Sanken Electric Co., Ltd.

ANNUAL REPORT 2009

For the year ended March 31, 2009

Sanken Electric Co., Ltd.

ANNUAL REPORT 2009

SEMICONDUCTOR BUSINESS

POWER MODULE BUSINESS

Profile

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

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

A New Era of Electric Power

Management Principles

At the dawn of the 21st century Sanken Electric marked more than a half century of operations. We have designated this era of major change as the "second founding" for Sanken Electric and the Sanken Group, and established the following principles to guide us on the path to success.

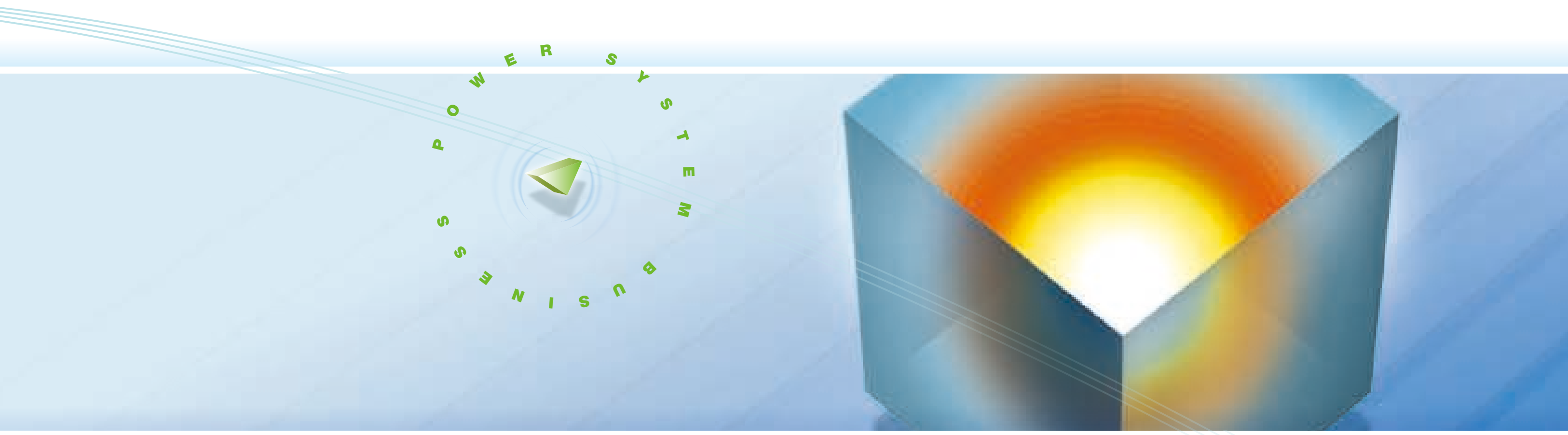
- We, with semiconductors as our core business, make it our corporate mission to provide optimal solutions in fields including power electronics and peripheral businesses, and will contribute to the advancement of industry, economies,and culture throughout the world.

- We will strive for constant innovation in technological and creative capabilities, and pursue assured quality. We will further attain a shared sense of value with our customers, and with our original technologies develop our business globally.

- We will respect each and every employee, and treat all employees fairly. We will also strive to help employees become trusted individuals, and grow as an integral part of the Company.

- We, as business people respectful of technology and creativity, will conduct our business in accordance with high ethical standards, and treat our customers and business partners in a fair and principled manner.

- We will endeavor to maximize the value of the Company for our shareholders, and will strive to fulfill our social responsibilities, and achieve harmony with the environment.



Contents

Cautionary Statement

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

Financial Highlights

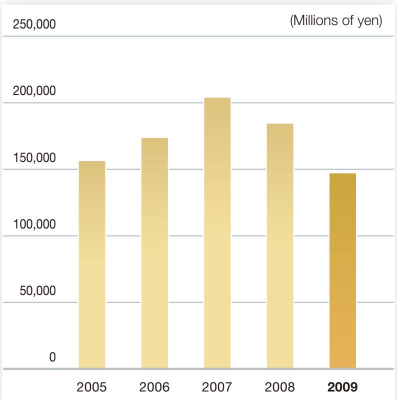
Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008, 2007, 2006, 2005, and 2004

