

**To Those Shareholders with Voting Rights**

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6-3, Kitano 3-chome, Niiza-shi,  
Saitama Prefecture

**NOTICE OF CONVOCATION OF THE 94TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We express our heartfelt sympathy to those who have suffered from the Great East Japan Earthquake, and hope that the affected stricken area will return to normalcy as soon as possible.

You are cordially invited to attend the 94th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

**If you are unable to attend the meeting, you can exercise your voting rights by mail or via the Internet through either of the methods described in 4. on the next page. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m., Thursday, June 23, 2011.**

**Notice**

**1. Date and Time** 10:00 a.m., Friday, June 24, 2011

**2. Place** The Company's Head Office  
6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture

**3. Agenda of the Meeting:**

- Matters to be reported:**
1. The Business Report, the Consolidated Financial Statements and results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Board of Statutory Auditors for the 94th Fiscal Term (from April 1, 2010 to March 31, 2011)
  2. The Non-Consolidated Financial Statements for the 94th Fiscal Term (from April 1, 2010 to March 31, 2011)

**Proposals to be resolved:**

**Proposal No. 1:** Appropriations of Surplus

**Proposal No. 2:** Election of Six Directors

**Proposal No. 3:** Election of Three Statutory Auditors

**Proposal No. 4:** Renewal of the Policy for the Handling of Large Purchases of Company Shares (Anti-Takeover Measures)

#### **4. Method for Exercising Your Voting Rights When You are Unable to Attend the Meeting**

[Voting by mail]

Please return the Voting Rights Exercise Form with your vote by mail. The completed form must reach us by the deadline designated on the previous page.

[Voting via the Internet]

Please access our website (<http://www.web54.net>), enter the code for the exercise of voting rights and the temporary password on the Voting Rights Exercise Form, and register your approval or disapproval for each proposal by following the instructions on the screen. You will find the instructions for voting via the Internet in "A Guide for the Exercise of Your Voting Rights via the Internet" on pages 54 and 55.

If we receive your vote both by mail and via the Internet, the Internet vote will be counted as valid and the vote received by mail will be discarded.

#### **5. Other Matters Relating to Convocation of the General Meeting of Shareholders**

From among documents to be provided upon the notification of convocation, the NOTES TO CONSOLIDATED FINANCIAL STATEMENTS and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS are disclosed on our website (<http://www.sanken-ele.co.jp/>) in accordance with laws and regulations and the provisions of Article 16 of the Articles of Incorporation of the Company. Therefore, they are not stated in the Attached Documents.

**When attending the meeting in person, please submit the enclosed Voting Rights Exercise Form to the receptionist.**

**If the Attached Documents and the Reference Documents for the General Meeting of Shareholders (including those disclosed on our website) are amended, the amended items will be disclosed on our website (<http://www.sanken-ele.co.jp/>).**

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Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

**BUSINESS REPORT**  
(from April 1, 2010 to March 31, 2011)

**1. Current Status of the Company Group**

**(1) Review of Operations**

The global economy during the current consolidated fiscal period has remained on a moderate recovery trend as a whole, buoyed mainly by continued economic growth in emerging nations, including China, and gradual recovery of the US economy. Yet conditions have remained as adverse as ever for the Japanese economy, which has been aggravated by the persistently strong yen and downward pressure on corporate profits attributable to rising costs of materials. In addition, the Great East Japan Earthquake of March 11, 2011 significantly hindered the production activities of many companies in and around the Tohoku region, forcing factory shutdowns in the disaster area and interrupting logistics networks. 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 electric components for automobiles and white goods progressed favorably, however, and demand remained steady as a whole.

Under these circumstances, the Company group has made efforts to expand its business under a basic policy of “expanding the scale of sales” and “instituting structural reforms” in the significantly changed market after the Lehman collapse. Specifically, to better serve today’s rapidly growing “eco-friendly and energy saving” markets and “emerging country markets,” we developed a wide selection of comprehensive solutions from both the development and sale perspectives and made other efforts to increase sales in and around our core semiconductor device business. In addition, to ensure the product supply capacity required for the sales growth, we expanded wafer production capacity in Polar Semiconductor, Inc., a US subsidiary, and increased our product lineup for power management ICs. To respond to the growing adoption of inverters in emerging countries, we also focused on an increase in the production of motor driver ICs for white goods applications. Meanwhile, we tried to continuously curtail fixed costs and made various other efforts to strengthen our earnings structure while promoting measures for structural reforms such as factory consolidations in the front-end wafer processes. Yet amidst these developments, three production subsidiaries in the Company group were damaged by the Great East Japan Earthquake occurred at the end of the fiscal period, 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, for the business results of the current consolidated fiscal year, consolidated net sales were ¥144,882 million, an increase of ¥10,748 million (8.0%) compared to the previous period. For income, we recorded consolidated operating income of ¥6,149 million (a consolidated operating loss of ¥5,482 million in the previous period) and consolidated ordinary income of ¥4,973 million (a consolidated ordinary loss of ¥6,048 million in the previous period). While our regular business was profitable, the Company group recorded a current consolidated net loss of ¥922 million (a consolidated net loss of ¥18,950 million in the previous period), mainly due to disaster-related losses.

## Overview of the Business Segments

### **Semiconductor Devices**

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

In this segment, 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 and industrial products remained steady because of the recovery of corporate IT investments. Sales of automotive products advanced favorably throughout the year, pushed by the growing demand for fuel-efficiency solutions and the higher electronic content in automobiles. To respond to the increased demand for semiconductors, we reinforced production systems through measures such as aggressive capital investments to expand production capacity and took other efforts to raise 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.

### **CCFLs**

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

In this segment, orders received were as depressed as ever and sales significantly decreased due to the accelerated market penetration of LED backlight systems for LCD TVs. To cope with these challenges, we promoted various measures to reduce fixed costs, including a consolidation of production sites and a headcount reduction proportional to the reduction in production volume.

### **Power Modules**

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

In this segment, 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 decrease as compared to the previous period. Though income improved in this segment, delays in a smooth changeover to new models better adapted to rising parts prices and declining sales price offset the effects of the income improvement, resulting only in a narrowing of the deficit.

### **Power Supplies**

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

In this segment, sales of power supply units for cellphone base stations progressed favorably, thanks mainly to an increase in capital investments by telecommunication companies prompted by the widespread use of smartphones and reallocation of frequencies. Sales of uninterruptible power supply units for airports and highway facilities have also progressed on the budget. As a result, sales and profits both increased compared to the previous period.

## Consolidated Sales by Segment

	93rd Term (Year ended March 31, 2010)	Percentage of total	94th Term (Year ended March 31, 2011)	Percentage of total
Semiconductor devices	(millions of yen) 80,928	% 60.3	(millions of yen) 99,846	% 68.9
CCFLs	13,610	10.1	5,928	4.1
PMs	23,156	17.3	22,230	15.3
PSs	16,438	12.3	16,877	11.7
Total	134,134	100.0	144,882	100.0

Note: From the current consolidated fiscal period, “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) has been applied and our businesses are classified into four segments of “semiconductor device business,” “CCFL business,” “PM business” and “PS business.”

### (2) Capital Investment

Capital investment during the fiscal term under review amounted to 10,595 million yen. This mainly consisted of investment for the purpose of expansion and rationalization of the semiconductor production lines of subsidiaries such as Allegro Microsystems, Inc. and Polar Semiconductor, Inc.

### (3) Financing

The Company Group allocated the funds required during the fiscal term under review from its own funds and borrowings, among other sources. No special funds were acquired through increases of capital or bond issues.

### (4) Issues to be Addressed

Looking into the future of the global economy, we expect moderate recovery to continue as a whole, as the emerging nations will keep growing and the US will stay on a recovery track. In electronics, the industry to which the Company group belongs, we expect demand to progress steadily, backed by requests for eco-friendly and energy-saving solutions in the markets. There remain risks, however, that demand expansion in the emerging nations will lead to rising resource prices and negatively affect the economy. If the decreases in domestic production capacity due to the Great East Japan Earthquake are prolonged, there is a risk that the Japanese businesses will lose foreign customers. We therefore see little room for optimism in the immediate future.

Under these circumstances, in entering the final year of the 2009 mid-term business plan, the Company group will focus on maximizing profits under the basic policy of “expanding the scale of sales” and “harvesting the results of structural reforms.” For technology development, the Company group newly established an organization dedicated to the development of strategic products at the time of an organizational change effected on April 1, 2011 and strengthened comprehensive solution functions in existing departments. Accordingly, we will expand sales of semiconductor device products as early as possible and focus on cost improvement on a unit of product basis by thoroughly harvesting the results of structural reforms implemented thus far. On the sales front, we will expand 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. Furthermore, we expect Allegro MicroSystems, Inc., a subsidiary, to bring in increased orders received in the automobile market in the future, and this will contribute to expanded sales. For production, we in recent years implemented aggressive structural reforms mainly for the expansion of production and efficiency. In order to ensure more outcomes from these actions, in this fiscal period, we will harvest the results by promoting closer intra-group communication with where manufacturing takes place and closer contact with physical properties of real products through the dispatch of

engineers to our group production sites, and by encouraging actions toward further increases in production. Polar Semiconductor, Inc., a subsidiary, has already finished its capacity expansion projects and has built systems to cope quickly with sudden surges in demand for semiconductors. In addition, power semiconductors and power systems, our core products, hold a pivotal place in today's rapidly growing "eco-friendly and energy-saving" markets. We will further accelerate market penetration by providing customers with comprehensive solutions backed by our broadly accumulated technological experience and products.

Our production sites affected by the Great East Japan Earthquake resumed production before the end of March 2011, thanks to restoration activities coordinated by the disaster response command center. Nevertheless, we expect various problems attributable to the disaster to continue to arise for a long time to come, including disruptions in the supply chain, power restrictions, and frequent aftershocks. To cope with these and other problems and strive for stable production in factories, we established a committee for business continuity under direct control of the President, on April 1, 2011. The Company group will strive to improve business results with "global perspectives" and "speed in digitally-driven markets." We appreciate your continued trust and support.

## (5) Business Results and Summary of Assets

		Fiscal term ended March 31, 2008 (91st Term)	Fiscal term ended March 31, 2009 (92nd Term)	Fiscal term ended March 31, 2010 (93rd Term)	Fiscal term ended March 31, 2011 (94th Term)
Net sales	(millions of yen)	184,309	147,003	134,134	144,882
Ordinary income (loss)	(millions of yen)	4,481	(7,716)	(6,048)	4,972
Net income (loss)	(millions of yen)	1,776	(15,773)	(18,950)	(922)
Net income (loss) per share	(yen)	14.62	(129.85)	(156.05)	(7.60)
Total assets	(millions of yen)	173,529	147,768	131,908	132,384
Net assets	(millions of yen)	78,081	57,818	37,761	33,520

Notes: Net income (loss) per share is calculated based on the average number of shares outstanding in each fiscal term. The average number of shares outstanding excludes treasury stock.

## (6) Principal Business of the Company

The Company Group mainly engages in the manufacture and sale of electric equipment and devices.

Segment	Products
Semiconductors	Power ICs, Control ICs, Hall-effect ICs, Bipolar transistors, MOSFETs, IGBTs, Thyristors, Rectifier Diodes, Light Emitting Diodes (LEDs)
CCFLs	Cold Cathode Fluorescent Lamps (CCFLs)
PMs	Switching mode power supplies, Transformers
PSs	Uninterruptible power supplies (UPSs), Inverters, DC power supplies, High-intensity airway beacon system, General Purpose Power Supplies

**(7) Principal Offices and Plants****(i) The Company**

Offices	Location
Head Office	Niiza-shi, Saitama Prefecture
Kawagoe Plant	Kawagoe-shi, Saitama Prefecture
Tokyo Office	Toshima-ku, Tokyo
Osaka Branch	Osaka-shi, Osaka
Sapporo Sales Office	Sapporo-shi, Hokkaido
Sendai Sales Office	Sendai-shi, Miyagi Prefecture
Nagoya Sales Office	Nagoya-shi, Aichi Prefecture
Kanazawa Sales Office	Kanazawa-shi, Ishikawa Prefecture
Hiroshima Sales Office	Hiroshima-shi, Hiroshima Prefecture
Kyushu Sales Office	Fukuoka-shi, Fukuoka Prefecture

Note: The Niiza Plant closed and ceased operations on September 30, 2010.

