

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

for

The 94th Fiscal Term from April 1, 2010 to March 31, 2011

Sanken Electric Co., Ltd.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to Going Concern Assumption

Not applicable

Notes to Significant Fundamental Matters in Preparing the Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated majority-owned subsidiaries and other subsidiaries: 29

All of the subsidiaries are consolidated.

(2) Names of principal consolidated subsidiaries:

Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Kashima Sanken Co., Ltd., Fukushima Sanken Co., Ltd., Sanken Optoproducts Co., Ltd., Sanken Densetsu Co., Ltd., Allegro MicroSystems, Inc., Polar Semiconductor, Inc., Korea Sanken Co., Ltd. Sanken Power Systems (UK) Limited, P.T. Sanken Indonesia, Sanken Electric Singapore Pte. Ltd., Sanken L.D. Electric (Jiang Yin) Co., Ltd., Sanken Electric Hong Kong Co., Ltd., Sanken Electric Korea Co., Ltd., Taiwan Sanken Electric Co., Ltd., Sanken Electric (Shanghai) Co., Ltd., Sanken Electric (Malaysia) Sdn. Bhd., Dalian Sanken Electric Co., Ltd., etc.

Notes: Allegro (Shanghai) Micro Electronics Commercial & Trading Co., Ltd. was newly established and consolidated in the current fiscal year.

2. Application of equity method

(1) Name of non-consolidated subsidiaries and affiliates which adopt the equity method: Not applicable

(2) Name of principal non-consolidated subsidiaries and affiliates which do not adopt the equity method: Not applicable

3. Fiscal term of consolidated majority-owned subsidiaries

The fiscal year ends on December 31 for the following consolidated subsidiaries:

Sanken L. D. Electric (Jiangyin) Co., Ltd.

Taiwan Sanken Electric Co., Ltd.

Sanken Electric (Shanghai) Co., Ltd.

Dalian Sanken Electric Co., Ltd.

Dalian Sanken Trade Co., Ltd.

Allegro (Shanghai) Micro Electronics Commercial & Trading Co., Ltd

The financial statements of each company as of December 31 were used for the preparation of the consolidated financial statements, and necessary adjustments were made for significant transactions that occurred between December 31 and the fiscal year end.

Please note that, with regard to Allegro (Shanghai) Micro Electronics Commercial & Trading Co., Ltd, its preliminary financial statements as of the fiscal year end are used.

4. Significant accounting policies

(1) Standards and methods of valuing the significant assets

(i) Securities

Other securities

Securities with market value

Market value method based on the market price as of the end of the fiscal term. (Differences in valuation are included directly in net assets and costs of sold securities are calculated using the moving-average method.)

Securities without market value

Stated at cost using the moving-average method

(ii) Derivative transactions

Market value method

(iii) Inventories

Inventory held for the purpose of ordinary sales

Stated mainly at cost using the first-in, first-out method

(The carrying amounts in the accompanying consolidated balance sheets are stated after reducing the book value according to the decreased profitability.)

(2) Depreciation methods for fixed assets

(i) Tangible fixed assets (excluding lease assets)

The Company and the consolidated majority-owned domestic subsidiaries use the declining-balance method, and the consolidated majority-owned overseas subsidiaries mainly use the straight-line method. However, buildings (excluding improvements) acquired by the Company and the consolidated majority-owned domestic subsidiaries on or after April 1, 1998 are depreciated using the straight-line method.

Useful lives of main asset are as follows:

Buildings and structures	8 to 60 years
Machinery and transportation equipment	3 to 12 years

(ii) Intangible fixed assets (excluding lease assets)

Straight-line method

As for software (for in-house use), the straight-line method is used with a useful life of 5 years.

(iii) Lease assets

Lease assets arising from finance lease transactions in which ownership is transferred

Depreciation shall be computed mainly by the same method applicable to the Company's fixed assets.

