 2: Financial instruments for which the fair value is extremely difficult to measure

| | March 31, 2011 Carrying amount | |
|---|---|---|
| | (Millions of yen) | (Thousands of U.S. dollars) |
| Unlisted equity securities and others | ¥ 93 | $ 1,126 |

The above are not included in "Assets (3) Investment securities" because no quoted market price is available and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for receivables and investment securities with maturities subsequent to the consolidated closing date

| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years | Over 10 years |
|---|---|---|---|---|
| | (Millions of yen) | | | |
| Cash and deposits | ¥ 12,826 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable-trade | 31,208 | — | — | — |
| Investment securities | | | | |
| Other securities with maturities | — | 10 | — | — |
| Total | ¥ 44,034 | ¥ 10 | ¥ — | ¥ — |

| | Within 1 year | | Over 1 year within 5 years | | Over 5 years within 10 years | | Over 10 years |
|---|---|---|---|---|---|---|---|
| | | | (Thousands of U.S. dollars) | | | | |
| Cash and deposit | $ | 154,255 | $ | — | $ | — | $ — |
| Notes and accounts receivable-trade | | 375,322 | | — | | — | — |
| Investment securities | | | | | | | |
| Other securities with maturities | | — | | 120 | | — | — |
| Total | $ | 529,577 | $ | 120 | $ | — | $ — |

Note 4: The redemption schedule for bonds and long-term debt with maturities subsequent to the consolidated closing date is described in "Note 11. Short-Term Borrowings and Long-Term Debt."

As of March 31, 2010
(Additional Information)
Effective the year ended March 31, 2010, the "Accounting Standard for Financial Instruments," (ASBJ Statement No. 10, March 10, 2008) and the "Guidance on Disclosures about the Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) have been applied.

**a. Summary of financial instruments**

(1) Policy for financial instruments

The Group raises funds necessary for capital investments, R&D, etc. by bond issues and bank loans. It manages temporary surplus funds through highly secure financial instruments, and also raises short-term operating funds by issuing commercial paper and obtaining bank loans. The Group follows a policy of using derivatives to hedge foreign currency exchange fluctuation risks and avoids any speculative dealings.

(2) Financial instruments and their risks

Receivables resulting from the ordinary course of business, such as notes and accounts receivable-trade, are exposed to credit risk of customers. Receivables denominated in foreign currencies derived from global business operations are also exposed to foreign currency exchange fluctuation risks. The Group hedges these risks mainly through the use of forward exchange contracts against positions after netting payables denominated in the same foreign currencies, in principle. Investment securities are mainly the shares of corporations with which the Group has business relationships and therefore are exposed to the risk of market price fluctuations.

Payables from the ordinary course of business such as notes and accounts payable-trade are mostly to be settled in one year. As some of them are denominated in foreign currencies due to importing materials and exposed to foreign currency exchange fluctuation risks, they are constantly maintained within the range of receivables in the same currencies. Short-term bank loans and commercial paper are used for financing mainly in relation to operating funds, while long-term bank loans and bonds are used for the purpose of financing capital investments. Some have floating interest rates and are therefore exposed to the risk of interest rate fluctuation.

Forward exchange contracts are derivative transactions that are entered into in order to hedge foreign currency exchange fluctuation risks associated with foreign currency denominated receivables and payables arising from the ordinary course of business.

(3) Risk management for financial instruments

<1> Management of credit risk (risk of customer default)

The sales division of the Group regularly monitors the financial position of main customers and manages due dates and outstanding balances due from each customer in accordance with provisions of credit management regulations to minimize the risk of defaults resulting from the deterioration of a customer's financial position.

<2> Management of market risk (foreign exchange risk, interest rate risk and others)

For receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange fluctuation risks by currency each month and enters into forward exchange contracts to hedge such risk. Regarding the market price risk of investment securities, the Group regularly monitors the fair value of such securities as well as financial positions of the issuers. The Group also continuously reviews the status of possessing such securities taking into consideration business relationships with the issuers. When borrowing a bank loan with a floating interest rate, the Group reduces the risk by limiting the loan term to within three years in principle, monitoring the remaining term until the interest rate renewal date, monitoring the interest rate fluctuation trends, and responding in consideration of the balances between short-term loans and long-term loans or between fixed interest rates and floating interest rates.

In regard to derivative transactions, the finance division enters into contracts, confirms balances and keeps accounts based on the corporate policy. The status of derivative transactions is reported monthly to the management meeting.

<3> Management of liquidity risk (risk of failure to repay obligations)

The finance division manages liquidity risk in a timely manner by updating the cash-flow budget based on reports from each business division.

(4) Supplemental explanation of the fair value of financial instruments

Fair values of financial instruments are measured based on the quoted market price, if available, or are reasonably estimated if a quoted market price is not available. The fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used.

In addition, the contract amounts of the derivative transactions described below in "b. Fair value of financial instruments" do not represent the market risk of the derivative transactions.

**b. Fair value of financial instruments**

The carrying amounts on the consolidated balance sheets, fair value, and difference as of March 31, 2010 are as follows. Financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2: Financial instruments for which the fair value is extremely difficult to measure," below)

| | March 31, 2010 | | |
|---|---|---|---|
| | Carrying amount | Fair value | Difference |
| | (Millions of yen) | | |
| Assets | | | |
| (1) Cash and deposits | ¥ 12,300 | ¥ 12,300 | ¥ — |
| (2) Notes and accounts receivable-trade | 32,285 | 32,285 | — |
| (3) Investment securities<br>Other securities | 2,158 | 2,158 | — |
| Total | ¥ 46,744 | ¥ 46,744 | ¥ — |
| Liabilities | | | |
| (1) Notes and accounts payable-trade | ¥ 21,836 | ¥ 21,836 | ¥ — |
| (2) Short-term bank loans and current portion of long-term debt | 15,642 | 15,642 | — |
| (3) Commercial paper | 15,000 | 15,000 | — |
| (4) Bonds | 20,000 | 19,338 | 662 |
| (5) Long-term debt (except for bonds) | 8,060 | 8,060 | — |
| Total | ¥ 80,538 | ¥ 79,876 | ¥ 662 |
| Derivative transactions (*) | ¥ (391) | ¥ (391) | ¥ — |

(*) Derivative transactions are shown at the net value of the assets and liabilities arising from the transactions.