**(ii) Subsidiaries**

Name	Offices	Location
Ishikawa Sanken Co., Ltd.	Head Office, Horimatsu Plant	Shika-machi, Hakui-gun, Ishikawa Prefecture
	Shika Plant	Shika-machi, Hakui-gun, Ishikawa Prefecture
	Monzen Plant	Wajima-shi, Ishikawa Prefecture
	Machino Plant	Wajima-shi, Ishikawa Prefecture
	Uchiura Plant	Noto-machi, Housu-gun, Ishikawa Prefecture
Yamagata Sanken Co., Ltd.	Head Office	Higashine-shi, Yamagata Prefecture
Kashima Sanken Co., Ltd.	Head Office	Kamisu-shi, Ibaraki Prefecture
Fukushima Sanken Co., Ltd.	Head Office	Nihonmatsu-shi, Fukushima Prefecture
Sanken Optoproducts Co., Ltd.	Head Office	Shika-machi, Hakui-gun, Ishikawa Prefecture
Dalian Sanken Electric Co., Ltd.	Head Office	Liaoning, China
Allegro MicroSystems, Inc.	Head Office	Massachusetts, U.S.A.
Polar Semiconductor, Inc.	Head Office	Minnesota, U.S.A.
Sanken Power Systems (UK) Limited	Head Office	Bridgend, U.K.
P.T. Sanken Indonesia	Head Office	West Java, Indonesia
Korea Sanken Co., Ltd.	Head Office	Changwon City, Korea
Sanken L.D. Electric (Jiangyin) Co., Ltd.	Head Office	Jiangsu, China

**(8) Status of Principal Subsidiaries**

Name	Common stock	Percentage of equity participation	Principal business
Ishikawa Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors
Yamagata Sanken Co., Ltd.	100 million yen	100.0%	Manufacture of semiconductors
Kashima Sanken Co., Ltd.	75 million yen	100.0%	Manufacture of semiconductors
Fukushima Sanken Co., Ltd.	50 million yen	100.0%	Manufacture of semiconductors
Sanken Optoproducts Co., Ltd.	90 million yen	100.0%	Manufacture of CCFL
Dalian Sanken Electric Co., Ltd.	25.154 million yuan	100.0%	Manufacture and sale of PM
Allegro MicroSystems, Inc.	0.25 million US dollars	100.0%	Manufacture and sale of semiconductors
Polar Semiconductor, Inc.	10 million US dollars	100.0%	Manufacture of semiconductors
Sanken Power Systems (UK) Limited	5.992 million Stg. pounds	100.0%	Development and sale of semiconductors and PM
P.T. Sanken Indonesia	21 million US dollars	100.0%	Manufacture and sale of PM
Korea Sanken Co., Ltd.	759 million won	100.0%	Manufacture of CCFL
Sanken L.D. Electric (Jiangyin) Co., Ltd.	28.973 million yuan	60.0%	Manufacture and sale of PS

Note: Sanken Power Systems (UK) Limited implemented a return of capital of 5.992 million Stg. Pounds as of March 29, 2011.

**(9) Employees**

Number of employees	Year-on-year
9,981	-5

Note: The number of employees of the Company (non-consolidated) is 1,262. This is a decrease of 49 employees from the previous year.

**(10) Major Creditors**

Creditors	Loan Outstanding
Resona Bank, Limited.	7,970 million yen
Development Bank of Japan Inc	5,000 million yen
The Hachijuni Bank, Ltd.	3,238 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,788 million yen
Saitama Resona Bank, Limited	2,000 million yen

## 2. Shares of the Company

(1) Total number of shares authorized to be issued 257,000,000

(2) Total number of shares issued 125,490,302  
(The number includes 4,138,777 shares of treasury stock)

(3) Number of shareholders 16,796

### (4) Major shareholders

Name	Capital contribution	
	Number of shares (thousands)	Percentage of equity participation
The Master Trust Bank of Japan, Limited (Trust Account)	11,724	9.66%
Japan Trustee Services Bank, Limited (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 Company, Limited	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%

Notes: 1. The Company holds 4,138,777 shares of treasury stock that are excluded from the major shareholders listed above.

2. Percentage of equity participation is calculated after deducting the number of shares held as treasury stock from the total number of shares issued, and digits below the third decimal place are omitted.

### 3. Officers of the Company

#### (1) Directors and Statutory Auditors

Position	Name	Assignment or significant concurrent office
Director, President	Sadatoshi Iijima	
Director	Hidejiro Akiyama	Executive Vice President, Corporate Administration Headquarters
Director	Takashi Wada	Senior Vice President, Production Headquarters
Director	Nobuhiro Katou	Senior Corporate Officer, Sales Headquarters
Director	Masao Hoshino	Senior Corporate Officer, Engineering Headquarters
Director	Akira Ota	Senior Corporate Officer, General Manager, Planning and Finance Division, Corporate Administration Headquarters and Officer in charge of IR
Director	Dennis H. Fitzgerald	Director, President and CEO, Allegro MicroSystems, Inc.
Standing Statutory Auditor (Full-time)	Mitsumasa Sugiyama	
Statutory Auditor (Full-time)	Hideki Kagaya	
Statutory Auditor	Hiroshi Ishibashi	Attorney at law; External Statutory Auditor, Matsuya Co. Ltd.; External Statutory Auditor, NIPPON PISTON RING CO., LTD.
Statutory Auditor	Masanobu Kurihara	

Notes: 1. Mr. Akira Ota, Director, and Mr. Hideki Kagaya, Statutory Auditor, were newly elected at the 93rd Ordinary General Meeting of Shareholders held on June 25, 2010 and assumed their respective offices.

2. Messrs. Hiroshi Ishibashi and Masanobu Kurihara are External Statutory Auditors.

3. The Statutory Auditor Masanobu Kurihara has long experience working at a financial institution and extensive knowledge in finance and accounting.

4. Mr. Takaaki Mikami resigned from office as a Statutory Auditor at the closing of the 93rd Ordinary General Meeting of Shareholders held on June 25, 2010.

5. Corporate Officers of the Company who do not double as Directors as of March 31, 2011:

Position	Name	Assignment
Senior Corporate Officer	Kinji Kudo	Deputy Head, Production Headquarters and General Manager, Process Technology Division
Senior Corporate Officer	Mitsuo Ueki	General Manager, Quality Assurance Division
Senior Corporate Officer	Tatsuo Okino	Deputy Head, Corporate Administration Headquarters and General Manager, General Affairs and Personnel Division, Corporate Administration Headquarters
Corporate Officer	Yoshihiro Suzuki	General Manager, Overseas Business Strategy Office, Corporate Administration Headquarters
Corporate Officer	Masahiro Sasaki	General Manager, PPD Division, Engineering Headquarters
Corporate Officer	Kouichi Shimura	In charge of Telecommunication Sales, Sales Headquarters
Corporate Officer	Youkou Suzuki	Deputy Head, Engineering Headquarters
Corporate Officer	Kazunori Suzuki	Deputy Head, Sales Headquarters and General Manager, Overseas Sales Division
Corporate Officer	Yukiyasu Taniyama	General Manager, Opt BU, Production Headquarters
Corporate Officer	Kiyoshi Murakami	General Manager, Material Division, Production Headquarters
Corporate Officer	Shigeru Ito	General Manager, PS Division, Production Headquarters
Corporate Officer	Hiroyuki Ouchi	General Manager, Power BU, Production Headquarters
Corporate Officer	Takeshi Soroji	General Manager, Device BU, Production Headquarters

## (2) Compensation paid to Directors and Statutory Auditors

Seven Directors	169 million yen
Five Statutory Auditors	47 million yen (of which 8 million yen is for two External Statutory Auditors)

Note: The number of statutory auditors and the amount of compensation paid to statutory auditors include those for one statutory auditor who retired at the conclusion of the 93rd Ordinary General Meeting of Shareholders held on June 25, 2010.

## (3) External Statutory Auditors

### (i) Relationship between the Company and other companies of which significant offices are concurrently held by External Statutory Auditors

Hiroshi Ishibashi concurrently serves as an External Statutory Auditor of Matsuya Co., Ltd. and NIPPON PISTON RING Co., LTD. There are no matters to be stated between the Company and the above two companies. In addition, Hiroshi Ishibashi is a lawyer who belongs to the Marunouchi Law Office, a firm with which the Company has executed a legal advisory agreement. Hiroshi Ishibashi satisfies the qualifications for an independent officer stipulated by the Tokyo Stock Exchange, and the Company therefore judges that his independence from the management of the Company is ensured. Accordingly, the Company has filed with the Exchange a notification to certify that Mr. Hiroshi Ishibashi is an independent officer.

### (ii) Major activities of External Statutory Auditors

Name	Major activities
Hiroshi Ishibashi	Attended all 10 meetings of the Board of Directors held during the period under review. Contributed to these meetings with comments based mainly on his professional perspective as a lawyer. Attended all 14 meetings of the Board of Statutory Auditors held during the period under review. Contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.
Masanobu Kurihara	Attended all 10 meetings of the Board of Directors held during the period under review. Contributed to these meetings with comments based mainly on his rich experience and knowledge as a corporate manager. Attended all 14 meetings of the Board of Statutory Auditors. Contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.

## 4. Accounting Auditors

(1) Name of Accounting Auditor Ernst & Young ShinNihon LLC

(2) Compensation paid to Accounting Auditor for the year under review

	Amount paid
(i) Compensation paid or payable to the Accounting Auditor concerning the audit services for the year under review	72 million yen
(ii) The total amount of money and property interests paid or payable to the Accounting Auditor for the Company and subsidiaries	78 million yen

Notes: 1. The Audit contract between the Company and the Accounting Auditor does not separate the compensation concerning the Audit for the Companies Act from the compensation concerning the Audit described by the Financial Instruments and Exchange Act. Accordingly, the amount described in (i) represents the total amount of these compensations.

2. Some subsidiaries of the Company employ certified public accountants or audit corporations (or persons with equivalent qualifications in foreign countries concerned) for auditing.

(3) Non-Auditing Services

During the period under review, the Company entrusted the accounting auditor with advisory services pertaining to the introduction of International Financial Reporting Standards. This activity entrusted to the accounting auditor is not prescribed in Paragraph 1 of Article 2 of the Certified Public Accountants Law.

(4) Policy for determining the dismissal or non-reappointment of Accounting Auditor

If the Board of Directors has judged that it will be necessary to dismiss or forego reappointment of an Accounting Auditor, such as in cases when the execution of duties by an Accounting Auditor is adversely affected, the Board of Directors may propose the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders, with the prior approval of the Board of Statutory Auditors or based on a formal request from the Board of Statutory Auditors.

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, such Accounting Auditor shall be dismissed subject to the unanimous approval at the Board of Statutory Auditors. In this case, one of the statutory auditors designated by the Board of Statutory Auditors shall report the dismissal of the Accounting Auditor and the reason for the dismissal to the first shareholders' meeting to be convened after the dismissal. Further, the Board of Statutory Auditors shall determine whether to reappoint an Accounting Auditor, based on its assessment of the performance of duties by the Accounting Auditor.

## 5. System for Ensuring Appropriate Conduct of Operations

The Company's Board of Directors adopted a series of resolutions on the system to ensure proper operation, as follows:

(1) System for ensuring that the directors and employees perform their duties in accordance with laws, regulations, and the Article of Incorporation.

- (i) The Board of Directors deliberates material business execution, supervises the execution of duties by each director, and checks legality, in accordance with "Regulations of the Board of Directors."
- (ii) The Company establishes and implements a "Management Philosophy," "Code of Conduct," and "Sanken Conduct Guideline." The Company also ensures that the executives and employees comply with laws, regulations and the Articles of Incorporation, by familiarizing them with the compliance mindset and the importance of compliance and by implementing ongoing educational training activities, both arranged by

Representative Directors. The CSR Office, with its internal audit functions, audits the performance of duties in the Company and each of the group companies and ensures the effectiveness of the compliance system by making the most of a whistle-blowing protocol.

- (iii) The Company clarifies the scope of duties and authorities based on “the Fundamental Standards for Organization and Authorities”, “the Regulations on the Division of Duties”, “the Standards for Common Administrative Authorities”, and “the Regulations on the *Ringi* (requests for authorization)”, and it records the results and processes of decision-making using the *Ringi*.
- (iv) The Company establishes a system to secure the reliability of financial information by undertaking on an ongoing basis a company-wide review of the control systems pertaining to financial information and the processes for preparing and reporting financial information.

**(2) System for the storage and management of information with regard to the execution of duties by directors**

Storage and management of the Minutes of the Board of Directors and other documents and records on important meetings and business execution shall be governed by laws, regulations, and various internal rules.

**(3) Rules and other aspects of the system for managing risks of loss**

- (i) Risks associated with key investments or new businesses are discussed from various viewpoints and determined deliberatively at the Board of Directors, Management Committee, and other important meetings.
- (ii) Risks in the ordinary course of business are evaluated and addressed by each department in charge. The Crisis Management Committee implements unified, cross-sectional, and group-wide risk management.

**(4) System for ensuring that the duties of the directors are efficiently performed**

- (i) The Board of Directors formulates the mid-term management plan and annual budget, and checks the progress of business execution based on the report on the progress of achievement, while the Management Committee is responsible for monthly performance management.
- (ii) The Management Committee discusses basic and material matters among the items on the agenda to be resolved at the Board of Directors and the business operations to be executed by the Representative Directors. It also performs business promptly and flexibly using the corporate officer system.

**(5) System for ensuring appropriate business operations within the Company and within each group company**

- (i) When necessary, the Company sends its officers and employees to Group companies as incoming directors to follow up on the Company's management policy, determine material business-related issues, and promote efficient management.
- (ii) The scope of duties and authorities between the Company and each group company is clarified in accordance with “the Administration Standards for Subsidiaries and Affiliates” or “the Management Guidelines.”
- (iii) An organization in charge of each group company is established at the Company to bear responsibility for the guidance of management and enhancement of managerial performance through close information sharing.

**(6) Matters regarding employees appointed for the support of statutory auditors when so requested by statutory auditors, and matters regarding the independence of employees so appointed**

Staff of the General Affairs and Personnel Division will assist the deskwork of the Secretariat's Office of the Board of Statutory Auditors. Exclusive auditing staff shall be assigned to support the operations of the statutory auditors, as necessary. The appointment of such exclusive auditing staff shall be determined through consultation among the directors and statutory auditors.

**(7) System for reporting to statutory auditors by directors and employees, and other systems for reporting to statutory auditors**

- (i) Standing statutory auditors attend the Management Committee meetings, inspect and receive principal documents, and report the contents of principal documents to the Board of Statutory Auditors.
- (ii) Each of the directors, General Manager of CSR Office, and each of the Accounting Auditors meet with statutory auditors regularly to report the situations of the Company and the audits. If officers or employees discover any fact or event which is likely to cause material damage to the Company or any illegal actions in the course of business operations, such officers or employees must report the matter to the statutory auditors.

**(8) Other system for ensuring effective auditing by the statutory auditors**

The Board of Statutory Auditors draws up the auditing standards, audit plans, and audit policies. Each statutory auditor conducts audits properly based on its own expertise and experience. An efficient and highly effective audit system is realized through these efforts.