Lease assets arising from finance lease transactions in which ownership is not transferred

Depreciation shall be computed by the straight-line method based on the assumptions that the useful life equals the lease term and the residual value equals zero.

From among finance lease transactions in which ownership is not transferred, transactions that start on or before March 31, 2008 are accounted for by the accounting method used for ordinary lease transactions.

(3) Standards of accounting for allowances and accruals

(i) Allowance for doubtful receivables

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

(ii) Accrued bonuses for directors and statutory auditors

Accrued bonuses for directors and statutory auditors are calculated based on estimates of bonuses payments for directors and statutory auditors, which are attributable to the fiscal term.

(iii) Accrued retirement benefits

Accrued employees' retirement benefits are calculated based on the estimates of retirement benefit obligations and pension assets as of the end of the fiscal term.

Accrual of benefits for Corporate Officers is based on Company's internal rules for Corporate Officers at the end of fiscal term.

Prior service cost is amortized from the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (10 years through 18 years) which do not exceed the average remaining service period of employees. Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (10 years through 23 years).

(iv) Accrued retirement benefits for directors and statutory auditors

Accrued retirement benefits for directors and statutory auditors at the end of fiscal term are calculated based on Company and consolidated majority-owned domestic subsidiaries' internal rules.

Payment of Retirement Benefits for Directors and Statutory Auditors due to the Abolition of the Retirement Benefit Program were resolved and approved at the 89th Ordinary General Meeting of Shareholders on June 23, 2006.

(4) Other significant matters for the preparation of the consolidated financial statements

(i) Accounting method for consumption tax

The tax exclusion method is adopted for consumption tax and local consumption tax.

(ii) Foreign currency translation

All monetary assets and liabilities in denominated in foreign currencies are converted into Japanese yen at

the exchange rates prevailing as of the fiscal term end, and the resulting gain or loss is credited or charged to income.

The Majority-owned overseas consolidated subsidiaries' assets and liabilities are translated into Japanese yen at the exchange rate prevailing as of the end of the fiscal term. Revenues and expenses are translated into Japanese yen at the average exchange rate during the fiscal term, and translation differences are included in the translation adjustment account and minority interests account of net assets.

Notes to significant changes for the preparation of the consolidated financial statements

Changes in the accounting policies

(Adoption of the accounting standard for asset retirement obligations, etc.)

Effective from the current fiscal year, the Company has adopted the “Accounting Standard for Asset Retirement Obligations” (the Accounting Standards Board of Japan (ASBJ), March 31, 2008, Statement No. 18) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ, March 31, 2008, Guidance No. 21).

As a result, operating income and ordinary income decreased by 3 million yen, respectively, and income before income taxes and minority interests decreased by 87 million yen. The change in asset retirement obligations attributable to the adoption of this accounting standard etc. is 60 million yen.

Changes in presentation

(Consolidated statements of income)

1. “Employment adjustment subsidiary” (10 million yen for the current fiscal year), which was separately stated in the previous fiscal year, has become insignificant and is therefore included in “Miscellaneous income” under the other income category in the current fiscal year.
2. “Depreciation of inactive fixed assets” (159 million yen for the current fiscal year) and “Warranty expenses” (54 million yen for the current fiscal year), which were separately stated in the previous fiscal year, have become insignificant and are therefore included in “Miscellaneous losses” under the other expenses category.
3. Effective from the current fiscal year, the Company has adopted the “Ministry Ordinance for Partial Amendments to the Ordinance for Enforcement of the Companies Act and the Corporate Calculation Regulations” (Ministry of Justice Ordinance No.7 of 2009) in accordance with the “Accounting Standard for Consolidated Financial Statements” (ASBJ, December 26, 2008, Statement No. 22), and the relevant figures are presented as an item under “Loss before minority interests.”