	Millions of yen					
	2009	2008	2007	2006	2005	2004
Statements of income						
Net sales	¥ 147,003	¥ 184,309	¥ 203,815	¥ 173,527	¥ 156,216	¥ 147,176
Cost of sales	127,107	149,064	160,859	135,876	121,052	113,716
Gross profit	19,895	35,244	42,956	37,650	35,164	33,460
Selling, general and administrative expenses	24,787	26,975	27,941	25,642	23,081	21,772
Operating income (loss)	(4,891)	8,269	15,014	12,008	12,082	11,687
Other income (expenses), net	(5,719)	(3,997)	(2,693)	(712)	(1,890)	(2,942)
Income (loss) before income taxes and minority interests	(10,611)	4,271	12,320	11,295	10,191	8,745
Net income (loss)	(15,773)	1,776	7,499	7,035	6,682	5,784
Balance sheets						
Total current assets	¥ 82,900	¥ 104,050	¥ 112,464	¥ 100,736	¥ 88,684	¥ 94,855
Total investments and long-term receivables	5,376	6,321	7,719	10,214	7,767	9,189
Property, plant and equipment, net	58,501	61,600	71,755	59,348	42,826	38,780
Other assets	990	1,556	1,847	2,027	1,638	1,558
Total assets	147,768	173,529	193,787	172,327	140,917	144,383
Total current liabilities	61,078	88,262	91,153	70,880	50,984	53,808
Total long-term liabilities	28,871	7,185	19,547	24,821	21,580	27,818
Total net assets	57,818	78,081	83,086	76,329	68,121	62,518
Total liabilities and net assets	147,768	173,529	193,787	172,327	140,917	144,383
	%					
Financial indicators						
Return on assets	(4.80)	2.44	6.96	7.35	6.97	5.89
Return on equity	(23.38)	2.22	9.43	9.74	10.23	9.58
Return on sales	(10.73)	0.96	3.68	4.05	4.28	3.93
Equity ratio	38.8	44.7	42.7	44.3	48.3	43.3
Current ratio	135.7	117.9	123.4	142.1	173.9	176.3
	Yen					
Per share						
Total net assets per share	¥ 471.98	¥ 638.73	¥ 680.11	¥ 627.66	¥ 560.07	¥ 513.56
Net income (loss) per share	(129.85)	14.62	61.69	57.41	54.50	47.07
Cash dividends per share	10.00	14.00	14.00	15.00	10.00	10.00

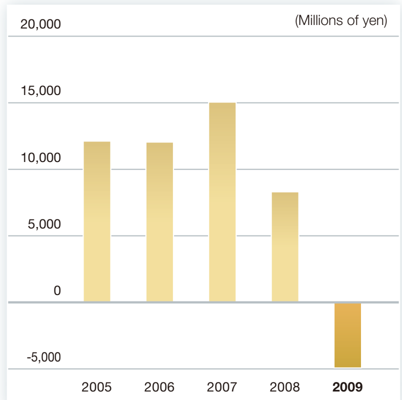
Financial Performance

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008, 2007, 2006, and 2005

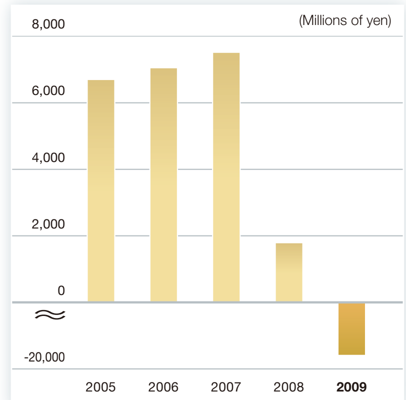
Net Sales
Years ended March 31



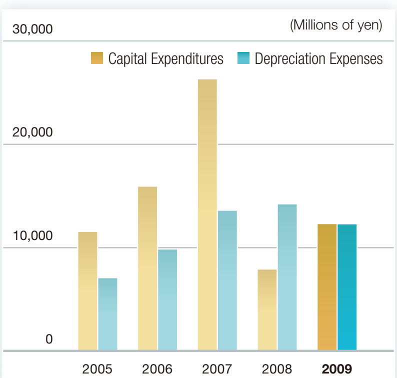
Operating Income (Loss)
Years ended March 31



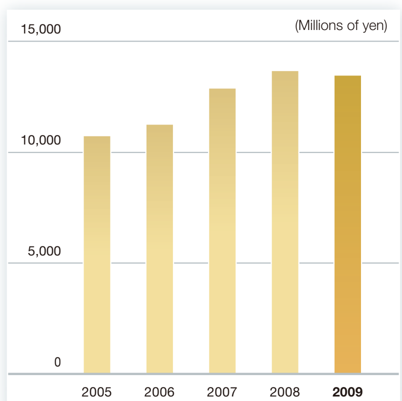
Net Income
Years ended March 31



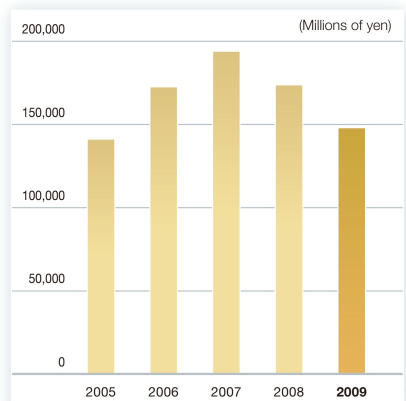
Capital Expenditures/ Depreciation Expenses
Years ended March 31