**(9) Basic concept and structure towards the exclusion of antisocial forces**

- (i) We have no relationship with antisocial forces, and we consistently refuse requests from antisocial forces.
- (ii) As a code of conduct for employees, we have formulated the “Sanken Conduct Guideline” and familiarize our employees with the guideline. We also usually endeavor to establish close relationships with external organizations such as police agencies. Should we be subject to an undue claim, we have a system in place to have a related department consult with our corporate lawyer and to handle the case appropriately.

**6. Basic Policy on Control of the Company**

**(1) Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company**

Because the shares of the Company, a listed company, may be traded freely by shareholders and investors, the Board of Directors believes that the composition of persons to control decision-making over the financial and business policies of the Company should ultimately be decided by the will of the shareholders, and that the final judgment as to whether to sell the shares of the Company in response to a mass acquisition of the shares of the Company should ultimately be decided based on the free will of the shareholders holding the shares.

However, the management of the Company and the Company Group needs a wide range of know-how and ample experience in technical subjects, including proprietary manufacturing technologies for wafer fabrication and semiconductor device assembly, as well as the integration of power supply systems with optical devices based on leading-edge circuit technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to the management. Without this understanding, the management would be unable to appropriately judge the shareholder value to be realized in the future.

The Company has engaged in investor relations activities aimed at ensuring that shareholders and investors will have an appropriate understanding of the value of the Company’s shares. In the case of a sudden large purchase of the Company’s shares, however, we believe that the shareholders must receive necessary and sufficient information from both the said purchaser and the Company’s Board of Directors, in order to quickly judge whether or not the acquisition consideration offered by the said purchaser is adequate. In addition, it is especially important that shareholders contemplating long-term investment in the Company receive information on the expected effects of the said purchase on the Company, on the intentions of the large purchase purchaser with regard to participation in the Company’s operational management and the shaping of specific management policies and business plans, and on the opinions of the Board of Directors on the said prospective share purchase.

Upon weighing these factors, we believe that a purchaser intending a large purchase should provide the Board of Directors in advance with necessary and sufficient information on the relevant purchase to allow the shareholders to form judgments, in accordance with a certain reasonable rule to be established and disclosed

by the Company beforehand, and start the relevant purchase only after a certain evaluation period. In addition, there is a possibility that some large purchases will substantially impair the common interests of the shareholders by inflicting irrevocable losses to the Company in various forms. We believe that it will be necessary for the Board of Directors to take appropriate measures in accordance with a certain and reasonable rule to be established and disclosed in advance by the Company, in order to secure the common interests of the shareholders (the policy on the composition of persons to control decision-making over the financial and business policies of the Company is hereinafter referred to as the “Basic Policy”).

## **(2) Outline of the Specific Efforts to Contribute to the Effective Use of Assets, the Formation of an Appropriate Company Group, and the Realization of the Basic Policy**

The Company has engaged in the following efforts to safeguard the common interests of the shareholders and to enable many investors to invest in the Company’s shares on a long-term and continuing basis.

### **(i) Basic Policy for Company’s Management**

In order to define the direction in which the Company should proceed, the Company established a new Management Philosophy in April 2003. Under this philosophy, the Company has endeavored to create and innovate technologies in its core business of semiconductors, to expand global business based on proprietary technologies, and to ensure a firm management base in an effort to maximize corporate value through timely response to social expectations for the company and long-lasting harmony with the environment.

### **(ii) Management Strategy on Middle-and Long-Terms**

The Company Group has developed a mid-term management plan covering the three-year period from April 2009 to March 2012 (the “Plan”).

The Plan stipulates the following items as part of a fundamental policy:

- (a) Provide total solutions which follow an “eco-friendly and energy-saving” philosophy,
- (b) Create differentiated technologies and promote innovative *monozukuri* (“excellence in manufacturing”),
- (c) Establish strategic marketing and align sales activities to the markets served,
- (d) Develop global strategies and realize the full potential of the Sanken Group,
- (e) Improve the productivity of every employee.

The Plan defines the power electronics and optical devices as business areas of focus. In keeping with our newly defined strategic direction as “Leadership through Innovative Power and Optical Solutions,” we develop a more aggressive growth strategy by concentrating management resources on the two business areas in order to become an innovative leader with a perpetual lead over the competition in the market. Another strategic drive to advance the Plan is to further improve profitability by maintaining our commitment to “Achieve Success by Overcoming Constant Challenges.”

### **(iii) Strengthening Corporate Governance**

The Company has strengthened the speedy and appropriate management decision-making and supervising functions of the Board of Directors over the business operations in order to improve management efficiencies, improve transparency, and maintain its corporate soundness. The Company, meanwhile, has developed a flexible system for operational execution and enhanced management functions by adopting a Corporate Officer system. We have also been strengthening our corporate governance scheme via the activities of a Corporate Social Responsibility Office and an Investor Relation Office.

In addition, in order to realize a management system able to promptly respond to changes in the management environment, and to clarify the management responsibility of the Directors for the corresponding fiscal year, the Company shortened the term of office of Directors from two years to one year.

## **(3) Opinions of the Board of Directors regarding Efforts to Contribute to the Realization of the Basic Policy**

The Board of Directors believes that the efforts mentioned in 6. (2) above improve the Company’s corporate value and decrease the likelihood that a Large Purchase will significantly harm the common interests of the shareholders. Accordingly, these efforts are deemed to be in compliance with the details of the Plan, and in no way harmful to the common interests of the shareholders. In addition, we believe that these efforts are not

undertaken with the intention to maintain the status of the Officers of the Company, as we define the basic policy for management, strategy, and organization, and clarify the corresponding management responsibilities of Directors.

**(4) Outline of the Efforts to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Persons who are Inappropriate in Light of the Basic Policy (Policy for Handling Large Purchases of Shares (Anti-Takeover Measures))**

We decided, by resolution of the Board of Directors meeting held on May 9, 2008, subject to approval at the 91st Ordinary General Meeting of Shareholders, then to be held on June 27, 2008, to establish a Large Purchase Rule to be applied towards any proposed purchase of the Company's shares undertaken for the purpose of acquiring 20% or more of the voting rights by a specific shareholders group or any proposed purchase by which the voting rights percentage held by a specific shareholders group will become 20% or more (regardless of whether the purchase is executed by a market trade, tender offer, or other method; it shall be provided, however, that a purchase approved beforehand by the Board of Directors shall be excluded from the target of the Handling Policy), and to adopt a policy for handling cases when a Large Purchaser conforms to the Large Purchase Rule or when a Large Purchaser does not conform to the Large Purchase Rule (the "Handling Policy"). We published a press release, "Notice on the Basic Policy for the Control of the Company and Policy for the Handling of Large Purchases of Company Shares (Anti-Takeover Measures)," on our website (<http://www.sanken-ele.co.jp/>) on May 9, 2008. You are requested to refer to the press release for details on the Handling Policy.

While the effective period of the Handling Policy is set to expire at the closing of the 94th Ordinary General Meeting of Shareholders to be held on June 24, 2011 (the "Ordinary General Meeting of Shareholders"), the Company decided, at the Board of Directors meeting of the Company held on May 10, 2011, to continue implementing the Handling Policy after partial amendment thereto, subject to approval of the shareholders at the Ordinary General Meeting of Shareholders. For details on the Handling Policy after partial amendment, you are requested to refer to pages 35 to 53 of the reference documents attached to the convocation notice of the Ordinary General Meeting of Shareholders.

**(5) The Statement that the Handling Policy Conforms to the Basic Policy, is in No Way Harmful to the Common Interests of Shareholders, and is Not Implemented as a Means of Maintaining the Status of the Officers of the Company, and the Grounds for the Statement**

**(i) Handling Policy Conforms to Basic Policy**

The Handling Policy stipulates the details of the Large Purchase Rule, the handling policy when the Large Purchase is conducted, the establishment of the Independent Panel, the impact on shareholders and investors, etc.

The Handling Policy also stipulates that the Large Purchaser shall present the Board of Directors with necessary and sufficient information on the Large Purchase in advance and commence the Large Purchase only after a specified appraisal period, and that the Board of Directors may exercise the countermeasures if the Large Purchaser does not comply with such procedure.

In addition, the Handling Policy stipulates that even when the Large Purchase Rule is obeyed, if the Board of Directors judges that the Large Purchase by the Large Purchaser may significantly harm the common interest of shareholders, the Board of Directors may exercise the appropriate countermeasures against the Large Purchaser in order to protect the common interests of the shareholders.

Accordingly, the Handling Policy has been developed according to the idea of the Basic Policy.

**(ii) The Handling Policy is in No Way Harmful to the Common Interests of Shareholders**

As stated in I above, the Basic Policy sets as a precondition that it will honor the common interests of the shareholders. The Handling Policy has been designed based on the ideas of the Basic Policy. The purposes of the Handling Policy are to ensure that necessary information is provided to enable shareholders to judge whether they should accept the Large Purchase, that opinions of the Board of Directors are presented, and that opportunities to present alternatives are kept. Because the Handling Policy enables shareholders and investors to make appropriate investment decisions, the Handling Policy is deemed not to harm, and in fact to promote, the common interests of the shareholders.

Additionally, because the implementation and extension of the Handling Policy are preconditioned on the approval by the shareholders, and because the Handling Policy may be abolished if shareholders so desire, the Board of Directors is of the opinion that these safeguards will keep the Handling Policy harmless to the common interests of the shareholders.

Furthermore, the Handling Policy conforms with the three principles set forth in the "Guidelines

Concerning Anti-Takeover Measures for the Purpose of Preserving and Enhancing Corporate Value and the Common Interests of Shareholders” publicly announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

(iii) Handling Policy is Not Implemented as a Means of Maintaining the Status of the Officers of the Company

The Handling Policy is an arrangement that calls for the conformance with the Large Purchase Rule and the exercise of countermeasures to the extent necessary to protect the common interests of the shareholders, based on the fundamental premise that the final judgment on whether or not to accept the Large Purchase, in principle, rests with shareholders. Through the Handling Policy, the Company accurately and precisely discloses in advance when and how the Board of Directors will exercise the countermeasures, and the countermeasures by the Board of Directors shall be exercised in accordance with the provisions of the Handling Policy. The Board of Directors itself may not on its sole discretion effect or extend the countermeasures, and will need approval of shareholders for such effectuation or extension.

In addition, if the Board of Directors makes a significant judgment relating to the Handling Policy, including a resolution to exercise the countermeasures against the Large Purchase, the Board of Directors will receive advice from outside experts, etc. as necessary, consult with the Independent Panel composed of members independent of the management operating the Company, and honor the recommendation of the Independent Panel to the fullest degree. Accordingly, the Handling Policy includes such procedures that are designed to secure appropriate handling by the Board of Directors.

Furthermore, because it is stipulated that the Handling Policy may be abolished at any time by a Board of Directors composed of Directors elected by the General Meeting of Shareholders of the Company, the Handling Policy may in fact be abolished by a Board of Directors composed of Directors newly elected by new composition of shareholders. Accordingly, the Handling Policy is not a dead-hand type anti-takeover measure (an anti-takeover measure whose implementation cannot be avoided even when the majority of the members of the Board of Directors are replaced). In addition, because the term of office of each Director is one year and the Company does not adopt any staggered term system, the Handling Policy is not a slow-hand type anti-takeover measure (an anti-takeover measure whose implementation cannot be avoided until sufficient time has elapsed because the members of the Board of Directors cannot be replaced at one time).

Consequently, the Board of Directors believes that the Handling Policy is not implemented with the intention of maintaining the status of the Company’s Officers.

**CONSOLIDATED BALANCE SHEET**

(as of March 31, 2011)

Account item	Amount
(Assets)	(millions of yen)
<b>Current assets</b>	<b>84,414</b>
Cash and deposits	12,826
Notes and accounts receivable — trade	31,208
Merchandise and finished goods	11,352
Work in process	14,302
Raw materials and supplies	10,783
Deferred tax assets	196
Other	3,809
Allowance for doubtful receivables	(64)
<b>Fixed assets</b>	<b>47,969</b>
<b>Tangible fixed assets</b>	<b>43,430</b>
Buildings and structures	16,145
Machinery, Autos and Trucks	15,928
Tools, furniture and fixtures	792
Land	4,290
Lease assets	550
Construction in progress	5,724
<b>Intangible assets</b>	<b>813</b>
Software	165
Other	648
<b>Investments and other assets</b>	<b>3,724</b>
Investment securities	1,956
Deferred tax assets	162
Other	1,855
Allowance for doubtful receivables	(249)
<b>Total Assets</b>	<b>132,384</b>

Note: Figures less than one million are rounded down to the nearest million.

Account item	Amount
(Liabilities)	(millions of yen)
<b>Current liabilities</b>	<b>68,469</b>
Notes and accounts payable — trade	20,138
Short-term bank loans	20,382
Commercial paper	19,000
Accrued expenses	7,450
Accrued income taxes	395
Deferred tax liabilities	0
Accrued bonuses for directors and statutory auditors	30
Other	1,073
<b>Long-term liabilities</b>	<b>30,394</b>
Bonds payable	20,000
Long-term bank loans	5,031
Deferred tax liabilities	572
Accrued retirement benefits	3,029
Accrued retirement benefits for directors and statutory auditors	38
Asset retirement obligations	60
Other	1,662
<b>Total Liabilities</b>	<b>98,863</b>
(Net Assets)	
<b>Shareholders' equity</b>	<b>42,483</b>
Common stock	20,896
Capital surplus	18,667
Retained earnings	6,834
Treasury stock	(3,916)
<b>Valuation and translation adjustments</b>	<b>(9,226)</b>
Unrealized gain on securities	212
Translation adjustments	(9,439)
<b>Minority interests</b>	<b>263</b>
<b>Total Net Assets</b>	<b>33,520</b>
<b>Total Liabilities and Net Assets</b>	<b>132,384</b>

Note: Figures less than one million are rounded down to the nearest million.