Notes to the Consolidated Balance Sheet

(1) Assets offered as collateral and collateralized liabilities

1) Assets offered as collateral

Land	944 million yen
Buildings	2,936 million yen
Other intangible assets	95 million yen
Total	3,975 million yen

2) Collateralized liabilities

Short-term bank loans	25 million yen
Long-term bank loans	5,031 million yen
Total	5,056 million yen

(2) Accumulated depreciation of tangible fixed assets 119,686 million yen

(3) Amount of retrospective obligations in accordance with the transfer of export receivables 1,451 million yen

Notes to the Consolidated Statement of Changes in Net Assets

(1) Shares issued and outstanding (shares)

Type of share	Balance at the end of the previous fiscal year	Increase	Decrease	Balance at the end of the current fiscal year
Common stock	125,490,302	—	—	125,490,302

(2) Treasury Stock (shares)

Type of share	Balance at the end of the previous fiscal year	Increase	Decrease	Balance at the end of the current fiscal year
Common stock	4,089,747	50,243	1,213	4,138,777

(Summery of Reason for change)

Increase and decrease in treasury stock of common stock were due to purchase and disposal of less-than-a full-unit shares.

(3) Stock Acquisition Rights

None requiring disclosure

(4) Dividends

(i) Amount to be paid

Resolution	Class of share	Total amount (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on November 5, 2010	Common stock	364	3	September 30, 2010	December 3, 2010

(ii) Dividends of which the record dates fall in the current fiscal year but the effective dates fall after the end of the current fiscal year

Resolution	Class of share	Total amount (million yen)	Funding source for dividend	Dividend per share (yen)	Record date	Effective date
Shareholders' Meeting held on June 24, 2011	Common stock	364	Capital surplus	3	March 31, 2011	June 27, 2011

Notes to Financial Instruments

(1) Financial instruments overview

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

Customer credit risks related with notes receivable and accounts receivable — trade are reduced through measures taken in accordance with provisions of credit management regulations. Receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risks. The Company Group hedges this risk mainly through the use of forward exchange contracts against positions after netting payables denominated in foreign currencies, in principle.

Investment securities are mainly the shares of corporations with which the Company Group has business relationships and therefore are exposed to the risk of market price fluctuations. The Company Group regularly monitors the fair value and financial positions, etc. of the issuing entities (business partners) and continuously reviews the holding status in consideration of its relationships with business partners.

Short-term bank loans and commercial papers are fundraising instruments that mainly pertain to operating funds, while long-term bank loans and bonds are fundraising instruments necessary mainly for the purpose of capital investment. Some of them are on floating interest rates and therefore exposed to the risk of interest rate fluctuation. When borrowing a bank loan on a floating interest rate, the Company Group reduces the risk by limiting the loan term within three years in principle, monitoring the remaining term until the interest rate renewal date, monitoring the interest rate fluctuation trend, and responding in consideration of the balances between short-term loans and long-term loans or between fixed interest rates and floating interest rates.

With respect to derivative transactions, the financial division of the Company conducts transaction contracts, checks balances, and handles the accounting. A monthly report on the status of derivative transactions is prepared and submitted to the management meeting.

(2) Fair value of financial instruments

The carrying amount on the consolidated balance sheets, the fair value, and the differences between the two were as follows, as of March 31, 2011 (closing date for the current fiscal year). However, financial instruments for which the fair value is deemed to be extremely difficult to determine are not included in the following table. (See note 2)

	(Millions of yen)		
	Carrying amount(*1)	Fair value (*1)	Difference
(1) Cash and deposits	12,826	12,826	—
(2) Notes and accounts receivable — trade	31,220	31,220	—
(3) Investment securities			
Other securities	1,862	1,862	—
(4) Notes and accounts payable — trade	(20,138)	(20,138)	—
(5) Short-term bank loans	(20,382)	(20,382)	—
(6) Commercial paper	(19,000)	(19,000)	—
(7) Bonds payable	(20,000)	(20,120)	(120)
(8) Long-term bank loans	(5,031)	(5,047)	(15)
(9) Derivative transactions (*2)	(78)	(78)	—

*1: Amounts posted in liabilities are indicated in ().