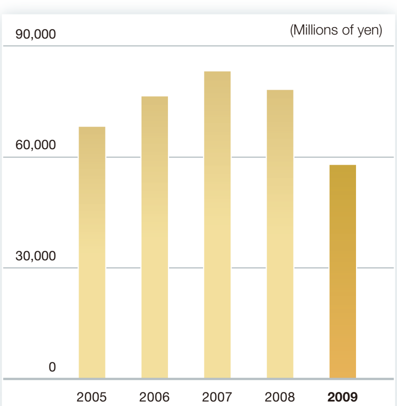
R&D Expenses
Years ended March 31



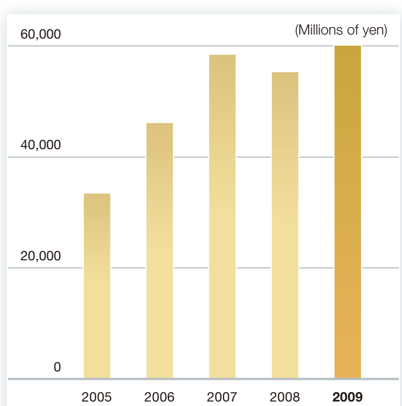
Total Assets
As of March 31



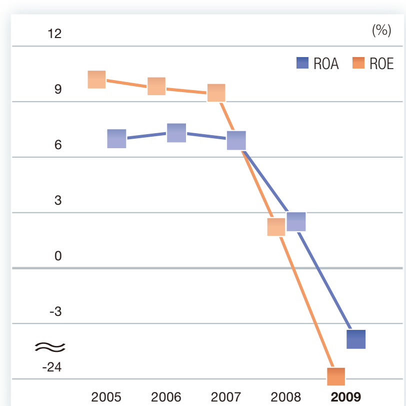
Total Net Assets
As of March 31



Interest-bearing Debt
As of March 31



ROA/ROE
Years ended March 31



Dear Fellow Shareholders

Sadatoshi Iijima, President
Sanken Electric Co., Ltd.

FY 2008 Business Environment and Principal Business Policies

In response to consumer need for "eco-friendly and slim" products, the Sanken Group developed its ability to provide total solutions, from power supplies to cold cathode fluorescent lamps (CCFL), and worked to achieve a "V-shaped recovery in financial results" from the start of the period. In addition to the CCFL business' introduction of high-intensity/low-price, next-generation products into the market, the semiconductor devices and power module (PM) businesses have added new slim, space-saving, high-efficiency products designed for flat-screen televisions. As a result of these efforts, many of our new products were selected for use in 2009-model flat-screen televisions in the first half of the year and we were well-positioned to achieve our goal of "capturing 30% market share".

However, the economic environment changed rapidly from the 2nd half of the year causing full-scale inventory adjustments among our trading partners. "Emergency measures" were implemented in each Sanken Electric Headquarters in November to address the reduction in orders-received and improve revenues. The majority of these measures, such as improving yield ratios in production facilities and other cost-cutting strategies, were intended to “strengthen manufacturing.” Technical efforts include the development of energy-saving technologies and products for new business areas, such as LED lighting. The Marketing staff also began aggressive activities intended to keep Sanken Electric a step ahead of market changes. Other emergency measures were also carried out to streamline the company as a whole, such as a review of our human resource allocation, broad production adjustments and a complete reexamination of our investments and fixed costs.

Financial Performance and Results from Principal Activities

Despite emergency efforts made in the 2nd half of the year to counteract the fall in sales spurred on by global economic slow-down, no recognizable improvement in revenues was seen. Consolidated financial results for the current fiscal year included a 20.2% decrease in net sales compared with the previous fiscal year. As a result of extraordinary losses such as the impairment of business equipment and reversal of deferred tax assets, the period ended with operating losses and net losses. Accordingly, annual dividends were regrettably reduced from ¥14 to ¥10 per share.

However, consistent results were seen in technical and production areas, which we believe will lead to future success. Successful developments realized as part of Sanken Electric’s on-going technical efforts in “modularization” include a particularly small/thin modular power supply and a multi-chip module (MCM) used in the LED field.

Improvements to production include rapidly bringing in-house the equipment construction for wafer production processes and for CCFLs. By doing so, Sanken Electric greatly advanced its ability to create and maintain its own production equipment.

Future Business Environment and the Sanken Group Presence

With regard to the future world economy, specific steps toward recovery are being taken in the United States, Europe and China, such as the implementation of large-scale economic stimulus measures. However, causes for worry still exist, such as delayed economic improvement in some newly industrializing regions like Asia and Eastern Europe. Accordingly, the current economic troubles are predicted to continue. In Sanken Electric's electronic industry, adjustments in inventory have been seen worldwide since last autumn. While some markets have shown a recovery in demand, particularly for digital appliances, this "patchwork recovery" has not extended to electronic parts as a whole and production levels are expected to remain low for the time being.

We believe that in the medium to long-term, the need for "eco-friendly" and "energy-saving" goods and technologies will increase along with the social awareness of these issues. We also believe that the demand for power conversion and control technologies will greatly increase. Even if additional time is required for current markets to return to their previous peaks, aggressive entry into new emerging markets will greatly expand Sanken Electric's business opportunities.

In light of these forecasts, we believe that the Sanken Group has the overwhelming strengths required to take advantage of all available opportunities. Specifically, Sanken Electric is one of the extremely few companies in the world with the extensive technological knowledge, ranging from semiconductor ICs for "power supplies" that connect directly to outlets to motor rotation control and LED/CCFL lighting control, needed to propose and provide power-semiconductor-related "total solutions".

Current Business Strategy

The Sanken Group intends to aggressively work to expand sales in both current and new markets.