Note 1: Methods to measure the fair value of financial instruments, investment securities, and derivative transactions

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable-trade

The carrying amount approximates fair value because of the short maturities of these instruments.

(3) Investment securities

The fair value of equity securities equals quoted market prices, if available. Information on investment securities classified by holding purpose is described in "Note 8. Securities."

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term bank loans and current portion of long-term debt, and (3) Commercial paper

The carrying amount approximates fair value because of the short maturities of these instruments.

(4) Bonds

The fair value equals quoted market prices.

(5) Long-term debt (except for bonds)

The fair value of long-term debt on floating interest rates is nearly equal to the carrying value as market rate is reflected in a short period. The fair value of long-term debt on fixed interest rates is based on the present value of the total amount of principal and interest discounted by the interest rates that would presumably apply to similar debt.

Derivative transactions

Contract amounts and estimated fair value are described in "Note 9. Derivatives."

Note 2: Financial instruments for which the fair value is extremely difficult to measure

| | March 31, 2010 Carrying amount |
|---|---|
| | (Millions of yen) |
| Unlisted equity securities and others | ¥ 93 |

The above are not included in "Assets (3) Investment securities" because no quoted market price is available and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for receivables and investment securities with maturities subsequent to the consolidated closing date

| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years | Over 10 years |
|---|---|---|---|---|
| | (Millions of yen) | | | |
| Cash and deposits | ¥ 12,300 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable-trade | 32,285 | — | — | — |
| Investment securities | | | | |
| Other securities with maturities | — | 10 | — | — |
| Total | ¥ 44,585 | ¥ 10 | ¥ — | ¥ — |

Note 4: The redemption schedule for bonds and long-term debt with maturities subsequent to the consolidated closing date is described in "Note 11. Short-Term Borrowings and Long-Term Debt."

## 8. Securities

As of March 31, 2011

(1) Other securities

Marketable securities classified as other securities at March 31, 2011 are summarized as follows:

| | March 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Acquisition cost | Net unrealized gain (loss) | Carrying amount | Acquisition cost | Net unrealized gain (loss) |
| | (Millions of yen) | | | (Thousands of U.S. dollars) | | |
| Securities whose carrying amount exceed their acquisition cost: | | | | | | |
| Equity securities | ¥ 1,324 | ¥ 913 | ¥ 411 | $ 15,933 | $ 10,989 | $ 4,944 |
| Securities whose acquisition cost exceeds their carrying amount: | | | | | | |
| Equity securities | 537 | 590 | (53) | 6,466 | 7,106 | (640) |
| | ¥ 1,862 | ¥ 1,504 | ¥ 357 | $ 22,399 | $ 18,095 | $ 4,304 |

(2) Impairment of other securities

Impairment losses on securities classified as other securities for the year ended March 31, 2011 amounted to ¥274 million ($3,307 thousand).

As of March 31, 2010

(1) Other securities

Marketable securities classified as other securities at March 31, 2010 are summarized as follows:

| | March 31, 2010 | | |
|---|---|---|---|
| | Acquisition cost | Carrying amount | Net unrealized gain (loss) |
| | | (Millions of yen) | |
| Securities whose carrying amount exceeds their acquisition cost: | | | |
| Equity securities | ¥ 1,343 | ¥ 865 | ¥ 477 |
| Securities whose acquisition cost exceeds their carrying amount: | | | |
| Equity securities | 815 | 914 | (98) |
| | ¥ 2,158 | ¥ 1,779 | ¥ 378 |

(2) Impairment of other securities

Impairment losses on securities classified as other securities for the year ended March 31, 2010 amounted to ¥47 million.

## 9. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's open derivatives positions at March 31, 2011 and 2010, for which deferral hedge accounting has not been applied:

| | 2011 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Contract amount | Estimated fair value | Contract amount | Estimated fair value | Contract amount | Estimated fair value |
| | (Millions of yen) | | | | (Thousands of U.S. dollars) | |
| Forward foreign exchange contracts: | | | | | | |
| Sell U.S. dollars | ¥ 10,363 | ¥ (78) | ¥ 11,094 | ¥ (391) | $ 124,630 | $ (943) |

## 10. Inventories

Inventories at March 31, 2011 and 2010 were as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Finished products | ¥ 11,352 | ¥ 10,497 | $ 136,534 |
| Work in process | 14,302 | 14,443 | 172,002 |
| Raw materials and supplies | 10,783 | 10,821 | 129,692 |
| | ¥ 36,438 | ¥ 35,761 | $ 438,229 |

The book values of inventories were written down to reflect the decline in profitability by ¥299 million ($3,597 thousand) for the year ended March 31, 2011 and ¥395 million for the year ended March 31, 2010. The inventory write-downs were included in "Cost of sales."

## 11. Short-Term Borrowings and Long-Term Debt

Short-term bank loans generally represent notes and overdraft. The related weighted average interest rates at March 31, 2011 and 2010 were approximately 0.80% and 0.96%, respectively. The weighted average interest rates applicable to the current portion of long-term debt (excluding lease obligations) at March 31, 2011 and 2010 were approximately 1.23% and 1.24%, respectively. The weighted average interest rates applicable to commercial paper at March 31, 2011 and 2010 were approximately 0.28% and 0.16%, respectively. The weighted average interest rates applicable to current portion of lease obligations at March 31, 2011 and 2010 were approximately 2.11% and 2.23%, respectively.