**CONSOLIDATED STATEMENT OF INCOME**

(from April 1, 2010 to March 31, 2011)

Account item	Amount	
	(millions of yen)	(millions of yen)
<b>Net sales</b>		<b>144,882</b>
<b>Cost of sales</b>		<b>114,741</b>
<b>Gross profit</b>		<b>30,141</b>
<b>Selling, general and administrative expenses</b>		<b>23,991</b>
<b>Operating income</b>		<b>6,149</b>
<b>Other income</b>		
Interest income	12	
Dividends income	26	
Miscellaneous income	469	508
<b>Other expenses</b>		
Interest expenses	653	
Foreign currency translation losses	452	
Miscellaneous losses	580	1,685
<b>Ordinary income</b>		<b>4,972</b>
<b>Extraordinary gains</b>		
Gains on sale of fixed assets	64	64
<b>Extraordinary loss</b>		
Loss on disposition of fixed assets	95	
Impairment loss	245	
Disaster-related loss	813	
Loss on revaluation of investment securities	274	
Special retirement benefits	670	
Effect due to adoption of accounting standard for asset retirement obligations	84	
Retirement of treasury stock acquisition rights	1,707	3,892
<b>Income before income taxes and minority interests</b>		<b>1,144</b>
Income taxes	2,568	
Deferred income taxes	(530)	2,038
<b>Loss before minority interest</b>		<b>893</b>
Minority interest		29
<b>Net loss</b>		<b>922</b>

Note: Figures less than one million are rounded down to the nearest million.

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2010 to March 31, 2011)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	20,896	21,246	5,543	(3,898)	43,788
Change during the consolidated fiscal year					
Deficit disposition		(2,214)	2,214		—
Distribution of surplus		(364)			(364)
Net loss			(922)		(922)
Acquisition of treasury stock				(18)	(18)
Disposition of treasury stock		(0)		1	0
Net change in items other than shareholders' equity during the consolidated fiscal year					—
Total of changes during the consolidated fiscal year	—	(2,578)	1,291	(17)	(1,305)
Balance as of March 31, 2011	20,896	18,667	6,834	(3,916)	42,483

	Accumulated other comprehensive income			Stock acquisition right	Minority interests	Net assets
	Unrealized gain (loss) on securities	Translation adjustment	Total of accumulated other comprehensive income			
Balance as of March 31, 2010	225	(6,799)	(6,574)	287	259	37,761
Change during the consolidated fiscal year						
Deficit disposition			—			—
Distribution of surplus			—			(364)
Net loss			—			(922)
Acquisition of treasury stock			—			(18)
Disposition of treasury stock			—			0
Net change in items other than shareholders' equity during the consolidated fiscal year	(12)	(2,639)	(2,652)	(287)	3	(2,936)
Total of changes during the consolidated fiscal year	(12)	(2,639)	(2,652)	(287)	3	(4,241)
Balance as of March 31, 2011	212	(9,439)	(9,226)	—	263	33,520

Note: Figures less than one million are rounded down to the nearest million.

**NON-CONSOLIDATED BALANCE SHEET**

(as of March 31, 2011)

Account item	Amount
(Assets)	(Millions of yen)
<b>Current assets</b>	<b>71,719</b>
Cash and deposits	7,594
Notes receivable	1,499
Accounts receivable — trade	25,450
Merchandise and finished goods	8,596
Work in process	2,184
Raw materials and supplies	3,334
Prepared expenses	117
Short-term loans receivable	14,469
Accounts receivable — other	13,941
Other	14
Allowance for doubtful receivables	(5,483)
<b>Fixed assets</b>	<b>41,418</b>
<b>Tangible fixed assets</b>	<b>6,052</b>
Buildings	3,457
Structures	206
Machinery and equipment	613
Autos and trucks	1
Tools, furniture and fixtures	230
Land	971
Lease assets	541
Construction in progress	31
<b>Intangible assets</b>	<b>182</b>
Software	135
Lease assets	21
Other	25
<b>Investments and other assets</b>	<b>35,183</b>
Investment securities	1,941
Investments in subsidiaries and affiliates	24,812
Long-term loans receivable	9,809
Lease deposits	640
Other	484
Allowance for doubtful receivables	(2,505)
<b>Total Assets</b>	<b>113,138</b>

Note: Figures less than one million are rounded down to the nearest million.

Account item	Amount
(Liabilities)	(Millions of yen)
<b>Current liabilities</b>	<b>54,762</b>
Notes payable	3,180
Accounts payable — trade	12,211
Short-term bank loans	17,120
Commercial paper	19,000
Lease obligations	212
Accounts payable — other	176
Accrued expenses	2,526
Accrued income taxes	50
Advances received	61
Deposits received	56
Accrued bonuses for directors and statutory auditors	30
Other	135
<b>Long-term liabilities</b>	<b>25,883</b>
Bonds payable	20,000
Long-term bank loans	5,000
Lease obligations	390
Deferred tax liabilities	174
Accrued retirement benefits	103
Accrued retirement benefits for directors and statutory auditors	7
Asset retirement obligations	60
Guarantee deposits received	140
Other	6
<b>Total Liabilities</b>	<b>80,645</b>
(Net Assets)	
<b>Shareholders' equity</b>	<b>32,280</b>
<b>Common stock</b>	<b>20,896</b>
<b>Capital surplus</b>	<b>18,574</b>
Capital reserve	5,225
Other capital surplus	13,349
<b>Retained earnings</b>	<b>(3,275)</b>
Other retained earnings	(3,275)
Reserve for advanced depreciation of fixed assets	43
Retained earnings carried forward	(3,318)
<b>Treasury stock</b>	<b>(3,916)</b>
<b>Valuation and translation adjustments</b>	<b>212</b>
<b>Unrealized gain on securities</b>	<b>212</b>
<b>Total Net Assets</b>	<b>32,493</b>
<b>Total Liabilities and Net Assets</b>	<b>113,138</b>

Note: Figures less than one million are rounded down to the nearest million.

**NON-CONSOLIDATED STATEMENT OF INCOME**

(from April 1, 2010 to March 31, 2011)

Account item	Amount	
	(millions of yen)	(millions of yen)
<b>Net sales</b>		<b>98,904</b>
<b>Cost of sales</b>		<b>90,302</b>
<b>Gross profit</b>		<b>8,601</b>
<b>Selling, general and administrative expenses</b>		<b>11,176</b>
<b>Operating loss</b>		<b>2,575</b>
<b>Other income</b>		
Interest income	237	
Dividends income	1,910	
Miscellaneous income	164	2,311
<b>Other expenses</b>		
Interest expenses	607	
Foreign currency translation losses	217	
Miscellaneous losses	388	1,213
<b>Ordinary loss</b>		<b>1,477</b>
<b>Extraordinary loss</b>		
Loss on disposition of fixed assets	11	
Impairment loss	76	
Disaster-related loss	30	
Loss on revaluation of investment securities	274	
Loss on revaluation of securities of subsidiaries and affiliates	17	
Effect due to adoption of accounting standard for asset retirement obligations	84	
Provision of allowance for doubtful receivables for subsidiaries and affiliates	1,336	1,830
<b>Loss before income taxes</b>		<b>3,307</b>
Income taxes	105	
Deferred income taxes	(137)	(32)
<b>Net loss</b>		<b>3,275</b>

Note: Figures less than one million are rounded down to the nearest million.

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2010 to March 31, 2011)

(millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Legal profit reserve	Retained earnings		
		Capital reserve	Other capital surplus		Other retained earnings		
					Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward
Balance as of March 31, 2010	20,896	21,119	34	1,847	46	17,300	(21,408)
Change during the fiscal year							
Appropriation of capital reserve to other capital surplus		(15,894)	15,894				
Reversal of legal profit reserve				(1,847)			1,847
Reversal of general reserve						(17,300)	17,300
Deficit disposition			(2,214)				2,214
Distribution of surplus			(364)				
Net loss							(3,275)
Acquisition of treasury stock							
Disposition of treasury stock			(0)				
Reversal of reserve for advanced depreciation of fixed assets					(2)		2
Net change in items other than shareholders' equity during the fiscal year							
Total change during the fiscal year	-	(15,894)	13,315	(1,847)	(2)	(17,300)	18,089
Balance as of March 31, 2011	20,896	5,225	13,349	-	43	-	(3,318)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on securities	
Balance as of March 31, 2010	(3,898)	35,937	224	36,161
Change during the fiscal year				
Appropriation of capital reserve to other capital surplus		-		-
Reversal of legal profit reserve		-		-
Reversal of general reserve		-		-
Deficit disposition		-		-
Dividends from surplus		(364)		(364)
Net loss		(3,275)		(3,275)
Acquisition of treasury stock	(18)	(18)		(18)
Disposition of treasury stock	1	0		0
Reversal of reserve for advanced depreciation of fixed assets		-		-
Net change in items other than shareholders' equity during the fiscal year		-	(11)	(11)
Total change during the fiscal year	(17)	(3,657)	(11)	(3,668)
Balance as of March 31, 2011	(3,916)	32,280	212	32,493

Note: Figures less than one million are rounded down to the nearest million.

**INDEPENDENT AUDITORS' REPORT**

May 23, 2011

The Board of Directors  
Sanken Electric Co., Ltd.

**Ernst & Young ShinNihon LLC**

Junichi Iwahara, CPA (Seal)  
Designated Limited Liability Partner,  
Engagement Partner

Akira Chiba, CPA (Seal)  
Designated Partner,  
Engagement Partner

Rikio Watanabe, CPA (Seal)  
Designated Partner,  
Engagement Partner

Pursuant to Article 444, Paragraph 4, of Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements of the Company for the 94th fiscal term from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit.

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

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the consolidated group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

**INDEPENDENT AUDITORS' REPORT**

May 23, 2011

The Board of Directors  
Sanken Electric Co., Ltd.

**Ernst & Young ShinNihon LLC**

Junichi Iwahara, CPA (Seal)  
Designated Limited Liability Partner,  
Engagement Partner

Akira Chiba, CPA (Seal)  
Designated Partner,  
Engagement Partner

Rikio Watanabe, CPA (Seal)  
Designated Partner,  
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements, and the supplementary schedules of the Company for the 94th fiscal term from April 1, 2010 to March 31, 2011. These non-consolidated financial statements and the supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit.

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

In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## **AUDIT REPORT**

The Board of Statutory Auditors, following review and deliberations on the reports made by each Statutory Auditor concerning the methods and results of the audit of execution of duties by Directors of the Board for the 94th fiscal term from April 1, 2010 to March 31, 2011, prepared this Audit Report and hereby submit it as follows:

### 1. Summary of Auditing Methods by Statutory Auditors and Board of Statutory Auditors

The Board of Statutory Auditors established the auditing policies and division of duties, received reports and explanations regarding the status of audits and the results thereof from each Statutory Auditor, as well as reports and explanations regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanation as necessary.

In accordance with the auditing standards for Statutory Auditors determined by the Board of Statutory Auditors and the auditing policies and division of duties, each Statutory Auditor made efforts to collect information and established auditing circumstances through communication with internal audit staff and other employees, and attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees and requested explanations as necessary. Each Statutory Auditor also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices.

With respect to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as specified in the business reports and the establishment of the system necessary to ensure proper business operations of the company set forth in Items 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act, as well as the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Statutory Auditor regularly received reports from directors and employees on the status of the establishment and operations thereof, requested explanations as necessary, and expressed his opinions. Based on discussion of the Board of Directors, the statutory auditors reviewed the details of the Basic Policy set forth in Item 3(a) and each engagement set forth in Item 3(b) of Article 118 of Ordinance for Enforcement of the Companies Act, as specified in the business reports. Statutory Auditors received from subsidiaries their business reports as necessary through communication and information sharing with their directors and statutory auditors. In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules for the year ended on March 31, 2011.

Further, Statutory Auditors monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Statutory Auditor also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements) for the year ended on March 31, 2011.

### 2. Results of Audit

#### (1) Results of audit of business report

1. The business reports and supplementary schedules present fairly the financial condition of the Company in

conformity with related laws, regulations, and the Articles of Incorporation of the Company;

2. Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company;
3. Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the content of business reports description on such internal control and the execution of duties by Directors; and
4. There are no matters requiring additional mention regarding the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company specified in the business reports. Each engagement stipulated in Item 3(b) of Article 118 of the Ordinance for Enforcement of the Companies Act conforms to the Basic Policy, is in no way harmful to the common interests of shareholders, and is not undertaken for the purpose of maintaining the status of our officers.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young Shin Nihon LLC., are fair and reasonable.

(3) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, Ernst & Young Shin Nihon LLC., are fair and reasonable.

May 30, 2011

The Board of Statutory Auditors of Sanken Electric Co., Ltd.

Mitsumasa Sugiyama (Seal)  
Standing Statutory Auditor (Full-time)

Hideki Kagaya (Seal)  
Statutory Auditor (Full-time)

Hiroshi Ishibashi (Seal)  
External Statutory Auditor

Masanobu Kurihara (Seal)  
External Statutory Auditor

## REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposals and references

#### Proposal No. 1: Appropriations of Surplus

Recognizing that returning earnings to the shareholders represent one of the highest management priorities, we have continued working to distribute stable and steady dividends through the enhanced revenue and strengthened financial position while setting aside sufficient internal reserves necessary for business expansion in the future and reinforcement of management bases.

Based on the above recognition, and in consideration of the business results and other factors, we propose the payment of a year-end dividend for the fiscal year under review as follows.