Recovery in demand can be seen emerging in the market for existing products. Sanken Electric has placed the highest priority on recapturing a large portion of this market before our competitors and thereby linking these efforts firmly to a financial recovery. In some markets, the functionality of Sanken Electric products is highly regarded for certain uses. For new applications we have seen both extremely positive responses to our proposals and a strong upsurge in orders-received.

The uneven demand resurgence in this "patchwork recovery" is forecast to continue for the time being. In light of this forecast, Sanken Electric has created our “Five New Markets Strategy” to define how Sanken Electric will enter new markets in which the Sanken Group has no prior presence, such as the “non-television/audio consumer electronics market” and the hybrid automobile market. Additionally, the Strategy calls for entry into new markets such as LED lighting and solar power generation, both of which require innovation in “eco-friendliness and energy savings”. Sanken Electric will promote this new strategy through aggressive marketing that focuses on our strong total solution capabilities. We are currently structuring a product lineup, including modular power supplies and LED/multi-chip modules, for the purpose of creating these new markets.

Furthermore, Sanken Electric conducted a large-scale review of our organization in April 2009 in order to implement the aforementioned strategy as quickly as possible. At the same time, personnel changes have been made to affect a generational transition and provide opportunities to young talent.

With the understanding that our survival is at stake, we will further optimize the size of Sanken Group personnel and equipment and go beyond old ways of thinking as we conduct cost reviews to lower the break-even point between profit and loss.

Rather than simply wait for our external environment to recover, Sanken Electric must actively seek out early market changes in order to accomplish an early recovery in our own financial results. We will endeavor to remain two steps ahead in every area, including sales, technical development, production and purchasing, develop experience in agile management and come together as a group to achieve financial recovery and further business development.

Medium-Term Outlook

The Sanken Group believes that the need for power semiconductors will only grow stronger as awareness of the environment increases worldwide.

Looking at our own industry, reorganizations and shakeups continue within Europe and the US, and the industry itself is being divided up between a few large corporations. In Japan, some general electronic component manufacturers maintain a power semiconductor department as a part of their wide collection of businesses while other companies specialize entirely in power semiconductors, and each company competes within its field of expertise. While we believe that competition with European and US companies will increase, we also believe that power semiconductor companies in newly industrializing countries are rapidly advancing their technical ability and we are concerned that pressure from both sides will present a large threat to Japanese companies in the near future.

In order to prepare for these changes in the business environment, the Sanken Group believes that the scale of our business must meet or exceed the minimum level required for survival, and that we must achieve the financial results necessary to quickly meet that standard.

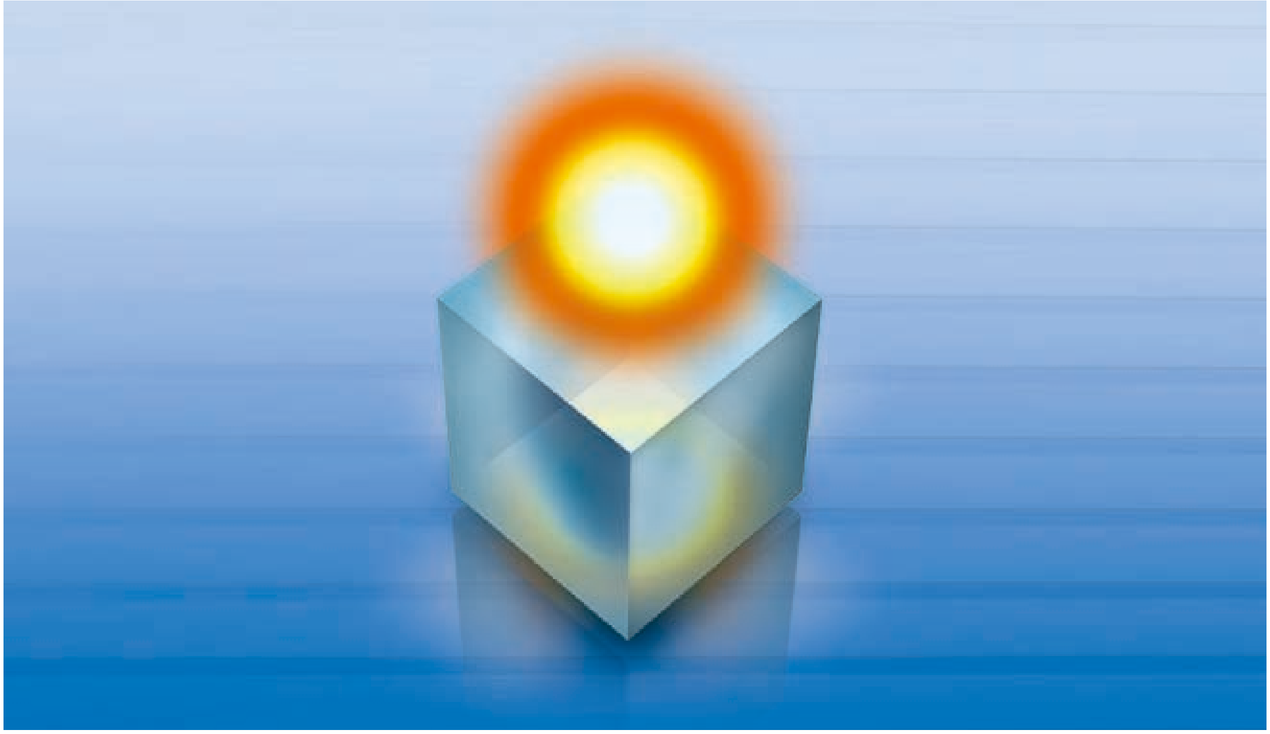
Furthermore, Sanken Electric will continue to enhance our “ability to provide total solutions”, a strength unique to our company, and improve the “eco-friendly” and “energy-saving” capabilities of our entire power-related system. Sanken Electric aspires to be a company capable of providing higher-level responses to the demanding global need for our technology.