Long-term debt at March 31, 2011 and 2010 is summarized as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Loans payable in yen due serially through 2013 at a weighted average rate of 1.87% | ¥ 8,056 | ¥ 9,186 | $ 96,890 |
| 1.66% bonds due 2013 | 20,000 | 20,000 | 240,529 |
| Lease obligations at a weighted average rate of 2.07% | 612 | 609 | 7,369 |
| | 28,669 | 29,796 | 344,788 |
| Less current portion | (3,241) | (1,316) | (38,979) |
| | ¥ 25,428 | ¥ 28,479 | $ 305,808 |

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees as appropriate) for present and future indebtedness be given at the request of the bank, and that the bank has the right, as the obligations become due, or in the event of default thereon, to offset cash deposits against any such obligations due to the bank. Under certain loan agreements relating to long-term debt, the creditors may require the Company to submit proposals for appropriations of retained earnings (including the payment of dividends) for the creditors' review and approval prior to their presentation to the shareholders. None of the creditors has ever exercised these rights.

The aggregate annual maturities of long-term debt (excluding lease obligations) subsequent to March 31, 2011 are summarized as follows:

| Year ending March 31, | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| 2013 | ¥ 5,025 | $ 60,434 |
| 2014 | 6 | 75 |
| | ¥ 5,031 | $ 60,509 |

The aggregate annual maturities of lease obligations subsequent to March 31, 2011 are summarized as follows:

| Year ending March 31, | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| 2013 | ¥ 215 | $ 2,592 |
| 2014 | 127 | 1,538 |
| 2015 | 40 | 481 |
| 2016 | 10 | 131 |
| 2017 and thereafter | 2 | 26 |
| | ¥ 396 | $ 4,769 |

At March 31, 2011, the assets pledged as collateral for short-term bank loans and long-term debt were as follows:

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Land | ¥ 944 | $ 11,356 |
| Buildings | 2,936 | 35,311 |
| Other assets | 95 | 1,143 |
| | ¥ 3,975 | $ 47,811 |

At March 31, 2011, short-term bank loans and long-term debt secured by collateral were as follows:

| | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| Short-term bank loans and current portion of long-term debt | ¥ 25 | $ 301 |
| Long-term debt | 5,031 | 60,509 |
| | ¥ 5,056 | $ 60,810 |

## 12. Lines of Credit

The Company and certain overseas subsidiaries have committed line-of-credit agreements and have entered into overdraft agreements with certain financial institutions in order to raise operating funds efficiently. The balances of credit available at March 31, 2011 and 2010 are summarized as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Total committed lines of credit and overdraft | ¥ 40,817 | ¥ 41,945 | $ 490,885 |
| Outstanding balance | 11,581 | 10,023 | 139,285 |
| Remaining balance | ¥ 29,235 | ¥ 31,922 | $ 351,600 |

## 13. Selling, General and Administrative Expenses

The principal components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are summarized as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Salaries and bonuses | ¥ 9,516 | ¥ 8,289 | $ 114,447 |
| Packing and shipping expenses | 825 | 926 | 9,924 |
| Outside services | 1,904 | 1,747 | 22,898 |
| Retirement benefit expenses | 439 | 570 | 5,280 |
| Provision for directors' retirement benefits | 6 | 7 | 76 |
| Provision for directors' bonuses | 30 | — | 360 |
| Provision for doubtful receivables | 5 | — | 67 |

## 14. Impairment Losses

Fixed assets are grouped by business segments with idle properties along with individual properties constituting a separate group.

Impairment losses were recognized on the following asset group for the year ended March 31, 2011.

| Use | Location | Asset category |
|---|---|---|
| PM products manufacturing facilities, and others | P.T. Sanken Indonesia (Bekasi, West Java, Indonesia), and others | Machinery and equipment, and others |
| Idle assets | Sanken Electric Co., Ltd. Niiza Factory (Niiza-shi, Saitama), and others | Machinery and equipment, and others |

The PM business recognized net operating loss for the year ended March 31, 2011 due to a sales decrease resulting from inventory adjustments and difficulties in parts procurement and rising parts prices, and future cash flows from this business segment cannot be expected. As a result, the PM business recognized impairment losses of ¥195 million ($2,352 thousand) on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

In addition, impairment losses of ¥50 million ($603 thousand) were recognized on idle assets such as manufacturing facilities for the semiconductor devices business and the CCFL business, which were no longer utilized, by devaluing the carrying amounts to recoverable amounts, which are their net selling prices.

Impairment losses were recognized on the following asset group for the year ended March 31, 2010.

| Use | Location | Asset category |
|---|---|---|
| PM products manufacturing facilities, and others | P.T. Sanken Indonesia (Bekasi, West Java, Indonesia), and others | Machinery and equipment, and others |
| Idle assets | Ishikawa Sanken Co., Ltd. Shika Factory (Shika-machi, Hakui-gun, Ishikawa), and others | Machinery and equipment, and others |

The PM business recognized net operating loss for the second consecutive year ended March 31, 2010 due to sluggish corporate IT investment, and future cash flows from this business segment cannot be expected. As a result, the PM business recognized impairment losses of ¥275 million on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

In addition, impairment losses of ¥384 million were recognized on idle assets such as semiconductor manufacturing facilities and a warehouse, which were no longer utilized, by devaluing the carrying amounts to recoverable amounts, which are their net selling prices.