##### Year-end dividend

##### (1) Allotment of property dividend to shareholders and the total amount

3 yen per share of common stock                      Total amount    364,054,575 yen

The funding source for the dividends is scheduled to be other capital surplus.

Since an interim dividend of 3 yen per share was paid, the total annual dividend will be 6 yen per share.

##### (2) Effective date of distribution of surplus

June 27, 2011

**Proposal No. 2: Election of Six Directors**

All seven directors will complete their respective terms of office at the conclusion of this meeting. To ensure fast decision-making, we will decrease the number of directors by one. Accordingly, we shall propose the election of six directors.

The table below lists the nominees for those positions.

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	Sadatoshi Iijima (October 5, 1948)	April 1971: Entered the Company October 1990: Production Manager, Electronics Division, Equipment Headquarters April 1993: Accounting Manager, Corporate Administration Headquarters October 2000: General Manager, Production Division, Semiconductor Headquarters October 2002: President and Representative Director of P.T. Sanken Indonesia June 2003: Corporate Officer April 2005: Deputy Head, Production Headquarters June 2005: Director and Senior Corporate Officer April 2006: President and Representative Director (to the present)	40,000
2	Takashi Wada (September 3, 1954)	April 1979: Entered the Company April 2005: Deputy Division Manager, CCFL Division, Engineering Headquarters April 2007: General Manager, Production Division, Production Headquarters June 2007: Corporate Officer April 2008: Deputy Head, Production Headquarters April 2009: Head, Production Headquarters June 2009: Director and Senior Vice President (to the present)	17,000
3	Nobuhiro Katou (September 15, 1949)	March 1974: Entered the Company June 2000: General Manager, Third Power Supply Sales Division, Power Supply Headquarters April 2005: General Manager, Second Sales Division, Sales Headquarters June 2007: Corporate Officer October 2007: Deputy Head, Sales Headquarters April 2009: Head, Sales Headquarters (to the present) June 2009: Director and Senior Corporate Officer June 2010: Director and Senior Vice President (to the present)	10,000

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
4	Masao Hoshino (January 23, 1959)	<p>April 1981: Entered the Company</p> <p>April 2002: General Manager, Integrated Circuit Development Division, Semiconductor Headquarters</p> <p>April 2006: General Manager, Advanced Technology Development Division, Engineering Headquarters</p> <p>April 2007: Deputy Head, Engineering Headquarters</p> <p>June 2007: Corporate Officer</p> <p>April 2009: Head, Engineering Headquarters (to the present)</p> <p>June 2009: Director and Senior Corporate Officer (to the present)</p>	12,000
5	Akira Ota (November 11, 1957)	<p>September 1989: Entered the Company</p> <p>October 2002: Accounting Manager, Corporate Administration Headquarters</p> <p>April 2005: General Manager, Finance Division, Corporate Administration Headquarters</p> <p>June 2005: Corporate Officer</p> <p>April 2006: General Manager, Planning and Finance Division, Corporate Administration Headquarters and General Manager, IR Office</p> <p>June 2010: Director and Senior Corporate Officer (to the present)</p> <p>April 2011: Head, Corporate Administration Headquarters and General Manager, Planning and Finance Division (to the present)</p>	11,000
6	Dennis H. Fitzgerald (September 2, 1949)	<p>January 1991: Entered Allegro Microsystems, Inc.</p> <p>July 1992: Vice President, Product Divisions</p> <p>June 1994: Director</p> <p>February 1996: Director, Vice President, Quality Control Divisions</p> <p>May 2000: President and Director, COO</p> <p>June 2004: President and Director, CEO (to the present)</p> <p>June 2006: Director of the Company (to the present)</p>	0

Note: No conflicts of interest exist between the Company and any of the above candidates.

**Proposal No. 3: Election of Three Statutory Auditors**

Three Statutory Auditors, Mitsumasa Sugiyama, Hideki Kagaya, and Masanobu Kurihara will expire upon the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we shall propose the election of three Statutory Auditors.

The Board of Statutory Auditors has approved the submission of this proposal.

The candidates for Statutory Auditors are as follows:

(\* denotes newly appointed candidate.)

No.	Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	Mitsumasa Sugiyama (January 29, 1950)	August 1973: Entered the Company June 1997: Administrative Manager, Corporate Administration Headquarters June 2003: Corporate Officer April 2005: Deputy Director, Corporate Administration Headquarters June 2006: Senior Corporate Officer June 2007: Standing Statutory Auditor (to the present)	10,000
2	Hideki Kagaya (September 20, 1951)	September 1976: Entered the Company April 2003: Section Manager, Human Resource Management, Human Resource Division, Corporate Administration Headquarters April 2007: General Manager, Compliance Office April 2008: General Manager, Operational Audit Office June 2010: Statutory Auditor (to the present)	3,000
3	* Mikihiko Wada (January 1, 1952)	April 1975: Entered Saitama Bank, Ltd. June 2004: Representative Director and Managing Executive Officer, Saitama Resona Bank, Limited June 2005: Director and Senior Managing Executive Officer, J and S INSURANCE SERVICE Co., Ltd. June 2009: President and Representative Director, Warranty Corporation of Resona (to the present) President and Representative Director, Daiwa Guarantee Co., Ltd. (to the present)	0

- Notes: 1. No conflicts of interest exist between the Company and the above candidates.  
2. Mr. Mikihiko Wada is a candidate to become an External Statutory Auditor.  
3. Reason for recommending Mr. Mikihiko Wada as a candidate for outside External Statutory Auditor.  
Mr. Mikihiko Wada will make use of his knowledge and experience as a business manager to audit the management of the Company. We therefore propose that he be elected as the External Statutory Auditor.

#### **Proposal No. 4: Continuation of Measures for the Large Purchase of Company Shares (Anti-Takeover Measures)**

The Company determined, at the Board of Directors meeting held on May 9, 2008, its basic policy on the composition of persons to control decision-making over the financial and business policies of the Company (the "Basic Policy") and resolved to adopt the "Policy for the Handling of Large Purchases of Company Shares (Anti-Takeover Measures)" (the "Former Handling Policy"), subject to approval of the shareholders at the 91st Ordinary General Meeting of Shareholders, in an effort to keep the control of decision-making over the financial and business policies out of the hands of persons who are inappropriate in light of the Basic Policy. The Former Handling Policy will remain in effect until the close of this Ordinary General Meeting of Shareholders. Accordingly, we have reviewed the Former Handling Policy to deliberate how the policy should be including the question as to whether or not to renew it, in view of the enhancement of our corporate value and the preservation of the common interests of the shareholders, and in response to of amendments to relevant laws and regulations and changes in social and economic circumstances, etc. As a result, the Board of Directors meeting held on May 10, 2011 confirmed the maintenance of the Basic Policy and decided to continue implementing the Former Handling Policy as the "Policy for the Handling of Large Purchases of Company Shares (Anti-Takeover Measures)" (the "Handling Policy") after improving some of the descriptions within the Handling Policy and amending the Handling Policy in connection with the introduction of the electronic share certificate system and other issues, subject to approval of the shareholders at this Ordinary General Meeting of Shareholders.

All four of the Statutory Auditors, including two External Statutory Auditors, were present at the Board of Directors meeting that determined the Handling Policy. All of the former members were of the opinion that the Handling Policy should be adopted, on the condition that the objective performance of the Handling Policy should be appropriately applied under the real context.

In this Proposal, we propose the adoption of the Handling Policy.

If shareholders approve the Handling Policy at this Ordinary General Meeting of Shareholders, the Handling Policy will be effective from the date of approval and will remain in effect till the close of the 97th Ordinary General Meeting of Shareholders to be held by June 30, 2014.

The Handling Policy is intended to enable shareholders to make appropriate decisions on large purchases of the Company's shares, and is not intended to deprive shareholders of the opportunities when they accept or reject large purchases of the Company's shares. With regard to the specific contents of the Handling Policy, you are requested to refer to the following.

Additionally, as of today, the Company has not received any inquiries, offers, or the like regarding large purchases of the Company's shares.

### **I. Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company**

#### **1. Company's Sources of Corporate Value**

The Company was established in 1946, at the very beginning of the postwar period. At that time, the semiconductor industry was still in its infancy. We pursued research and development of semiconductors and used the technologies we developed to begin manufacturing power supply products. Since then, we have walked the way of a pioneering dedicated semiconductor manufacturer in Japan and have provided firm basis for the continuing evolution of our industry based on technological innovation for electronics products of various types, from home electronics, office automation, and automobiles through to industrial equipment.

We recognize that for us, as a Company that does not belong to any group of companies formed by crossholdings of share capital, our enduring and long-lasting close relationships with stakeholders around the world are important business assets. We also believe that the assets, tangible or intangible, developed under these relationships give us a competitive edge and support the brand as sources constituting our corporate value.

At this time, the Company essentially provides high-quality products to meet diverse customer needs in business areas such as power electronics and optical devices, seeking for sales growth and competitive advantage in and around its core business of semiconductor devices. The Company focuses on a number of businesses in which "power is converted to, and stabilized, and in some cases used as light," and thus is able to provide customers with comprehensive solutions in various products fields. From a middle-and long-term viewpoint, we also are convinced that we must continue to enhance our comprehensive solutions, in order to improve our corporate value and the common interests of the shareholders. Thus, we must not allow ourselves to let our greatest advantage, the wide range of technologies at hand, slip through our fingers.

Based on our accumulated knowledge and expertise, we will provide society with more creative and advanced products, and continue to take on new challenges for innovation. We intend to maintain and reinforce our solid presence and step forward as an innovator in the power electronics industry.

## 2. Details of the Basic Policy

Because the shares of the Company, a listed company, may be traded freely by shareholders and investors, the Board of Directors believes that the composition of persons to control decision-making over the financial and business policies of the Company should ultimately be decided by the will of the shareholders, and that the final judgment as to whether to sell the shares of the Company in response to a mass acquisition of the shares of the Company should ultimately be decided based on the free will of the shareholders holding the shares.

However, the management of the Company and the Company Group needs a wide range of know-how and ample experience in technical subjects, including proprietary manufacturing technologies for wafer fabrication and semiconductor device assembly, as well as the integration of power supply systems with optical devices based on leading-edge circuit technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to the management. Without this understanding, the management would be unable to appropriately judge the shareholder value to be realized in the future.

The Company has engaged in investor relations activities aimed at ensuring that shareholders and investors will have an appropriate understanding of the value of the Company's shares. In the case of a sudden large purchase of the Company's shares, however, we believe that the shareholders must receive necessary and sufficient information from both the said purchaser and the Company's Board of Directors, in order to quickly judge whether or not the acquisition consideration offered by the said purchaser is adequate. In addition, it is especially important that shareholders contemplating long-term investment in the Company receive information on the expected effects of the said purchase on the Company, on the intentions of the large purchase purchaser with regard to participation in the Company's operational management and the shaping of specific management policies and business plans, and on the opinions of the Board of Directors on the said prospective share purchase. Upon weighing these factors, we believe that a purchaser intending a large purchase should provide the Board of Directors in advance with necessary and sufficient information on the relevant purchase to allow the shareholders to form judgments, in accordance with a certain reasonable rule to be established and disclosed by the Company beforehand, and start the relevant purchase only after a certain evaluation period.

In addition, there is a possibility that some large purchases will substantially impair the common interests of the shareholders by inflicting irrevocable losses to the Company in various forms. We believe that it will be necessary for the Board of Directors to take appropriate measures in accordance with a certain and reasonable rule to be established and disclosed in advance by the Company, in order to secure the common interests of the shareholders (the policy on the composition of persons to control decision-making over the financial and business policies of the Company is hereinafter referred to as the "Basic Policy").

## II. Specific Efforts to Contribute to the Effective Use of Assets, the Formation of an Appropriate Company Group, and the Realization of the Basic Policy

### 1. Specific Efforts to Contribute to the Realization of the Basic Policy

The Company has engaged in the following efforts to safeguard the common interests of the shareholders and to enable many investors to invest in the Company's shares on a long-term and continuing basis.

#### (1) Basic Policy for Company's Management

In order to define the direction in which the Company should proceed, the Company established a new Management Philosophy in April 2003. Under this philosophy, the Company has endeavored to create and innovate technologies in its core business of semiconductors, to expand global business based on proprietary technologies, and to ensure a firm management base in an effort to maximize corporate value through timely response to social expectations for the company and long-lasting harmony with the environment.

#### (2) Management Strategy on Middle-and Long-Terms

The Company Group has developed a mid-term management plan covering the three-year period from April 2009 to March 2012 (the "Plan").

The Plan stipulates the following items as part of a fundamental policy:

- (a) Provide total solutions which follow an "eco-friendly and energy-saving" philosophy,
- (b) Create differentiated technologies and promote innovative *monozukuri* ("excellence in manufacturing"),
- (c) Establish strategic marketing and align sales activities to the markets served,
- (d) Develop global strategies and realize the full potential of the Sanken Group,
- (e) Improve the productivity of every employee.

The Plan defines the power electronics and optical devices as business areas of focus. In keeping with our newly

defined strategic direction as “Leadership through Innovative Power and Optical Solutions,” we develop a more aggressive growth strategy by concentrating management resources on the two business areas in order to become an innovative leader with a perpetual lead over the competition in the market. Another strategic drive to advance the Plan is to further improve profitability by maintaining our commitment to “Achieve Success by Overcoming Constant Challenges.”

### (3) Strengthening Corporate Governance

The Company has strengthened the speedy and appropriate management decision-making and supervising functions of the Board of Directors over the business operations in order to improve management efficiencies, improve transparency, and maintain its corporate soundness. The Company, meanwhile, has developed a flexible system for operational execution and enhanced management functions by adopting a Corporate Officer system. We have also been strengthening our corporate governance scheme via the activities of a Corporate Social Responsibility Office and an Investor Relation Office.