*2: Derivative transactions are indicated in net amounts after offsetting the receivables and payables.

Note 1: Calculation method for the fair value of financial instruments, investment securities and derivative transactions

(1) Cash and deposits; and (2) Notes and accounts receivable — trade

The fair value is approximately equal to the book value because both are settled in the short term. Therefore, the fair value is based on the book value.

(3) Investment securities

The fair value of stocks is based on the prices on the stock exchange.

(4) Notes and accounts payable — trade; (5) Short-term bank loans; and (6) Commercial paper

The fair value is approximately equal to the book value because both are settled in the short term. Therefore, the fair value is based on the book value.

(7) Bonds payable

The fair value of bonds issued by the Company is based on market prices.

(8) Long-term bank loans

The fair value of long-term bank loans with floating interest rates is deemed to reflect market interest rates in the short term and is therefore deemed to be very similar to the book value. Accordingly, it is stated at book value. The fair value of long-term bank loans with fixed interest rates is calculated by discounting the total of principal and interest by the assumed interest rate in the case of a similar borrowing to be newly conducted.

(9) Derivative transactions

(i) Not subject to hedge accounting

The fair value of a derivative transaction not subject to hedge accounting is based on the price etc. presented by correspondent financial institutions.

(ii) Subject to hedge accounting

Not applicable.

Note 2: The fair value of non-marketable securities (93 million yen on the consolidated balance sheet) is considered to be extremely difficult to calculate, as there are no market prices and no valuations of future cash flows. Therefore, these securities are not included in “(3) Investment securities; Other securities.”

Notes to lease properties

Omitted because of their insignificance

Notes to per share information

(1) Net asset per share	274.05 yen
(2) Net loss per share	7.60 yen

Important Subsequent Events

None

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Notes to Going Concern Assumption

Not applicable

Notes to significant accounting policies

1. Standards and methods of valuing the assets

(1) Securities

Stocks of subsidiaries and affiliates..... Stated at cost using the moving-average method

Other securities

Securities with market value..... Market value method based on the market price as of the end of the fiscal term

(Differences in valuation are included directly in net assets and costs of sold securities are calculated using the moving-average method.)

Securities without market value..... Stated at cost using the moving-average method

(2) Derivative transactions

Market value method

(3) Inventories

Semiconductor devices segment,
CCFL segment.....

Stated mainly at cost by the first-in, first-out method (The carrying amounts in the accompanying balance sheets are stated after reducing the book value according to the decreased profitability.)

PM segment, PS segment Stated mainly at cost using the specific identification method (The carrying amounts in the accompanying balance sheets are stated after reducing the book value according to the decreased profitability.)

2. Depreciation methods for fixed assets

(1) Tangible fixed assets

(excluding lease assets)..... Declining-balance method

However, buildings (excluding improvements) acquired on or after April 1, 1998 are depreciated using the straight-line method.

(2) Intangible fixed assets

(excluding lease assets)..... Straight-line method

As for software (for in-house use), the straight-line method is used with a useful life of 5 years.

(3) Lease assets Lease assets arising from finance lease transactions in which ownership is not transferred

Depreciation shall be computed by the straight-line method based on the assumptions that the useful life equals the lease term and the residual value equals zero.

From among finance lease transactions in which ownership is not transferred, transactions that start on or before March 31, 2008 are accounted for by the accounting method used for ordinary lease transactions.

3. Standards of accounting for allowances and accruals

(1) Allowance for doubtful receivables

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

(2) Accrued bonuses for directors and statutory auditors

Accrued bonuses for directors and statutory auditors are calculated based on estimates of bonuses payments for directors and statutory auditors, which are attributable to the fiscal term.