## 15. Loss on Natural Disaster

Loss on natural disaster relates to the Great East Japan Earthquake, and consists of the following costs.

| | 2011 | |
|---|---|---|
| | (Millions of yen) | (Thousands of U.S. dollars) |
| Fixed costs during the shutdown period of operations | ¥ 587 | $ 7,059 |
| Repair costs | 141 | 1,703 |
| Other costs | 84 | 1,022 |
| Total | ¥ 813 | $ 9,785 |

## 16. Business Structure Reform Costs

Business structure reform costs were recognized in the year ended March 31, 2010 due to restructuring of the semiconductor business with regard to CCFL products in response to a new business environment, and consist of the following losses.

| | 2010 |
|---|---|
| | (Millions of yen) |
| Impairment losses (*) | ¥ 9,380 |
| Loss on revaluation of inventories | 1,709 |
| Total | ¥ 11,089 |

(*) Impairment losses

| Use | Location | Asset category |
|---|---|---|
| Semiconductor business CCFL products<br>manufacturing facilities, and others | Ishikawa Sanken Co., Ltd. Uchiura Factory (Noto-chou, Housu-gun, Ishikawa) | Machinery and equipment, and others |
| | Fukushima Sanken Co., Ltd. (Nihonmatsu-shi, Fukushima) | Machinery and equipment, and others |
| | Sanken Optoproducts Co., Ltd. (Shika-machi, Hakui-gun, Ishikawa) | Machinery and equipment, and others |
| | Korea Sanken Co., Ltd. (Masan-shi, Korea) | Buildings, Machinery and equipment, and others |

The Semiconductor business recognized impairment losses of ¥9,380 million on CCFL manufacturing facilities by devaluing the carrying amounts to recoverable amounts, which are their net selling prices, since the carrying amounts of certain fixed assets for this business segment are not expected to be recoverable. The severe business situation for CCFL products is expected to continue because of steep price erosion due to stiff competition from overseas CCFL manufacturers aggressively expanding their market share and the sharp drop of the number of units sold due to the decline of the number of CCFL tubes installed in individual LCD panels. In addition, the accelerated market penetration of LED backlight systems has brought a difficult future to the CCFL business in general.

## 17. Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Retirement benefit obligation | ¥ (26,350) | ¥ (25,955) | $ (316,905) |
| Plan assets at fair value | 18,435 | 18,368 | 221,708 |
| Unfunded retirement benefit obligation | (7,915) | (7,586) | (95,197) |
| Unrecognized actuarial loss | 6,168 | 6,385 | 74,188 |
| Unrecognized prior service cost | (1,259) | (1,482) | (15,151) |
| Net retirement benefit obligation | (3,006) | (2,684) | (36,160) |
| Prepaid pension cost | 22 | 369 | 275 |
| Accrued retirement benefits | ¥ (3,029) | ¥ (3,053) | $ (36,436) |

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Service cost | ¥ 1,365 | ¥ 1,403 | $ 16,421 |
| Interest cost | 556 | 566 | 6,693 |
| Expected return on plan assets | (496) | (182) | (5,973) |
| Amortization of actuarial loss | 960 | 1,540 | 11,556 |
| Amortization of prior service cost | (200) | (252) | (2,416) |
| Total | ¥ 2,185 | ¥ 3,075 | $ 26,281 |

For the years ended March 31, 2011 and 2010, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥328 million ($3,951 thousand) and ¥185 million, respectively.

The assumptions used in accounting for the above plans were as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Domestic companies | Overseas companies | Domestic companies | Overseas companies |
| Discount rates | 2.0% | 4.0% – 9.0% | 2.0% | 4.0% – 11.0% |
| Expected rates of return on plan assets | 1.7% – 2.7% | 4.0% – 8.8% | 0.3% – 1.2% | 7.0% – 8.8% |

## 18. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended March 31, 2011 and 2010.

A summary of the significant differences between the statutory income tax rate and the effective income tax rate for financial statement purposes for the years ended March 31, 2011 and 2010 was omitted as a net loss was recorded.

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Deferred tax assets: | | | |
| Net operating loss carryforwards | ¥ 13,313 | ¥ 10,572 | $ 160,108 |
| Accrued retirement benefits | 1,194 | 1,121 | 14,367 |
| Inventories | 2,182 | 2,207 | 26,245 |
| Accrued bonuses | 1,040 | 771 | 12,514 |
| Net unrealized holding gain | 243 | 236 | 2,926 |
| Tax credit carryforwards | 1,050 | 551 | 12,637 |
| Impairment losses | 2,524 | 3,793 | 30,366 |
| Other | 1,053 | 619 | 12,664 |
| Gross deferred tax assets | 22,602 | 19,874 | 271,831 |
| Valuation allowance | (21,023) | (19,119) | (252,843) |
| Total deferred tax assets | 1,578 | 755 | 18,987 |
| Deferred tax liabilities: | | | |
| Fixed assets | (1,339) | (1,119) | (16,111) |
| Reserve for special depreciation | (110) | (150) | (1,328) |
| Net unrealized gains on securities | (144) | (153) | (1,743) |
| Other | (197) | (109) | (2,370) |
| Total deferred tax liabilities | (1,792) | (1,533) | (21,553) |
| Net deferred tax liabilities | ¥ (213) | ¥ (778) | $ (2,566) |

## 19. Shareholders' Equity

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve must be set aside as additional paid-in capital or a legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as a legal earnings reserve until the total of the legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Code, however, on the condition that the total amount of the legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting.

Under the Law, all additional paid-in capital and all legal earnings reserves may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on June 24, 2011, the shareholders resolved cash dividends amounting to ¥364 million ($4,378 thousand) by using capital surplus. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011 and are recognized in the period in which they are resolved.

## 20. Contingent Liabilities

There were no contingent liabilities at March 31, 2011 and 2010.