In addition, in order to realize a management system able to promptly respond to changes in the management environment, and to clarify the management responsibility of the Directors for the corresponding fiscal year, the Company shortened the term of office of Directors from two years to one year.

## **2. Opinions of the Board of Directors regarding Efforts to Contribute to the Realization of the Basic Policy**

The Board of Directors believes that the efforts mentioned in II. 1. above improve the Company’s corporate value and decrease the likelihood that a Large Purchase will significantly harm the common interests of the shareholders. Accordingly, these efforts are deemed to be in compliance with the details of the Plan, and in no way harmful to the common interests of the shareholders. In addition, we believe that these efforts are not undertaken with the intention to maintain the status of the Officers of the Company, as we define the basic policy for management, strategy, and organization, and clarify the corresponding management responsibilities of Directors.

## **III. Efforts to Keep the Control over Decision-Making on Financial and Business Policies out of the Hands of Persons who are Inappropriate in Light of the Basic Policy (Policy for Handling Large Purchases of Shares (Anti-Takeover Measures))**

The Company will establish a rule (the “Large Purchase Rule”; see below for details) in an effort to keep the control over decision-making on financial and business policies out of the hands of persons who are inappropriate in light of the Basic Policy.

The policy for handling Large Purchases of the Company’s shares (Anti-Takeover Measures) as stipulated in this section (III) is referred to as the “Handling Policy.”

### **1. Target of the Handling Policy**

The Handling Policy is targeted at any purchase of the Company’s shares (Note 3) undertaken by a specific shareholders group (Note 1) acquiring 20% or more of voting rights (Note 2), and any form of purchase of the Company’s shares that will result in the acquisition of 20% or more of voting rights by a specific shareholders group (regardless of whether the purchase is executed by a market trade, tender offer, or other method; in addition, the tender offer is deemed as a purchase at the time of the public notice of commencement of the tender offer). A purchase approved beforehand by the Board of Directors, however, shall be excluded from the subject of the Handling Policy.

A purchase covered by the Handling Policy is referred to as a “Large Purchase,” and persons who perform a Large Purchase are referred to collectively as the “Large Purchaser.”

Note 1: Specific shareholders group means as follows:

- (i) Holders (including persons defined as holders under Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Law; hereinafter the same interpretation shall apply) of share certificates, etc. (as defined in Article 27-23, Paragraph 1 of the said Law) of the Company and joint holders (as defined in Article 27-23, Paragraph 5 of the said Law, and including persons defined as joint holders under Article 27-23, Paragraph 6 of the said Law; hereinafter the same interpretation shall apply), and any persons whose relationship with the holders or the joint holders of the holders are similar to the relationship between the holders and the joint holders (the “Quasi-Joint Holders”); or
- (ii) Persons who make purchases, etc. (as defined in Article 27-2, Paragraph 1 of the said Law, and including purchases, etc. traded in financial instruments exchanges regardless of whether in auction or not) share certificates, etc. (as defined in Article 27-2, Paragraph 1 of the said Law) of the Company and their special stakeholders (as defined in Article 27-2, Paragraph 7 of the said Law).

Note 2: Ratio of voting rights means:

- (i) If the specific shareholders group is covered by the definition in Note 1 (i) above, (a) the ratio of shares, etc. held by the holders (as defined in Article 27-23, Paragraph 4 of the said Law; in this case, the number of shares, etc. (as defined in the same paragraph; hereinafter the same interpretation shall apply) held by the joint holders of the holders is included in the calculation) and (b) the ratio of shares, etc. held by the Quasi-Joint Holders of the holders (if (a) and (b) are added together, however, the number of shares, etc. counted twice between (a) and (b) shall be deducted.); or
- (ii) If the specific shareholders group is covered by definition in Note 1 (ii) above, the sum of the ratio of shares, etc. held (as defined in Article 27-2, Paragraph 8 of the said Law) by the Large Purchaser and the ratio of shares, etc. held by the special stakeholders  
 Upon calculation of each ratio of shares, the number of total voting rights (as defined in Article 27-2, Paragraph 8 of the said Law) and the total number of shares issued (as defined in Article 27-23, Paragraph 4 of the said Law) shall be as reported in the latest version submitted of any of annual financial reports, quarterly financial reports, and purchase reports on treasury stock.

Note 3: Share certificates, etc. mean the share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Law.

## 2. Details of Large Purchase Rule

### (1) Outline of Large Purchase Rule

Under the Large Purchase Rule, we have established an Independent Panel as a supervisory organization to oversee the appropriate operation of the Handling Policy by the Board of Directors and to prevent the Board of Directors from making arbitrary judgments. The principal provisions of the Large Purchase Rule are as listed below and require in total that a Large Purchase can only be commenced after the elapse of a designated evaluation period for the Board of Directors.

- (a) In accordance with III. 2. (2) below, a Large Purchaser provides the Board of Directors with necessary and sufficient information in Japanese on the Large Purchase in advance.
- (b) During the evaluation period for the Board of Directors stipulated in III. 2. (3) below, the Board of Directors appraises and reviews the proposed Large Purchase, negotiates terms, and forms opinions and develops alternative plans.
- (c) In accordance with the handling policy of III. 3. below, in certain cases such as cases of non-compliance with the Large Purchase Rule by the Large Purchaser, the Board of Directors decides whether the Company will or will not exercise countermeasures, will cease to exercise countermeasures, or otherwise, while honoring the recommendation of the Independent Panel to the fullest degree. In addition, as stated in III. 2. (5) below, we may ask shareholders to judge whether or not the countermeasures against the Large Purchase should be exercised.

### (2) Provision of Information

Specifically, we have a Large Purchaser first submit to the Representative Director a “Statement of Intention,” subject to the Large Purchase Rule. The “Statement of Representation of Intention” will list and state in Japanese the name and address of the Large Purchaser, an applicable law for the Large Purchaser’s incorporation, the name of the representative, a domestic contact, and an outline of the Large Purchase proposed. The Large Purchaser will also provide the Board of Directors with necessary and sufficient information (the “Necessary Information”) in Japanese to enable the shareholders to judge and to enable the Board of Directors to form opinions.

Within ten business days of receiving the Statement of Intention, the Board of Directors will present the Large Purchaser with a list of the Necessary Information to be provided by the Large Purchaser. If it is concluded, through a detailed inspection, that the information initially submitted is insufficient, the Board of Directors will request the Large Purchaser to submit information again until the Necessary Information is found to be sufficient and complete, provided that the Board of Directors shall receive recommendations to the same effect from the Independent Panel (refer to III. 2. (4) below).

Though the specific content of the Necessary Information may vary according to the attributes of a Large Purchaser and the purposes and details of a Large Purchase, the following items will generally be included:

- (a) Outline (including a description of business, capital structure, and experiences in businesses similar or identical to the businesses of the Company and the Company Group, etc.) of the Large Purchaser and its group (including joint holders, Quasi-Joint Holders, and special stakeholders);
- (b) Purposes and details of the Large Purchase (including the purchase price and form of payment, purchase timing, relevant transaction methods, legality of the proposed purchase method, and the possibility of purchase executed);
- (c) Basis for the calculation of the acquisition cost, the availability of purchase money for the Company’s shares, including the specific name of the provider of funds (including any beneficial sources), procurement method, and nature of relevant transactions;
- (d) Candidates for corporate managers (including information on experience, etc. in businesses similar or

identical to the businesses of the Company and the Company Group), management policies, business plans, capital policies, dividend policies and asset utilization policies expected to be implemented after participation in the management of the Company and the Company Group (the “Management Policies After Purchase”); and

- (e) Any scheduled change in relationships between stakeholders such as suppliers, customers, employees etc., and the Company and Company Group, after the completion of the Large Purchase, and the details of such changes.

In addition, if the Board of Directors receives a Statement of Intention or the Necessary Information from the Large Purchaser, the Board of Directors will disclose information on the Large Purchaser and the details of the Large Purchase in a timely manner in accordance with the applicable rules for disclosure of the financial instruments exchange.

### (3) Appraisal Period by the Board of Directors

Secondly, the Board of Directors believes that after the Large Purchaser has finished providing the Necessary Information, the Board of Directors should be given a period of either 60 days (when the plan calls for the purchase of shares of the Company by means of tender offer only in exchange for cash (yen)), or 90 days (in the case of other types of Large Purchases) depending of the complexities of appraisal, for the appraisal and review of the proposed Large Purchase, and negotiations of terms, forming of opinions and development of alternative plans (the “Appraisal Period for the Board of Directors”), . In addition, if the Necessary Information has been completely received, the Board of Directors shall promptly announce the completion and the date on which the Appraisal Period for the Board of Directors will expire. Further, if the Board of Directors extends the Appraisal Period for the Board of Directors at the recommendation of the Independent Panel, the Board of Directors will promptly disclose the extended period and the reasons for the extension.

During the Appraisal Period for the Board of Directors, the Board of Directors will consult with the Independent Panel, appraise and review the Necessary Information submitted while receiving advice from external specialists as the case may be, and carefully make up and publish the opinion of the Board of Directors. In addition, we may negotiate with the Large Purchaser to improve the conditions of the Large Purchase as necessary, and may otherwise present shareholders with an alternative plan from the Board of Directors.

In addition, if the Board of Directors makes no resolution for the exercise or non-exercise of countermeasures within the Appraisal Period for the Board of Directors due to the Independent Panel’s non-recommendation on exercise or non-exercise of the countermeasures within the Appraisal Period for the Board of Directors, or if unavoidable reasons otherwise so require, the Board of Directors may extend the Appraisal Period for the Board of Directors for a necessary number of days but within the maximum of thirty days under the recommendation of the Independent Panel. If the Board of Directors determines by resolution an extension of the Appraisal Period for the Board of Directors, the Board of Directors will immediately disclose shareholders of the specific period resolved and the reasons thereof in accordance with applicable laws and regulations and the rules of the financial instruments exchange.

### (4) Independent Panel

The Board of Directors establishes the Independent Panel as a supervisory organization to oversee the appropriate operation of the Handling Policy by the Board of Directors and to prevent the Board of Directors from making arbitrary judgments. The Independent Panel shall be composed of three or more panel members independent from the management of the Company and shall be elected by the Board of Directors from amongst knowledgeable persons outside the company (Note 4) or External Statutory Auditors of the Company, in order to enable fair and unbiased judgment. If the Handling Policy is approved by the shareholders, the current members of the Independent Panel will remain in their posts. The names and summary curriculum vitae of the members of the Independent Panel are stated in EXHIBIT 1. In addition, the outline of the rules of the Independent Panel is stated in EXHIBIT 2.

In the Handling Policy, a set of objective requirements for the exercise of countermeasures are provided to the effect that if the Larger Purchaser conforms to the Large Purchase Rule (as stated in III. 3. (1) below), the Board of Directors will not in principle exercise the countermeasures against the Large Purchase, and if the Larger Purchaser does not conform to the Large Purchase Rule (as stated in III. 3. (2) below), the Board of Directors may exercise the countermeasures against the Large Purchase. If the Board of Directors makes significant judgment on the Handling Policy, the Board of Directors will in principle refer the matter to the Independent Panel, in such cases as The Board of Directors exercises countermeasures even if the Large Purchaser conforms to the Large Purchase Rule (as stated in III. 3. (1) below), or we exercise countermeasures when the Larger Purchaser does not conform to the Large Purchase Rule (as stated in III. 3. (2) below). The

Board of Directors will honor the recommendation of the Independent Panel to the fullest degree.

Note 4: Knowledgeable persons outside the Company will be elected from among corporate managers with proven track records, persons with expert knowledge in the investment banking business, lawyers, certified public accountants, academics specializing in research on the Companies Act, etc., or similar persons.

(5) Procedures to Confirm the Will of the Shareholders

When, after the expiration of the Appraisal Period for the Board of Directors, the Board of Directors exercises the countermeasures against a Large Purchase, the Board of Directors may, upon the recommendation by the Independent Panel, ask shareholders to judge whether or not the countermeasures against the Large Purchase should be exercised, to honor the opinions of the shareholders to the fullest extent.

The will of the shareholders shall be confirmed by resolution of the General Meeting of Shareholders or other similar procedures under the Companies Act (the “General Meeting of Shareholders, etc.”). If the Board of Directors holds the General Meeting of Shareholders, etc., the Board of Directors follows the result of the resolution at the General Meeting of Shareholders, etc. as to whether or not to exercise the countermeasures against the proposed Large Purchase. If the Board of Directors establishes a record date (the “Record Date”) in order to determine the shareholders entitled to exercise voting rights at the General Meeting of Shareholders, etc., the Board of Directors will issue a public notice of the Record Date two weeks before the Record Date by the means stipulated in the Articles of Incorporation.

- (a) The shareholders entitled to exercise voting rights at the General Meeting of Shareholders, etc. shall be the shareholders recorded in the register of shareholders at the close of the Record Date.
- (b) If the Board of Directors intends to hold the General Meeting of Shareholders, etc., the Board of Directors will send the shareholders with exercisable voting rights a notice of convocation three weeks prior to the date of the General Meeting of Shareholders, etc.
- (c) All resolutions of the General Meeting of Shareholders, etc. shall be adopted by a majority of votes of the shareholders present with voting rights.

When significant changes arise in the information upon which the shareholders will judge in the General Meeting of Shareholders, etc., the Board of Directors may change the Record Date or postpone or cancel the General Meeting of Shareholders, etc., even if the Record Date of the General Meeting of Shareholders, etc. has already been established.

### 3. Handling Policy when a Large Purchase is Made

(1) If a Large Purchaser conforms to the Large Purchase Rule

If a Large Purchaser conforms to the Large Purchase Rule, the Board of Directors will in principle not exercise the countermeasures against the Large Purchase. The shareholders will judge whether or not The Board of Directors will accept the purchase proposal of the Large Purchaser.