(3) Accrued retirement benefits

Accrued employees' retirement benefits are calculated based on estimates of retirement benefit obligations and pension assets as of the end of the fiscal term.

Prior service cost is amortized from the year in which the gain or loss is recognized primarily by the declining-balance method over 14 years which is not more than the average remaining service term of employees.

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over 14 years which is not more than the average remaining service term of employees.

(4) Accrued retirement benefits for directors and statutory auditors

Accrued retirement benefits for directors and statutory auditors at the end of the fiscal term are calculated based on Company internal rules.

Payment of Retirement Benefits for Directors and Statutory Auditors due to the Abolition of the Retirement Benefit Program were resolved and approved at the 89th Ordinary General Meeting of Shareholders on June 23, 2006.

4. Accounting method for consumption taxes

The tax exclusion method is adopted for consumption tax and local consumption tax.

Changes in the accounting policies

1. Adoption of the accounting standard for asset retirement obligations, etc.

Effective from the current fiscal year, the Company has adopted the "Accounting Standard for Asset Retirement Obligations" (the Accounting Standards Board of Japan (ASBJ), March 31, 2008, Statement No. 18) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ, March 31, 2008, Guidance No. 21).

As a result, operating loss and ordinary loss increased by 3 million yen in a negative direction, respectively, and loss before income taxes increased by 87 million yen in a negative direction. The change in asset retirement obligations attributable to the adoption of this accounting standard etc. is 60 million yen.

2. Changes in presentation

(1) Balance sheets

"Deferred tax liabilities" (balance of 0 million yen as of the end of the current fiscal year), which was separately stated in the previous fiscal year, has become insignificant and is therefore included in "Other" under the current liabilities category.

(2) Statement of income

"Warranty expenses" (54 million yen for the current fiscal year), which was separately stated in the previous fiscal year, has become insignificant and is therefore included in "Miscellaneous losses" under the other expenses category in the current fiscal year.

"Loss on revaluation of investment securities" (47 million yen for the previous fiscal year), which was included in "Other extraordinary losses" under the extraordinary loss category in the previous fiscal year, has become significant and is therefore stated separately in the current fiscal year.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets	32,051 million yen
2. Contingent liabilities	
The Company guarantees bank loans of the other company and others.	
Polar Semiconductor, Inc.	949 million yen
3. Receivables from, and payables to subsidiaries and affiliates:	
(1) Short-term receivables	30,971 million yen
(2) Short-term payables	5,541 million yen
(3) Long-term receivables	9,809 million yen

Notes to statement of income

1. Operating transactions with subsidiaries and affiliates	
(1) Net sales	17,461 million yen
(2) Purchases	94,548 million yen
(3) Raw materials, etc. supplied	51,297 million yen
(4) Other operating transactions	3,790 million yen
2. Transactions with subsidiaries and affiliates other than operating transactions	2,226 million yen

Notes to statement of changes in net assets

Number of treasury stock as of the end of the fiscal term	common stock	4,138,777
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Notes to accounting for income taxes

Significant components of deferred tax assets and liabilities

Deferred tax assets:	Loss on revaluation of securities of subsidiaries and affiliates	1,239 million yen
	Loss on revaluation of inventories	2,077 million yen
	Accrued bonuses	426 million yen
	Loss on impairment of fixes assets	453 million yen
	Allowance for doubtful receivables	3,176 million yen
	Tax loss carry forwards	9,473 million yen
	Others	899 million yen
	Sub-total of deferred tax assets	17,746 million yen
	Valuation allowance	(17,746) million yen
	Total of deferred tax assets	— million yen
Deferred tax liabilities:	Unrealized gain (loss) on securities	(144) million yen
	Others	(29) million yen
	Total of deferred tax liabilities	(174) million yen
	Net of deferred tax assets (liabilities)	(174) million yen

Notes to pro forma information of leased property

1. Acquisition cost for the leased property as of the end of the fiscal term	789 million yen
2. Accumulated depreciation for the leased property as of the end of the fiscal term	654 million yen
3. Accumulated impairment losses for the leased property as of the end of the fiscal term	6 million yen
4. Future minimum lease payments for the leased property as of the end of the fiscal term	135 million yen

Notes to transactions with affiliated parties

Subsidiaries, etc.