I cannot help but feel great regret over our financial results, even if they are the result of the current worldwide economic troubles. However, it is our belief that we must live up to the trust given to us by shareholders and other stakeholders. Specifically, we believe that we must accurately and in a timely manner grasp increases in demand for Sanken Electric products as the economy recovers in the future, eliminate lost opportunities such as late deliveries, realize a rapid recovery in our financial results and thereby repair damaged capital and return to stable dividends as soon as possible.

As shareholders in Sanken Electric, I ask for your continued understanding and support.

July 2009

Sadatoshi Iijima
President



A New Era of Electric Power

We are now entering an era of profound change. Following the global financial crisis brought on by the excess pursuit of leverage and the subsequent widespread economic downturn, the world economy is struggling to return to a healthy market reflective of actual conditions. As a result of the human population's voluminous consumption of fossil fuels out of convenience, we are being pushed further toward global warming and the Earth's environment faces a great danger.

The wisdom of humanity is now being tested with regard to "electric power." Specifically, we are pursuing increased conservation of electricity on the micro-level in devices, instruments and equipment in order to protect the environment. On the macro-level, the challenge of shifting from fossil fuels, the primary source of human convenience, to green energy is intensifying.

POWER of Sanken Electric

The Sanken Group is strategically focusing our business domain on power electronics and optical devices, and we are working to enhance the use of our management resources in order to maximize our strengths in this domain.

As we enter a new era of "electricity use", the technology and know-how developed by the Sanken Group will be indispensable and in high demand. We intend to advance along with the new era by exercising our own unique "power".

POWER of Sanken Electric **1** — **MANAGEMENT**

Project Design and Management Based on a Philosophy of "Set Strategic Goals First"

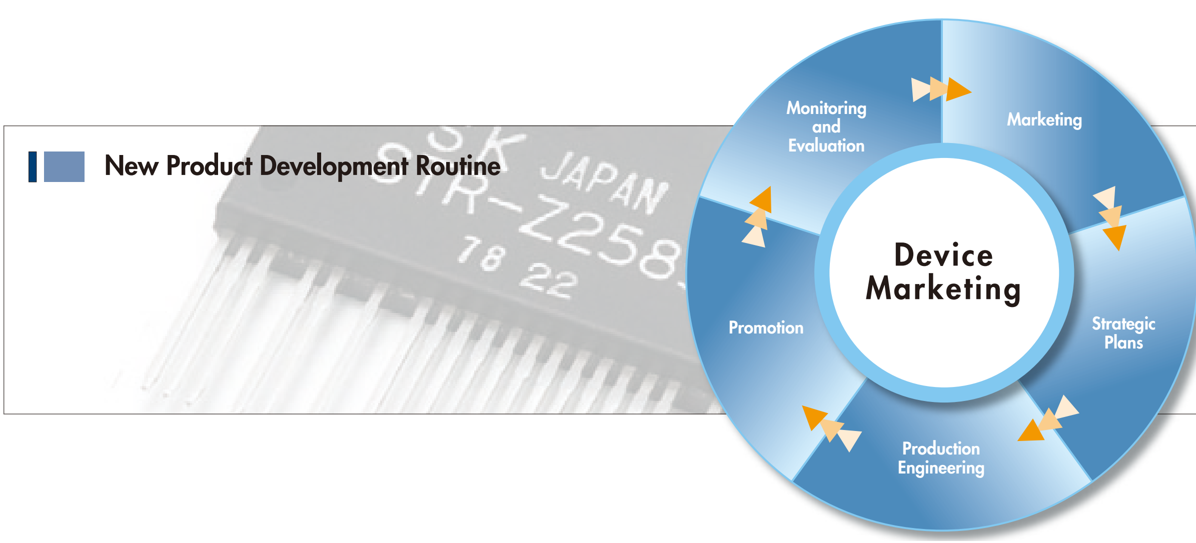
For example, none of our engineers stay closed up in our research labs. The reason is that they all know "answers are found in the field." One of the most important responsibilities of a Sanken Electric engineer in charge of product development is collaborating closely with manufacturing plants in order to ensure product quality and lower costs. Likewise, our salespeople work to accurately understand customer needs and to prevent any opportunities from slipping away by maintaining frequent contact with our customers and their locales. Such attitudes have become part of the corporate culture within our Group and we believe that this is one of the long-term successes of our management.