## 21. Research and Development Expenses

Research and development expenses for the years ended March 31, 2011 and 2010 were ¥11,640 million ($139,993 thousand) and ¥11,060 million, respectively.

## 22. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased property at March 31, 2011 and 2010, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Acquisition costs | ¥ 797 | ¥ 974 | $ 9,595 |
| Accumulated depreciation | 659 | 660 | 7,928 |
| Accumulated impairment losses | 6 | 17 | 82 |
| Net book value | ¥ 131 | ¥ 296 | $ 1,584 |

With respect to finance lease contracts other than those under which the title of the leased equipment will be transferred to the Company by the end of the contract period, annual lease expenses for the years ended March 31, 2011 and 2010 and future minimum lease payments subsequent to March 31, 2011 and 2010 are summarized as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Lease expenses | ¥ 166 | ¥ 197 | $ 1,998 |
| Future minimum lease payments: | | | |
| Within one year | ¥ 107 | ¥ 171 | $ 1,291 |
| Over one year | 31 | 142 | 375 |
| | ¥ 138 | ¥ 314 | $ 1,666 |

Future minimum lease payments subsequent to March 31, 2011 and 2010 for noncancellable operating leases are as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Due in one year or less | ¥ 398 | ¥ 422 | $ 4,796 |
| Due after one year | 1,903 | 2,271 | 22,895 |
| | ¥ 2,302 | ¥ 2,693 | $ 27,692 |

## 23. Segment Information

(Additional information)

Effective the year ended March 31, 2011, the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," (ASBJ Statement No. 17, Revised 2009) and the "Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been applied.

**a. Outline of reportable segments**

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic analysis to determine the distribution of management resources and evaluate their business results.

The Company has its business units identified by products. Each business unit plans its comprehensive domestic and overseas strategy for its products, and operates its business activities. Therefore, the Company consists of its business units, identified by principal products, which are the four reportable segments of the "Semiconductor Devices Business," the "CCFL Business," the "Power Module Business" and the "Power System Business".

The Semiconductor Devices Business mainly manufactures and sells power ICs, control ICs, Hall-effect ICs, bipolar transistors, MOSFET, IGBT, thyristors, rectifier diodes and light emitting diodes(LEDs). The CCFL Business manufactures and sells cold cathode fluorescent lamps. The Power Module Business mainly manufactures and sells switching mode power supply units and transformers. The Power System Business mainly manufactures and sells uninterruptible power supplies(UPS), inverters, DC power supplies, airway beacon systems and general purpose power supplies.

**b. Calculation methods of the reportable segment sales, income (loss), assets, and other items**

The accounting method applied for reportable segments is the same as the basis of preparation for the consolidated financial statements. Intersegment sales and transfers are based on the prices in arm's-length transactions.

**c. Information about sales and segment income (loss) by reportable segments**

| Year ended March 31, 2011 | Reportable segments: Semiconductor Devices Business | CCFL Business | Power Module Business | Power System Business | Total | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | (Millions of yen) | | | | | | |
| Sales: | | | | | | | |
| (1) Sales to customers | ¥ 99,846 | ¥ 5,928 | ¥ 22,230 | ¥ 16,877 | ¥ 144,882 | ¥ — | ¥ 144,882 |
| (2) Intersegment sales and transfers | 2,248 | — | 340 | 0 | 2,589 | (2,589) | — |
| Total sales | 102,095 | 5,928 | 22,570 | 16,878 | 147,472 | (2,589) | 144,882 |
| Segment income (loss) | ¥ 8,714 | ¥ (1,425) | ¥ (1,024) | ¥ 1,871 | ¥ 8,135 | ¥ (1,985) | ¥ 6,149 |
| Segment assets | ¥ 84,108 | ¥ 6,193 | ¥ 16,168 | ¥ 9,674 | ¥ 116,145 | ¥ 16,238 | ¥ 132,384 |
| Others: | | | | | | | |
| Depreciation and amortization | 7,550 | 196 | 81 | 151 | 7,980 | 292 | 8,272 |
| Impairment losses | 41 | 8 | 195 | — | 245 | — | 245 |
| Increase in property, plant, equipment and intangible assets | 10,546 | 79 | 243 | 90 | 10,960 | 137 | 11,097 |

| Year ended March 31, 2011 | Semiconductor Devices Business | CCFL Business | Power Module Business | Power System Business | Total | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | (Thousands of U.S. dollars) | | | | | | |
| Sales: | | | | | | | |
| (1) Sales to customers | $1,200,802 | $ 71,298 | $ 267,350 | $ 202,975 | $1,742,427 | $ — | $1,742,427 |
| (2) Intersegment sales and transfers | 27,041 | — | 4,095 | 10 | 31,146 | (31,146) | — |
| Total sales | 1,227,843 | 71,298 | 271,446 | 202,985 | 1,773,574 | (31,146) | 1,742,427 |
| Segment income (loss) | $ 104,803 | $ (17,146) | $ (12,322) | $ 22,502 | $ 97,837 | $ (23,877) | $ 73,960 |
| Segment assets | $1,011,528 | $ 74,481 | $ 194,453 | $ 116,349 | $1,396,813 | $ 195,297 | $1,592,110 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Others: | | | | | | | |
| Depreciation and amortization | 90,803 | 2,363 | 978 | 1,827 | 95,972 | 3,515 | 99,487 |
| Impairment losses | 499 | 103 | 2,352 | — | 2,956 | — | 2,956 |
| Increase in property, plant, equipment and intangible assets | 126,842 | 953 | 2,934 | 1,083 | 131,814 | 1,654 | 133,468 |

Notes:

1. Adjustments for segment income (loss) of ¥(1,985) million ($(23,877) thousand) include corporate expenses. They are mainly general and administrative expenses, which are not allocable to the reportable segments.
2. Adjustments for segment assets of ¥16,238 million ($195,297 thousand) include corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly surplus operating capital (cash and deposits), long-term investments (investment securities) and assets related to administrative departments of the Company.
3. Adjustments for depreciation and amortization of ¥292 million ($3,515 thousand) are mainly administrative expenses.
4. Adjustments for increase in property, plant, equipment and intangible assets of ¥137 million ($1,654 thousand) are assets related to administrative departments of the Company.

| | Reportable segments | | | | | | |
|---|---|---|---|---|---|---|---|
| Year ended March 31, 2010 | Semiconductor Devices Business | CCFL Business | Power Module Business | Power System Business | Total | Adjustments | Consolidated |
| | (Millions of yen) | | | | | | |
| Sales: | | | | | | | |
| (1) Sales to customers | ¥ 80,928 | ¥ 13,610 | ¥ 23,156 | ¥ 16,438 | ¥ 134,134 | ¥ — | ¥134,134 |
| (2) Intersegment sales and transfers | 2,390 | — | 691 | 1 | 3,082 | (3,082) | — |
| Total sales | 83,318 | 13,610 | 23,848 | 16,439 | 137,217 | (3,082) | 134,134 |
| Segment income (loss) | ¥ 88 | ¥ (3,712) | ¥ (1,178) | ¥ 1,323 | ¥ (3,480) | ¥ (2,001) | ¥ (5,482) |
| Segment assets | ¥ 78,442 | ¥ 12,152 | ¥ 17,035 | ¥ 9,297 | ¥ 116,928 | ¥ 14,980 | ¥ 131,908 |
| Others: | | | | | | | |
| Depreciation and amortization | 7,763 | 1,562 | 53 | 161 | 9,541 | 295 | 9,836 |
| Impairment losses | 351 | 9,380 | 275 | — | 10,008 | 33 | 10,041 |
| Increase in property, plant, equipment and intangible assets | 4,724 | 215 | 289 | 133 | 5,361 | 95 | 5,457 |

Notes:

1. Adjustments for segment income (loss) of ¥(2,001) million include corporate expenses. They are mainly general and administrative expenses, which are not allocable to the reportable segments.
2. Adjustments for segment assets of ¥14,980 million include corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly surplus operating capital (cash and deposits), long-term investments (investment securities) and assets related to administrative departments of the Company.
3. Adjustments for depreciation and amortization of ¥295 million are mainly administrative expenses.
4. Adjustments for impairment losses of ¥33 million are related to the corporate assets, which are not allocable to the reportable segments.
5. Adjustments for increase in property, plant, equipment and intangible assets of ¥95 million are assets related to administrative departments of the Company.

**d. Related information**

Information about geographical area

(1) Sales

| Japan | Asia | North America | Europe | Others | Total |
|---|---|---|---|---|---|
| (Millions of yen) | | | | | |
| ¥ 63,243 | ¥ 56,984 | ¥ 13,498 | ¥ 11,154 | ¥ 2 | ¥ 144,882 |
| (Thousands of U.S. dollars) | | | | | |
| $ 760,595 | $ 685,323 | $ 162,334 | $ 134,145 | $ 27 | $ 1,742,427 |

(2) Property, plant and equipment

| Japan | North America | Asia | Others | Total |
|---|---|---|---|---|
| (Millions of yen) | | | | |
| ¥ 25,683 | ¥ 14,836 | ¥ 2,537 | ¥ 373 | ¥ 43,430 |
| (Thousands of U.S. dollars) | | | | |
| $ 308,881 | $ 178,426 | $ 30,515 | $ 4,497 | $ 522,320 |

Segment information for the year ended March 31, 2010

**a. Business segment information**

The business segment information of the Company and its consolidated subsidiaries for the year ended March 31, 2010 is summarized as follows:

| Year ended March 31, 2010 | Semiconductor business | Power Module business | Power System business | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | (Millions of yen) | | | | | |
| I. Sales: | | | | | | |
| (1) Sales to third parties | ¥ 94,538 | ¥ 24,376 | ¥ 15,219 | ¥ 134,134 | ¥ — | ¥ 134,134 |
| (2) Intersegment sales | 2,390 | 793 | 1 | 3,184 | (3,184) | — |
| Net sales | 96,928 | 25,169 | 15,220 | 137,318 | (3,184) | 134,134 |
| Operating expenses | 100,553 | 26,156 | 14,089 | 140,799 | (1,182) | 139,616 |
| Operating income (loss) | ¥ (3,624) | ¥ (986) | ¥ 1,130 | ¥ (3,480) | ¥ (2,001) | ¥ (5,482) |
| II. Total assets, depreciation and amortization, impairment losses, capital expenditures: | | | | | | |
| Total assets | ¥ 90,595 | ¥ 17,749 | ¥ 8,582 | ¥ 116,928 | ¥ 14,980 | ¥ 131,908 |
| Depreciation and amortization | 9,326 | 54 | 161 | 9,541 | 295 | 9,836 |
| Impairment losses | 9,732 | 275 | — | 10,008 | 33 | 10,041 |
| Capital expenditures | 4,939 | 289 | 133 | 5,361 | 95 | 5,457 |

**b. Operating revenues by geographic area**

Operating revenues by geographic area for the year ended March 31, 2010 are summarized as follows:

| Year ended March 31, 2010 | Japan | Asia | North America | Europe | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | (Millions of yen) | | | | | | |
| I. Sales: | | | | | | | |
| (1) Sales to third parties | ¥ 85,060 | ¥ 23,357 | ¥ 17,475 | ¥ 8,239 | ¥ 134,134 | ¥ — | ¥ 134,134 |
| (2) Intersegment sales | 11,900 | 15,763 | 14,923 | 13 | 42,601 | (42,601) | — |
| Net sales | 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) |
| II. Total assets: | ¥ 85,680 | ¥ 18,421 | ¥ 26,149 | ¥ 3,557 | ¥ 133,809 | ¥ (1,901) | ¥ 131,908 |