The Board of Directors may take any appropriate measures as exceptions under the Handling Policy in order to protect the interests of the shareholders, if the Board of Directors judges that the Large Purchase will significantly harm the common interests of the shareholders, because the Large Purchaser has no intention to reasonably manage the company, the acquisition of control by the Large Purchaser will irrevocably harm the Company, or similar reasons.

The Board of Directors will “judge that the Large Purchase will significantly harm the common interests of the shareholders” when, for example, the Large Purchaser:

- (i) engages in purchase activities that clearly may harm the corporate value and common interests of the shareholders, such as the activities described in cases (a) to (d) below:
  - (a) the Large Purchaser has purchased shares with the intention of having the Company or its related parties to purchase back the shares at a significantly raised price, and has no intention of earnestly participating in the Company’s management
  - (b) the Large Purchaser has purchased shares in order to engage in asset stripping maneuvers, such as the transfer of intellectual property rights, know-how, trade secrets, primary suppliers, customers, or other assets necessary for the business of the Company to the purchaser and to the group companies of the purchaser, etc. while tentatively controlling the management;
  - (c) the Large Purchaser has purchased shares with the intention of having the assets of the Company collateralized for the liabilities of the purchaser or the group companies of the purchaser, etc. and appropriated as resources for repayment after acquiring control of company management; or
  - (d) the Large Purchaser has purchased shares in order to tentatively control the management, sell or dispose of expensive assets, etc. such as real estate and securities for purposes unrelated to the business of the Company, and to distribute tentative large dividends acquired through those disposals, or has purchased shares in anticipation of a surge of the share price resulting from the prospect of large

- dividends, with the intention of selling the shares at a peak price.
- (ii) presents a tender offer involving only a partial purchase of shares in the first phase and setting an inferior or totally unclear purchase terms in the second phase. (the so-called forced two-tier purchase).

With regard to the specific measures to be implemented upon the exercise of the countermeasures, the Board of Directors will choose what it judges to be most appropriate at that time. EXHIBIT 3 provides an outline of the gratis issuance of Stock Acquisition Rights as a specific measure.

In addition, when the Board of Directors judges whether or not it should exceptionally exercise the countermeasures as mentioned above, to enhance the objectiveness and reasonableness of judgments, the Board of Directors will review the specific information of the Large Purchaser and the Large Purchase, as well as the probable effects of the Large Purchase on the common interests of the shareholders, while receiving the advice of outside experts as necessary, based on the Necessary Information provided by the Large Purchase, including information on the management policies etc. to be put in place after the purchase by the Large Purchaser, and will honor the recommendation by the Independent Panel to the fullest degree. In addition, as stated in III. 2. (5) above, the Board of Directors may hold a General Meeting of Shareholders, etc. and have the shareholders judge whether or not the countermeasures should be exercised.

Note 5: For example, the Large Purchaser

(2) If a Large Purchaser does not conform to the Large Purchase Rule

If a Large Purchaser does not conform to the Large Purchase Rule, the Board of Directors may, regardless of the specific purchase methods, exercise the countermeasures permitted under the Companies Act, other laws, and the Articles of Incorporation, including the issuance of Stock Acquisition Rights, and oppose the Large Purchase in order to protect the common interests of the shareholders. It is the Board of Directors that will decide whether or not the Large Purchaser has conformed to the Large Purchase Rule and whether or not the Board of Directors should exercise the countermeasures while the Board of Directors consults the opinions of outside experts and honors the recommendation of the Independent Panel to the full extent. Furthermore, as mentioned in III. 2. (5) above, the Board of Directors may hold the General Meeting of Shareholders, etc. and have shareholders judge whether or not the countermeasures will be exercised.

With regard to the specific measures the Board of Directors will implement, the Board of Directors will choose what it judges to be most appropriate at that time. EXHIBIT 3 gives an outline of the gratis issuance of Stock Acquisition Rights as a specific measure.

(3) Suspension, etc. of the Exercise of the Countermeasures

If the Board of Directors has judged that it becomes inappropriate to exercise the countermeasures after the exercise of the countermeasures has been determined, including withdrawal or amendment of the Large Purchase by the Large Purchaser, the Board of Directors may change or suspend the exercise of the countermeasures while respecting the recommendation of the Independent Panel to the fullest degree.

For example, in the case of gratis issuance Stock Purchase Rights as countermeasures, the Board of Directors may suspend the countermeasures by one of the following methods if the Directors judge it inappropriate to implement the countermeasures after the shareholders of record to receive the issuance of Stock Purchase Rights are fixed, based on such developments as withdrawal or amendment of the Large Purchase by the Large Purchaser:

- (a) suspend the gratis issuance of Stock Purchase Rights while honoring the recommendations of the Independent Panel to the fullest degree, for a period up to the effective date of the gratis issuance of Stock Purchase Rights; or
- (b) acquire Stock Purchase Rights without compensation, while honoring the recommendations of the Independent Panel to the fullest degree, for a period up to the commencement of the exercise period after the effective date of the gratis issuance of Stock Purchase Rights.

If the Board of Directors suspends the exercise of the countermeasures, it will promptly disclose the decision together with such matters as the Independent Panel requires to include.

#### **4. Impact, etc. on Shareholders and Investors**

(1) Impact, etc. of the Large Purchase Rule on Shareholders and Investors

The purposes of the Large Purchase Rule are i) to provide necessary information to enable shareholders to judge whether or not they will accept the Large Purchase, ii) to provide the opinions of the incumbent Board of Directors managing of the Company, and iii) to ensure opportunities that the shareholders should be presented alternatives. Accordingly, the shareholders may appropriately judge whether or not they will accept the Large Purchase based on sufficient information. Consequently, the common interests of the shareholders

will be protected. Therefore, the Large Purchase Rule is a precondition to ensure that the shareholders and investors may make appropriate investment decisions. In this respect, the Large Purchase Rule is regarded to contribute to promote the interests of shareholders and investors.

Because, as stated in III. 3. above, the handling policy of the Company against the Large Purchase will treat differently according to whether the Large Purchaser conforms or fails to conform to the Large Purchase Rule, the shareholders and investors are strongly advised to take careful note of the Large Purchaser's moves.

(2) Impact, etc. of the Exercise of the Countermeasures on Shareholders and Investors

If the Large Purchaser does not conform to the Large Purchase Rule, etc., the Board of Directors may exercise the countermeasures permitted under the Companies Act, other laws, and the Articles of Incorporation in order to protect the common interests of the shareholders. Under the structure of the countermeasures, the Board of Directors does not anticipate any cases in which the shareholders (except for the Large Purchaser (including the certain shareholders group) relating to the exercise of the countermeasures) will incur exceptional economic losses or suffer damage to their legal rights. If the Board of Directors decides to exercise the specific countermeasures, it will disclose the decision in a timely and appropriate manner in accordance with laws and regulations and the rules of the financial instruments exchange. However, because the value per share will not be diluted if the Board of Directors decides to suspend the issuance of Stock Acquisition Rights or to acquire Stock Acquisition Rights issued, shareholders or investors, who sell their shares in an anticipation that the share value will be diluted on or after effective dates of Stock Acquisition Rights, may incur contingent losses due to changes of the share price.

(3) Procedures to be Taken by Shareholders upon the Exercise of the Countermeasures

(i) Procedures to Enter Proper Record in the Register of Shareholders

If the Board of Directors resolves to issue gratis Stock Acquisition Rights as countermeasures, it will publicly announce the issue date for the gratis Stock Acquisition Rights (the record date if a record date for the issuance is determined; hereinafter the same interpretation shall apply). Because gratis Stock Acquisition Rights are issued to shareholders of record in the last register of shareholders at the close of the issue date, shareholders must be recorded in the last register of shareholders as of such date.

(ii) Procedures for the Exercise of Stock Acquisition Rights

If the Board of Directors resolves to issue gratis Stock Acquisition Rights as countermeasures, it will in principle send the shareholders recorded in the last register of shareholders as of the issue date the Stock Acquisition Right Exercise Application (in a form prescribed by the Company that includes information on necessary matters, such as the class and number of Stock Acquisition Rights to be exercised, and a statement that shareholders do not belong to the specific shareholders group, etc.) and other necessary documents for the exercise of Stock Acquisition Rights. After the gratis issuance of Stock Acquisition Rights, shareholders will submit the necessary documents within the exercise period for the Stock Acquisition Rights and pay the payment handling bank the exercise price determined by the Board of Directors in the Resolution on the Gratis Issuance of Stock Acquisition Rights but at least ¥1.00 per Stock Acquisition Right, whereupon, in principle, shares will be issued in a number separately determined by the Board of Directors for each Stock Acquisition Right.

(iii) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Board of Directors resolves to acquire Stock Acquisition Rights, the Company may acquire Stock Acquisition Rights on the date separately determined by the Board of Directors in accordance with legal requirements. In exchange for acquisition of Stock Acquisition Rights, the Company will promptly deliver the Company's shares to the relevant shareholders. In this instance, the Company may request the relevant shareholders to submit Pledges in the form prescribed by the Company, including representations by shareholders to substantiate that they themselves have no affiliation with the specific shareholders group, etc.

In addition, once the Resolution on the Gratis Issuance of Stock Acquisition Rights is adopted, the Company will publicly announce or notify shareholders of the details of the method for issuance and exercise of Stock Acquisition Rights, and as the case so requires the method for the acquisition by the Company of Stock Acquisition Rights. Shareholders are therefore strongly advised to confirm the relevant information.

## 5. Commencement and Effective Period of the Handling Policy

If the continuation of the Handling Policy is approved at this Ordinary General Meeting of Shareholders, the Handling Policy will remain in effect until the close of the 97th Ordinary General Meeting of Shareholders to be held by June 30, 2014. Further, it shall be provided that if the continuation of the Handling Policy is again

approved at the 97th Ordinary General Meeting of Shareholders, the effective period shall be extended for another three year period (thereafter the same shall apply). If the continuation of the Handling Policy is approved, the Board of Directors shall promptly notify the shareholders to that effect.

The Board of Directors may review the Handling Policy from time to time in accordance with the development of related laws and regulations and the development of the rules of the financial instruments exchange etc., and may amend the Handling Policy with approval of the General Meeting of Shareholders. In this instance, the Company will promptly notify the shareholders of the details of such amendment. If the General Meeting of Shareholders or the Board of Directors decides by resolution to abolish the Handling Policy even within the effective period thereof, the Handling Policy shall be abolished.

## **6. The Rationale that the Handling Policy Conforms to the Basic Policy, is in No Way Harmful to the Common Interests of Shareholders, and is Not Introduced as a Means of Maintaining the Status of the Officers of the Company**

### **(1) Handling Policy Conforms to Basic Policy**

The Handling Policy stipulates the details of the Large Purchase Rule, the handling policy when the Large Purchase is conducted, the establishment of the Independent Panel, the impact on shareholders and investors, etc.

The Handling Policy also stipulates that the Large Purchaser shall present the Board of Directors with necessary and sufficient information on the Large Purchase in advance and commence the Large Purchase only after a specified appraisal period, and that the Board of Directors may exercise the countermeasures if the Large Purchaser does not comply with such procedure.

In addition, the Handling Policy stipulates that even when the Large Purchase Rule is obeyed, if the Board of Directors judges that the Large Purchase by the Large Purchaser may significantly harm the common interest of shareholders, the Board of Directors may exercise the appropriate countermeasures against the Large Purchaser in order to protect the common interests of the shareholders.

Accordingly, the Handling Policy has been developed according to the idea of the Basic Policy.

### **(2) The Handling Policy is in No Way Harmful to the Common Interests of Shareholders**

As stated in I above, the Basic Policy sets as a precondition that it will honor the common interests of the shareholders. The Handling Policy has been designed based on the ideas of the Basic Policy. The purposes of the Handling Policy are to ensure that necessary information is provided to enable shareholders to judge whether they should accept the Large Purchase, that opinions of the Board of Directors are presented, and that opportunities to present alternatives are kept. Because the Handling Policy enables shareholders and investors to make appropriate investment decisions, the Handling Policy is deemed not to harm, and in fact to promote, the common interests of the shareholders.

Additionally, because the implementation and extension of the Handling Policy are preconditioned on the approval by the shareholders, and because the Handling Policy may be abolished if shareholders so desire, the Board of Directors is of the opinion that these safeguards will keep the Handling Policy harmless to the common interests of the shareholders.

Furthermore, the Handling Policy conforms with the three principles set forth in the “Guidelines Concerning Anti-Takeover Measures for the Purpose of Preserving and Enhancing Corporate Value and the Common Interests of Shareholders” publicly announced by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

### **(3) Handling Policy is Not Implemented as a Means of Maintaining the Status of the Officers of the Company**

The Handling Policy is an arrangement that calls for the conformance with the Large Purchase Rule and the exercise of countermeasures to the extent necessary to protect the common interests of the shareholders, based on the fundamental premise that the final judgment on whether or not to accept the Large Purchase, in principle, rests with shareholders. Through the Handling Policy, the Company accurately and precisely discloses in advance when and how the Board of Directors will exercise the countermeasures, and the countermeasures by the Board of Directors shall be exercised in accordance with the provisions of the Handling Policy. The Board of Directors itself may not on its sole discretion effect or extend the countermeasures, and will need approval of shareholders for such effectuation or extension.

In addition, if the Board of Directors makes a significant judgment relating to the Handling Policy, including a resolution to exercise the countermeasures against the Large Purchase, the Board of Directors will receive advice from outside experts, etc. as necessary, consult with the Independent Panel composed of members independent of the management operating the Company, and honor the recommendation of the Independent Panel to the fullest degree. Accordingly, the Handling Policy includes such procedures that are designed to

secure appropriate handling by the Board of Directors.