We also believe that making quick management decisions, and swiftly implementing those decisions, to keep up with the pace of the digital world is an indispensable management element for success in this increasingly competitive environment. In response to changes in the market structure in recent years, the Sanken Group is completely changing its style of doing business. We are casting off our traditional inclination toward customization and moving toward a direction that promotes strategic product development through the use of advanced marketing. Previously, new product development was primarily accomplished through customization in which close cooperation between Sanken Electric engineers and engineers from client companies was the key. However, mega corporations born from industry consolidation are now developing new products for the global market and their important R&D decisions are now based upon their global strategy. The Sanken Group must respond quickly to such competitive trends. We are making a drastic shift to strategic and marketing-oriented product development and managing development projects with our philosophy of "Set Strategic Goals First".

In this fashion, Sanken Electric completed several successful projects during 2008, such as "reclaiming 30% of the global share of power supply ICs for LCD-TVs", "expanding production of the PM Business' LCD-TV power supplies to 2 million units monthly", and our "32-inch CCFL cost reduction strategy". These successes were the result of cooperation by staff from each area of our business, from development to manufacturing and sales, going beyond their individual roles to achieve common project goals. "Strategic" efforts create true and universal value that goes beyond the individual section, and paraphrasing in a technological sense, create a hybrid product out of the technologies crafted and polished in the individual sections.

Sanken Electric will continue to ensure that management is able to respond quickly to changes in the business environment and take advantage of every opportunity to earn revenue.

New Product Development Routine



POWER of Sanken Electric 2 | CORE TECHNOLOGY

The Power of “Core Technologies” to Provide Total Solutions

Sanken Electric is one of the very few companies in the world with the technological range to cover everything from the entry point of “power supplies” that connect directly to outlets to the exit points such as motor rotation and CCFL/LED lighting control. For example, FPD-TVs (flat-panel-display televisions) have many circuits, including harmonic rejection circuits, main/sub/standby power supplies, DC/DC converters, and backlight systems. Sanken Electric’s lineup, from semiconductors to light sources, addresses all of these circuits and we provide total solutions for electric power, from start to finish.

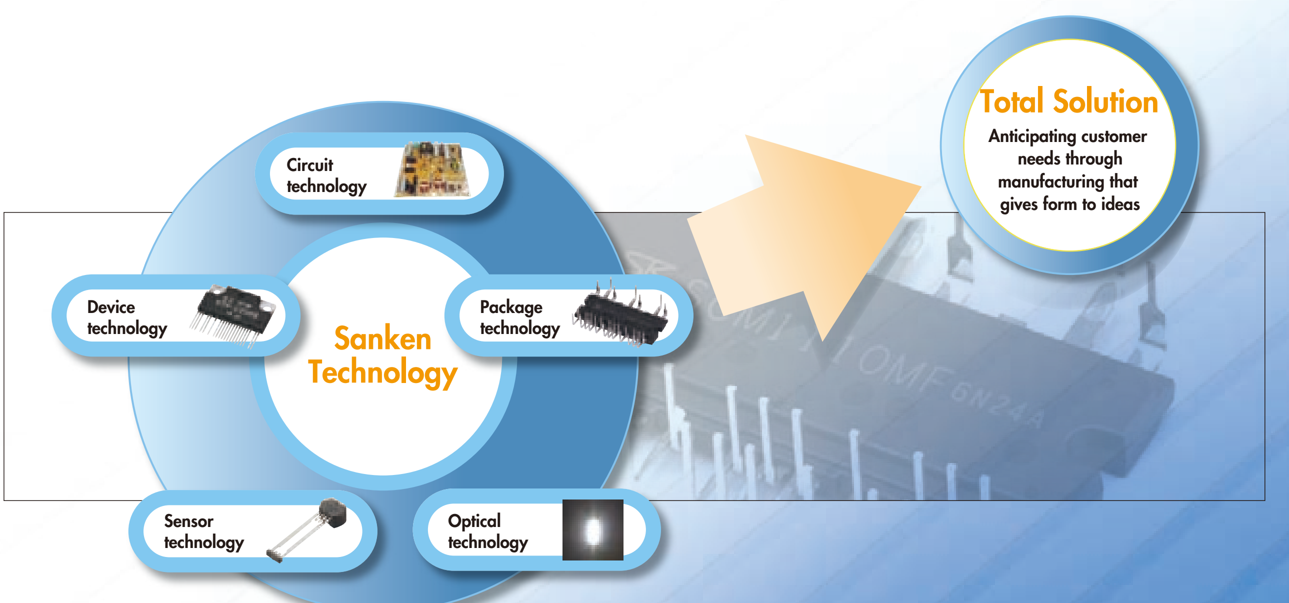
Through our development of products such as power semiconductors, high frequency transformers and switching mode power supplies, Sanken Electric has developed considerable “device”, “circuit” and “packaging” technologies.

Additionally, our commercialization of the CCFL and LED fields preempted the spread of optical devices into the semiconductor business and we have developed our own unique “optics technology” that differentiates us from the competition.

Furthermore, Allegro MicroSystems, Inc. (AMI), a Sanken Electric subsidiary acquired in the US in 1990, has received high marks for its “sensor technology” both in Japan and internationally.

“Device Technology”, “Circuit Technology”, “Packaging Technology”, “Optics Technology”, and ”Sensor Technology”— We believe that no company outside of the Sanken Group possesses such a bounty of technology.