**c. Overseas sales**

Overseas sales for the year ended March 31, 2010 are summarized as follows:

| Year ended March 31, 2010 | Asia | North America | Europe | Other | Total |
|---|---|---|---|---|---|
| | | | (Millions of yen) | | |
| (1) Overseas sales | ¥ 54,351 | ¥ 9,872 | ¥ 9,316 | ¥ 2 | ¥ 73,544 |
| (2) Consolidated net sales | | | | | ¥ 134,134 |
| (3) Overseas sales as a percentage of consolidated net sales | 40.5 | 7.4 | 6.9 | 0.0 | 54.8 |

## 24. Related Party Transactions

There were no significant transactions with related parties for the years ended March 31, 2011 and 2010.

## 25. Stock Option Plans

For the year ended March 31, 2011

The amount of stock option compensation recognized for the year ended March 31, 2011 was ¥16 million ($192 thousand), ¥4 million ($57 thousand) was included in cost of sales and ¥11 million ($135 thousand) was included in general and administrative expenses.

In December 2010, a U.S. subsidiary purchased the stock options granted to its directors, officers and employees. The purchase prices were under their estimated fair values at the purchase date and totaled ¥1,949 million ($23,445 thousand).

As a result, the Company recorded a loss on cancellation of treasury stock acquisition rights of ¥1,707 million ($20,536 thousand) was recognized for the year ended March 31, 2011.

For the year ended March 31, 2010

The amount of stock option compensation recognized for the year ended March 31, 2010 was ¥33 million, ¥2 million was included in cost of sales and ¥31 million was included in general and administrative expenses.

The following table summarizes the contents of the stock option plan at March 31, 2010:

| | |
|---|---|
| Company name | Allegro MicroSystems, Inc. (a subsidiary) |
| Position and number of grantees | Directors: 1 |
| | Officers: 8 |
| | Employees: 435 |
| Class and number of shares | Common stock, 3,750,000 |
| Grant date | From May 30, 2001 to March 31, 2007 |
| Vesting conditions | Continuously employed until the 5th anniversary of the grant date |
| Service period | No provision |
| Exercisable period of subscription rights | Within 5 years from the vested date |

The following table summarizes stock option activity under the stock option plan during the year ended March 31, 2010:

| | |
|---|---|
| **Non-vested:** | |
| Outstanding at March 31, 2009 | 269,200 |
| Granted | — |
| Forfeited | 2,600 |
| Vested | 25,000 |
| Outstanding at March 31, 2010 | 241,600 |
| **Vested:** | |
| Outstanding at March 31, 2009 | 2,753,890 |
| Vested | 25,000 |
| Exercised | — |
| Forfeited | 28,500 |
| Outstanding at March 31, 2010 | 2,750,390 |

The following table summarizes price information of the stock option plan as of March 31, 2010:

| | |
|---|---|
| Weighted average exercise price per share | $7.20 |
| Weighted average fair value of stock option as of grant date | $7.20 |

No options were granted during the year ended March 31, 2010.

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited for the options that have already been vested.

## 26. Business Combination

For the year ended March 31, 2010

Transaction under common control:

**a. Companies involved in the merger and their business, legal form of the merger, company name after the merger and overview of the merger including its objective**

(1) Companies involved in the merger and their business

| | Name | Business |
|---|---|---|
| Acquirer (the Company) | Sanken Electric Co., Ltd. | Manufacture and sale of electric machinery and equipment |
| Acquiree (Subsidiary) | Sanken Transformer Co., Ltd. | Manufacture and sale of various power supply transformers |

(2) Legal form of the merger

The merger is an absorption-type merger, setting the Company as the surviving entity.

(3) Company name after the merger

Sanken Electric Co., Ltd.

(4) Overview of the merger including its objective

Sanken Transformer is primarily engaged in the business to manufacture and sell various power supply transformers, taking advantage of its proven track record and proprietary know-how as a transformer specialist. In order to concentrate business resources and enhance management efficiency of the entire corporate group, the Company decided to merge with and absorb Sanken Transformer on October 1, 2009 as the effective merger date.

**b. Basis for accounting treatment**

In accordance with "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003) and "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, November 15, 2007), the Company accounted for the merger as transaction under common control.

## 27. Amounts per Share

Amounts per share as of and for the years ended March 31, 2011 and 2010 were as follows:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Yen) | | (U.S. dollars) |
| Net loss – basic | ¥ (7.60) | ¥ (156.05) | $ (0.09) |
| Net assets | 274.05 | 306.54 | 3.29 |

Diluted net income per share for the year ended March 31, 2011 is not disclosed due to the net loss per share and no dilutive shares, and diluted net income per share for the year ended March 31, 2010 is not disclosed due to the net loss per share, although dilutive shares exist.

Net loss per share was calculated on the following basis:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen, except number of shares) | | (Thousands of U.S. dollars, except number of shares) |
| Net loss | ¥ (922) | ¥ (18,950) | $ (11,098) |
| Amounts not available to shareholders of common stock | — | — | — |
| Net loss attributable to shareholders of common stock | (922) | (18,950) | (11,098) |
| Average number of shares outstanding during the year (Thousands of shares) | 121,381 | 121,436 | — |

Net assets per share were calculated on the following basis:

| | 2011 | 2010 | 2011 |
|---|---|---|---|
| | (Millions of yen, except number of shares) | | (Thousands of U.S. dollars, except number of shares) |
| Net assets | ¥ 33,520 | ¥ 37,761 | $ 403,127 |
| Amounts deducted from net assets : | 263 | 547 | 3,168 |
| Stock acquisition rights | — | (287) | — |
| Minority interests | (263) | (259) | (3,168) |
| Net assets attributable to shareholders | 33,256 | 37,214 | 399,958 |
| Number of shares outstanding at the end of the year (Thousands of shares) | 121,351 | 121,400 | — |

## 28. Significant Subsequent Events

There were no significant subsequent events for the year ended March 31, 2011.