Type	Name of Company, etc.	Location	Common stock or investments (millions of yen)	Field of business or occupation	Ownership of voting rights, etc. (Ownership percentage)	Details of relationship		Details of transaction	Amount of transaction (millions of yen)	Account	Balance as of the end of the fiscal term (millions of yen)
						Concurrently serving directors or statutory auditors, etc.	Factual relationship				
Subsidiary	Ishikawa Sanken Co., Ltd.	Shika-machi, Hakui-gun, Ishikawa Prefecture	95	Semiconductor devices	Direct ownership 100%	Number of concurrently serving directors or statutory auditors: 4	Manufacture of our products	Purchase of semiconductor products	35,899	Accounts payable-trade	—
								Supply of raw materials	23,861	Accounts receivable - other	3,710
	Yamagata Sanken Co., Ltd.	Higashine-shi, Yamagata Prefecture	100	Semiconductor devices	Direct ownership 100%	Number of concurrently serving directors or statutory auditors: 4	Manufacture of our products	Purchase of semiconductor devices	21,139	Accounts payable-trade	—
								Supply of raw materials	13,927	Accounts receivable - other	3,866
								Provision of collaterals to secure loans from financial institutions	—	—	3,364
	Allegro MicroSystems, Inc.	Worcester, Massachusetts, USA	250 thousand US dollars	Semiconductor devices	Direct ownership 100%	Number of concurrently serving directors or statutory auditors: 4	Manufacture of our products	Receipt of dividends	1,138	Accounts receivable - other	1,164
P.T. Sanken Indonesia	Bekasi, West Java, Indonesia	21,000 thousand US dollars	PM	Direct ownership 100%	Number of concurrently serving directors or statutory auditors: 3	Manufacture and sale of our products	Supply of raw materials	1,536	Accounts receivable - other	1,227	
							Receipt of interest	28			
Sanken Electric Hong Kong Co., Ltd.	Hong Kong, China	1,000 thousand HK dollars	Semiconductor devices PM	Direct ownership 100%	—	Sale of our products	Sale of products	5,506	Accounts receivable-trade	1,632	
Sanken Business Service Co., Ltd.	Niiza-shi, Saitama Prefecture	90	Business transaction services	Direct ownership 100%	Number of concurrently serving directors or statutory auditors: 1	Factoring transactions	Factoring transactions	23,950	Accounts payable trade	3,833	
									Accounts payable - other	73	

Notes: 1. The amount of factoring transactions include consumption tax.

2. Concurrently serving directors or statutory auditors are presented as of March 31, 2011.

Conditions of transactions and decision policies thereof

- The sale and purchase prices of our products are determined based on the market value as a reference.
- The prices of supplied raw materials are determined on the basis of the Company's estimated cost.
- As for the trade accounts payable and other accounts payable to Sanken Business Service Co., Ltd., basic agreement is entered into among the Company, supplier of the Company, and Sanken Business Service Co., Ltd., and the accounts are settled by way of factoring transactions.
- With respect to doubtful receivables from subsidiaries, a total amount of 7,739 million yen is recorded as allowance for doubtful receivables, while an amount of 1,336 million yen is recorded as is recorded as provision of allowance for doubtful receivables for subsidiaries and affiliates.
- Yamagata Sanken Co., Ltd. provides the Company with collaterals to secure the Company's borrowings from financial institutions.

Notes to per share data

1. Net assets per share	267.76 yen
2. Net loss per share	26.98 yen

Notes to the company adopting the dividend regulations on a consolidated basis

The Company adopted the dividend regulations on a consolidated basis.

Notes to subsequent events

None