Sanken Electric is currently using this bounty to promote “modularization” in the deeper cultivation of existing markets and wide penetration of new markets. An example of this modularization is a product used for inverters in air conditioners and refrigerators, the “SCM1100M” intelligent power module (IPM) series, designed for three-phase motor control. These products have six IGBTs, three predrive ICs, six diodes, and bootstrap circuits built-in and allow the construction of full inverter circuits with a few external parts only. In addition to offering a full lineup of discrete parts, we also provide total packages. This modularization into a single package make the process of circuit design and part selection simple for our customers and at the same time provide amazing performance that cannot be achieved simply by improving the performance of each of the discreet components. Sanken Electric believes that these packages are one of our main strengths and represent the true provision of total solutions.



POWER of Sanken Electric 3

NEXT GENERATION

The Power to create the "Next Generation" of Technology and Products that will inspire Future Growth

Sanken Electric is currently making full use of its core technologies, along with their many derived and/or combined technologies, to develop "next-generation technologies" and "next-generation products" that will become the future source of growth for the Sanken Group.

The keywords "eco-friendly and energy-saving" will be central to all development of next-generation technology. The market now demands eco-friendly devices that conserve power during use and in standby mode.

For currently existing markets, Sanken Electric is developing modular power supplies. In 2008, we developed an ultra small (just 1/10th the size of previous models), ultra thin (only 10mm thick) modular power supply whose output is still large, in the 300W class. Now, in 2009, we are working on the development of "lighter, smaller and thinner" 2010 model modular power supplies to provide as total solutions for LCD-TVs. By expanding the use of Sanken Electric modular power supplies to FPD-TVs, audio and video equipment, and automobile parts, set manufacturers and automobile manufacturers can further accelerate their move toward product weight-trimming and down-sizing.

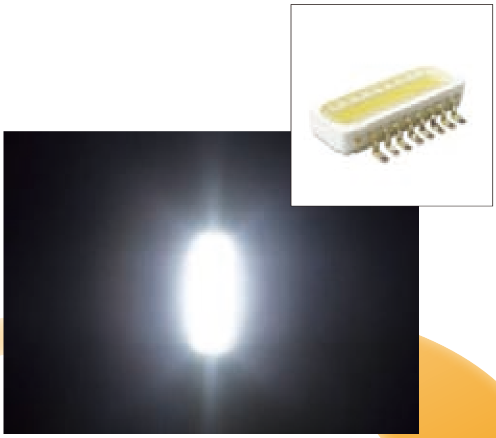
Sanken Electric's development of total solution technology in the LED lighting field is also proceeding well. Using our three core technologies – device technology, circuit technology and optics technology – and cross-sectional collaboration, this research will culminate in practical total solutions unique to Sanken Electric.

Sanken Electric is also working diligently on the development of high performance products whose capabilities were unachievable in previous products made of silicon only. One of these products is the "silicon-substrate, "normally off"-model gallium nitride (GaN) FET". The development of this product was made possible by Sanken Electric's unique technology to grow a thick layer of high quality GaN crystals on a silicon substrate and by applying innovative device architecture. Using an inexpensive, easily fabricated silicon substrate as a base for the GaN layers makes significant cost reductions possible. We have high expectations for the GaN on silicon substrate as a material for next-generation, high voltage power devices. The GaN FET is the first in the industry to be used in actual inverter circuitry and we are working to bring this product to market as soon as possible.

Additionally, Sanken Electric began working on the development of nano-electronic semiconductor materials, new nano-device architecture technology (using nitric compound semiconductor substrate) and epitaxial growth technology, partially funded by the NEDO*.

Our work in green energy is a good example of our development of new markets. Sanken Electric expects the efforts led by the EU and Asia, including Japan, to "disconnect from fossil fuels" - the so-called move to green energy - to accelerate globally as a result of the momentum created by President Obama's "Green New Deal" policy initiatives. Solar energy generation in particular has gained considerable attention in recent years and Sanken Electric has high expectations for future market expansion, such as the projects to construct large-scale solar energy generation stations now being planned in countries around the world. The Sanken Group has been conducting R&D for solar energy generation systems. We have already achieved results in this field, such as our development and commercialization of large-current bypass diodes for use in photo voltaic panels. In 2009, Sanken Electric succeeded in developing a power conditioner for solar power generators and we now expect to release the product to the market as a system. We expect further expansion in other green energy fields such as wind power generation in the future and the Sanken Group intends to promote R&D from an increasingly broader perspective.

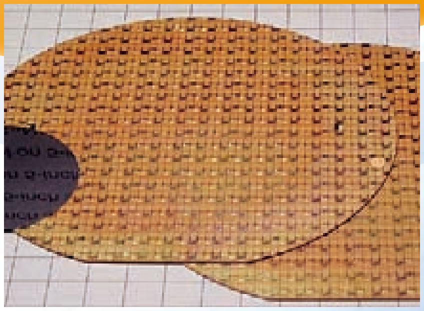
*NEDO: The New Energy and Industrial Technology Development Organization. The largest applied research and development institution in Japan, and an independent administrative agency. NEDO is tasked with promoting the research and development, and dissemination of industrial, energy and environmental technologies.