For the year ended March 31, 2010

Reductions of the capital reserve and the legal earnings reserve, and appropriation of surplus, which have not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2010, were approved at the annual shareholders' meeting held on June 25, 2010.

**(a) Purpose**

This was carried out in order to achieve sound financial conditions by offsetting the losses carried forward and to prepare for securing and enhancing distributable funds for early resumption of dividends as well as to realize a flexible and expeditious capital policy in the future.

**(b) Procedure**

(1) Reserves to be reduced

Under the provision of paragraph 1 of Article 448 of the Corporate Law, part of the capital reserve and all of the legal earnings reserve as of March 31, 2010 shall be reduced and each shall be transferred to other capital surplus and retained earnings.

<1> Amounts of capital reserve and legal earnings reserve to be reduced as of March 31, 2010

| | (Millions of yen) |
|---|---|
| Capital reserve | ¥ 15,894 |
| Legal earnings reserve | 1,847 |

<2> Amounts of other capital surplus and retained earnings to be increased as of March 31, 2010

| | (Millions of yen) |
|---|---|
| Other capital surplus | ¥ 15,894 |
| Retained earnings | 1,847 |

<3> Effective date

August 3, 2010 (Scheduled)

(2) Appropriation of surplus

Under the provision of Article 452 of the Corporate Law, part of other capital surplus and all of general reserve shall be reduced after transfer under paragraph 1 above and they shall be transferred to retained earnings.

<1> Accounts and amounts to be reduced

| | (Millions of yen) |
|---|---|
| Other capital surplus | ¥ 2,214 |
| General reserve | 17,300 |

<2> Specific account and amount to be increased

| | (Millions of yen) |
|---|---|
| Retained earnings | ¥ 19,514 |

# Report of Independent Auditors

The Board of Directors
Sanken Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sanken Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

June 24, 2011

Ernst & Young ShinNihon LLC

# Board of Directors

As of June 24, 2011

### Directors and Auditors

| | |
|---|---|
| Director, President | Sadatoshi Iijima |
| Directors | Takashi Wada |
| | Nobuhiro Katou |
| | Masao Hoshino |
| | Akira Ota |
| | Dennis H.Fitzgerald |
| Standing Corporate Auditor | Mitsumasa Sugiyama |
| Corporate Auditors | Hideki Kagaya |
| | Hiroshi Ishibashi |
| | Mikihiko Wada |

### Corporate Officers

| | |
|---|---|
| Senior Vice Presidents | Takashi Wada |
| | Nobuhiro Katou |
| Senior Corporate Officers | Masao Hoshino |
| | Kinji Kudo |
| | Mitsuo Ueki |
| | Tatsuo Okino |
| | Akira Ota |
| | Yoshihiro Suzuki |
| Corporate Officers | Masahiro Sasaki |
| | Kouichi Shimura |
| | Youkou Suzuki |
| | Kazunori Suzuki |
| | Yukiyasu Taniyama |
| | Kiyoshi Murakami |
| | Shigeru Ito |
| | Hiroyuki Ouchi |
| | Takeshi Soroji |

# Investor Information

As of March 31, 2011

| | |
|---|---|
| Company name | Sanken Electric Co., Ltd. |
| Founded | September 5, 1946 |
| Headquarter | 3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan |
| | Phone : +81-48-472-1111 |
| | Facsimile : +81-48-471-6249 |
| Employees | 9,981 |
| Common stock | Authorized : 257,000,000 shares |
| | Issued : 125,490,302 shares |
| Shareholders | 16,796 |

| | | |
|---|---|---|
| Distribution by type of shareholders | | |
| | Financial Institutions | 36.82% |
| | Individuals | 33.76% |
| | Foreigners | 19.73% |
| | Other | 9.69% |
| Distribution by number of shares owned | | |
| | 1,000,000 or more | 38.50% |
| | 100,000 or more | 25.08% |
| | 10,000 or more | 13.44% |
| | Less than 10,000 | 22.98% |

### Principal Shareholders

| Shareholders | Number of shares held (in thousands) | Percentage of voting rights |
|---|---|---|
| The Master Trust Bank of Japan,Ltd. (Trust Account) | 11,724 | 9.66% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 9,526 | 7.84% |
| Saitama Resona Bank, Limited | 6,011 | 4.95% |
| Juniper | 3,000 | 2.47% |
| International Rectifier Corporation | 2,500 | 2.06% |
| NIPPONKOA Insurance Co., Ltd. | 2,061 | 1.69% |
| Nomura Asset Management U.K. Limited Sub A/C Evergreen Nominees Ltd. | 1,867 | 1.53% |
| The Hachijuni Bank, Ltd. | 1,556 | 1.28% |
| The Nomura Trust and Banking Co, Ltd. (Investment Trust Account) | 1,404 | 1.15% |
| Falcon | 1,390 | 1.14% |

Note : The Company holds 4,138,777 (3.30%) shares of treasury stock but is excluded from the principal shareholders listed above.

### Bonds

| Type of bonds | Date of issue | Balance of bonds (in Yen) |
|---|---|---|
| The 4th unsecured bonds | September 18, 2008 | 20,000,000,000 |

**Sanken Electric Co., Ltd.**
3-6-3, Kitano, Niiza-shi, Saitama-ken 352-8666, Japan
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