Furthermore, because it is stipulated that the Handling Policy may be abolished at any time by a Board of Directors composed of Directors elected by the General Meeting of Shareholders of the Company, the Handling Policy may in fact be abolished by a Board of Directors composed of Directors newly elected by new composition of shareholders. Accordingly, the Handling Policy is not a dead-hand type anti-takeover measure (an anti-takeover measure whose implementation cannot be avoided even when the majority of the members of the Board of Directors are replaced). In addition, because the term of office of each Director is one year and the Company does not adopt any staggered term system, the Handling Policy is not a slow-hand type anti-takeover measure (an anti-takeover measure whose implementation cannot be avoided until sufficient time has elapsed because the members of the Board of Directors cannot be replaced at one time).

Consequently, the Board of Directors believes that the Handling Policy is not implemented with the intention of maintaining the status of the Company's Officers.

### Name and Brief Personal History of Independent Panel Members (Scheduled)

Hiroshi Ishibashi  
 Born in July 1948  
 April 1974           Registered as Attorney at Law  
                           Entered Marunouchi-sogo Law Office (to the present)  
 May 1998            External Statutory Auditor of Matsuya Co., Ltd. (to the present)  
 June 2004           External Statutory Auditor of NIPPON PISTON RING CO., LTD. (to the present)  
 June 2005           External Statutory Auditor of the Company (to the present)

No conflict of interest exists between the Company and Mr. Ishibashi.

Shingo Mazima  
 Born in September 1946  
 September 1975    Entered KPMG LLP (former PEAT MARWICK MITCHELL & Co.)  
                           New York office  
 July 1997           US Northeast General Manager, Japan Division of KPMG LLP  
 December 2004    Advisor of KPMG LLP  
 April 2006         Professor, Faculty of Commerce, Chuo University (to the present)

Mr. Mazima is a Certified Public Accountant in Japan and Certified Public Accountant in the state of New York.  
 No conflict of interest exists between the Company and Mr. Mazima.

Atushi Minami  
 Born in March 1958  
 April 1993         Registered as Attorney at Law  
 October 2001      Partner of Minami Patent and Law Office (to the present)  
 June 2007         External Statutory Auditor of CommSeed Corporation (to the present)

No conflict of interest exists between the Company and Mr. Minami.

\* Mr. Minami will resign from his position as external statutory auditor of CommSeed Corporation at the closing of the company's 20<sup>th</sup> Annual General Meeting of Shareholders to be held on June 29, 2011.

## Overview of Independent Panel Rules

### 1. Establishment

The Independent Panel is established by resolution of the Board of Directors.

### 2. Panel Members

The number of panel members of the Independent Panel shall be three (3) or greater, and panel members shall consist of External Statutory Auditors, corporate managers with proven track records, persons with expert knowledge in the investment banking business, lawyers, certified public accountants, academic experts specialized in research on the Companies Act, etc., or similar persons entrusted by the Board of Directors and independent of the executive management of the company.

### 3. Term of Office

The term of office of panel members of the Independent Panel shall expire at the close of the 97th Ordinary General Meeting of Shareholders if the Handling Policy is approved by the 94th Ordinary General Meeting of Shareholders. If continuation of the Handling Policy is approved at the 97th Ordinary General Meeting of Shareholders, the term of office shall be extended to the close of the Ordinary General Meeting of Shareholders to be held with respect to the last fiscal year ending within three years after the close of the 97th Ordinary General Meeting of Shareholders (thereafter the same shall apply), unless otherwise determined by resolution of the Board of Directors. Additionally, when a panel member who also serves as an External Statutory Auditor ceases to serve as a Statutory Auditor of the Company (unless he or she is reappointed), his or her term of office as a panel member of the Independent Panel shall also expire.

When a panel member position on the Independent Panel is vacant, a new panel member shall be elected by resolution of the Board of Directors from among candidates who meet requirements for election stipulated in 2. above. The term of office of a newly elected panel member shall be the same as the remaining term of office of the retired panel member.

### 4. Requirements for Resolution

All resolutions of the Independent Panel shall be in principle be adopted by a majority of the votes of all incumbent panel members present. It shall be provided, however, that if any panel member of the Independent Panel is unable to act as a panel member or if any other unavoidable reasons arise, resolutions of the Independent Panel shall be adopted by a majority of the votes of panel members present who constitute in number a majority of the total number of panel members of the Independent Panel.

Additionally, if a resolution of the Independent Panel is not adopted due to a tie vote, the Independent Panel shall report that effect to the Board of Directors.

### 5. Matters to be Resolved and Other Matters

If the Board of Directors issues queries to the Independent Panel, the Independent Panel shall in principle review the matters enumerated in the respective items below, decide by resolution the result of its review as the Independent Panel, and recommend to the Board of Directors the contents of its decisions with rationales. Each member of the Independent Panel must determine such matters from the viewpoint of whether such matters will contribute to the corporate value and the common interests of the shareholders, and must not pursue self interest or the interest of a third party (including the managers of the Company).

- (a) whether or not the purchase falls in the category of a Large Purchase subject to the Large Purchase Rule;
- (b) the Necessary Information to be submitted to the Board of Directors by the Large Purchaser and the time limit for submission;
- (c) detailed check and review of the Necessary Information submitted by the Large Purchaser;
- (d) detailed check and review of the details of the Large Purchase conducted by the Large Purchaser;
- (e) whether or not the Large Purchase can be expected to significantly harm the corporate value and the common interests of the shareholders;
- (f) whether or not the Large Purchaser complies with the Large Purchase Rule;
- (g) whether or not the Appraisal Period for the Board of Directors will be extended;
- (h) whether or not the exercise of the countermeasures should be referred to the General Meeting of Shareholders, etc.;
- (i) whether or not the countermeasures should be exercised, changed, or suspended;
- (j) review of continuation, change, or abolishment of the Large Purchase Rule; and
- (k) other matters that the Board of Directors has referred to the Independent Panel.

## GUIDELINE OF STOCK ACQUISITION RIGHTS

1. Shareholders entitled to receive Stock Acquisition Rights and terms and conditions of the gratis issuance of Stock Acquisition Rights  
The number of share options separately determined by the Board of Directors will be granted without consideration for each common share held by the shareholders (except for common shares held by the Company) recorded in the last register of shareholders as of the issue date determined by the Board of Directors.
2. Class and number of shares to be issued or transferred upon the exercise of Stock Acquisition Rights  
The class of shares to be issued or transferred upon the exercise of Stock Acquisition Rights shall be common shares, and the number of shares granted for each Stock Acquisition Right exercised shall be up to the total number of shares authorized to be issued as of the issue date as determined by the Board of Directors minus the total number of common shares issued and outstanding (except for common shares held by the Company). The number of shares granted for each Stock Acquisition Right exercised shall be separately determined by the Board of Directors.
3. Total number of Stock Acquisition Rights to be issued  
Total number of Stock Acquisition Rights issued shall be separately determined by the Board of Directors. The Board of Directors may issue Stock Acquisition Rights more than once.
4. Amount to be paid upon the exercise of Stock Acquisition Rights  
The amount of consideration to be paid upon the exercise of Stock Acquisition Rights shall be no less than ¥1 and shall be separately determined by the Board of Directors.
5. Restriction on transfer of Stock Acquisition Rights  
In the case of acquisition of Stock Acquisition Rights by means of transfer thereof, the shareholder or transferee shall obtain approval of the Board of Directors in advance.
6. Conditions for the exercise of Stock Acquisition Rights  
The terms and conditions for exercise include stipulation that no person affiliated with a specific shareholders group with no less than 20% of the voting rights may be denied to exercise Stock Acquisition Rights. The details of this condition shall be separately determined by the Board of Directors.
7. Period for the exercise of Stock Acquisition Rights, etc.  
The exercise period, causes of acquisition, conditions for acquisition, and other necessary matters for Stock Acquisition Rights shall be separately determined by the Board of Directors. It shall be provided, however, that if common shares are issued in consideration of Stock Acquisition Rights, the upper limit of the number of common shares shall be the total number of shares authorized to be issued minus the total number of common shares issued and outstanding (except for common shares held by the Company) as of the acquisition date.

## [A GUIDE FOR THE EXERCISE OF YOUR VOTING RIGHTS VIA THE INTERNET]

Exercise of voting rights via the Internet is only possible by accessing the website (<http://www.web54.net>) designated by the Company for the purpose of exercising voting rights.

When accessing the website, please review the following points.

### 1. System requirements

Before exercising your voting rights, please confirm that your computer system satisfies all of the following requirements for exercising voting rights via the Internet.

(1) A display monitor with resolution of more than 800 x 600 (SVGA).

(2) The following application software is installed.

A. Microsoft Internet Explorer, Version 5.01 SP2, or a more recent version

B. Adobe Acrobat Reader, Version 4.0 or a more recent version, or Adobe Reader Version 6.0 or a more recent version (for browsing the Reference Documents for the General Meeting of Shareholders, etc. on screen)

\* Microsoft and Internet Explore are registered trademarks or trademarks of Microsoft Corporation in the U.S.A. and/or other countries.

\* Adobe Acrobat Reader and Adobe Reader are registered trademarks or trademarks of Adobe Systems Incorporated in the U.S.A. and/or other countries.

\* You may download all of the above software without charge from the respective company websites.

(3) If a firewall or other configurations for Internet connection may restrict telecommunication via the Internet, please consult with your system administrator.

(4) Our website is displayed using pop-up windows. If you use automatic functions to block pop-up windows (e.g., pop-up blocking functions), please disable them or unlock them temporarily while you exercise your voting rights.

### 2. Matters to note concerning the exercise of your voting rights

■ If you exercise your voting rights via the Internet more than once, your final votes shall be deemed to be valid.

■ If you exercise your voting rights by two different methods, that is, via the Internet as well as by mailing, the votes via the Internet shall be deemed to be valid.

■ Votes via the Internet are accepted until 5:00 p.m. of the day before the date of the Ordinary General Meeting of Shareholders.

### 3. Matters to note concerning your Password

\* A temporary password is our means to verify if the person voting is a genuine shareholder. Please maintain this password as strictly confidential in the same manner as a registered seal or a personal identification number.

We are unable to respond to any telephone inquiries.

\* If you enter your temporary password erroneously more than a certain number times, our system will disable your access rights with the temporary password. Please follow the instructions on the screen if you wish to have a temporary password reissued.

### 4. Help desk for guidance on operating your personal computer

\* In case you need instructions on how to operate your personal computer for exercising your voting rights on this website, please contact the following support desk:

Transfer Agent Web Support, The Chuo Mitsui Trust and Banking Co., Ltd.

Phone: 0120-65-2031

(9:00 a.m. ~ 9:00 p.m., weekdays)

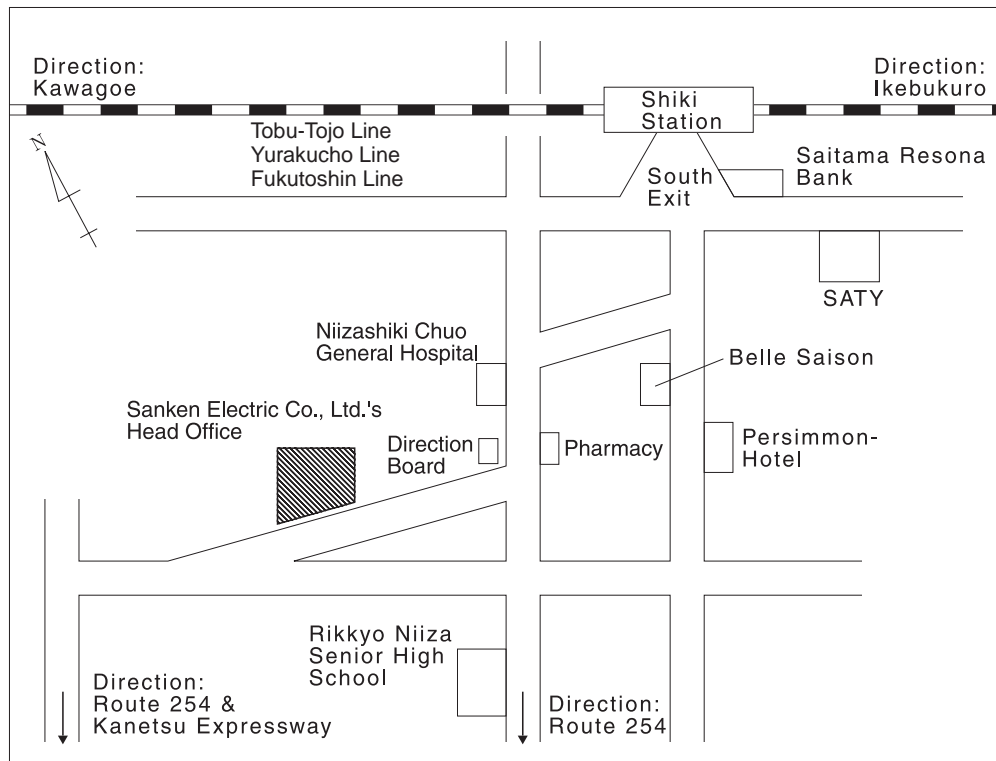
\* For other inquiries with regard to your registered address, number of shares held, etc., please contact the following center:

Transfer Agent Business Center, The Chuo Mitsui Trust and Banking Co., Ltd.

Phone: 0120-78-2031

(9:00 a.m. ~ 5:00 p.m., weekdays)

## Location of the Ordinary General Meeting of Shareholders



Place: 6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture  
Sanken Electric Co., Ltd., Head Office  
Phone: (048) 472-1111

Access: 15-minute walk from Shiki Station (South Exit), Tobu-Tojo Line