Multi-chip LED module

For the wind power market

For the solar power market



Normally off GaN FET

NEXT GENERATION

HOME APPLIANCE

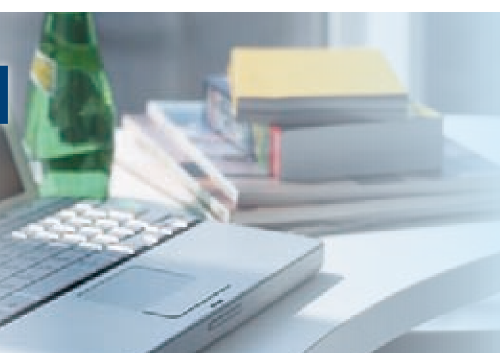
Sanken Electric products, particularly power electronics, are used widely in the home appliance market. Our devices and power supply units have applications in a broad range of equipment, from digital appliances such as LCD televisions and DVD players/recorders to so-called “white goods” like air conditioners, microwaves and refrigerators.

AUTOMOBILE

Sanken Electric welcomes the rapidly increasing use of electronics in automobiles and we are leveraging our long history as the supplier of choice for the automotive industry. More than 100 semiconductor devices can now be found in a single automobile. From power train controls such as power steering, automatic transmissions and the engine—the heart of the vehicle, to operation and safety controls such as antilock braking systems and high-intensity discharge lamps, along with their use in comfort functions such as car infotainment, power windows, sunroofs, etc., our devices provide support to evolving car electronics.

OFFICE AUTOMATION

Sanken Electric’s devices and unit power sources, such as ICs for motor control and sensors, are also finding many uses in increasingly sophisticated office automation instrument. These devices can be found in a variety of equipment, including multifunctional printers, fax machines, copiers, notebook PCs, flatbed scanners, intelligent telephones and uninterruptible power supply units,.



INDUSTRIAL

Sanken Electric is developing and supplying a variety of products in the industrial market, including inverters used for controlling motors that drive fans, pumps and carrier devices, etc. in factories and distribution warehouses; light-emitting diodes used in lighting fixtures and the giant displays found in athletic fields and arenas; high-intensity airway beacon systems installed at the top of tall bridges, smokestacks, high-rise buildings, etc.; DC power supplies installed in cell phone base stations, etc.; and uninterruptible power supplies installed in data centers and other facilities that require a high-quality, constant and stable supply of power.

Developing and Supplying Products; from 2 Strategic Business Domains to 4 Principal Markets, through 3 Business Segments

As the Sanken Group focuses on promoting business in its two strategic business domains of “Power Electronics” and “Optical Devices,” we are focused on developing and supplying products to 4 of our primary markets: the home appliance, automobile, office automation and industrial markets.

For ease of understanding our business by investors and the general public, the Sanken Group presents its financial figures for disclosure purposes in three segments: the Semiconductor Business, the Power Module Business and the Power System Business.

In the fiscal year ended March 2009, the Semiconductor Business, the Power Module Business and the Power System Business accounted for 75.2%, 15.3% and 9.5% of consolidated net sales, respectively.

Composition of consolidated net sales by business segment

75.2%

Semiconductor Business

Main Products

- Power ICs
- Hall-effect Sensors
- Driver ICs
- Transistors
- Diodes
- LEDs (Light Emitting Diodes)
- CCFLs (Cold Cathode Fluorescent Lamps)

15.3%

Power Module Business

Main Products

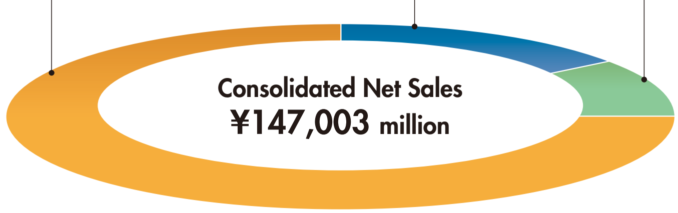
- SMPS (Switching Mode Power Supplies)
- AC Adapters
- Transformers
- Reactors
- Modules

9.5%

Power System Business

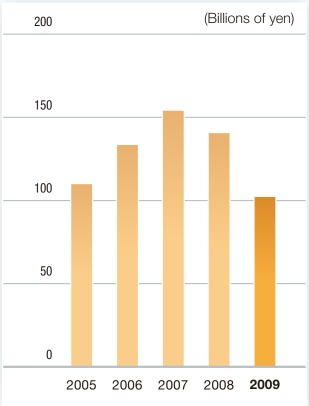
Main Products

- UPS (Uninterruptible Power Supplies)
- Inverters
- DC Power Supplies
- New Energy Resources
- High-intensity Airway Beacon Systems

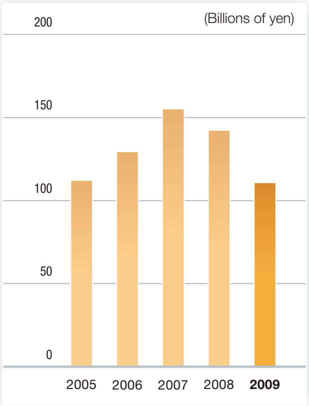


Semiconductor Business

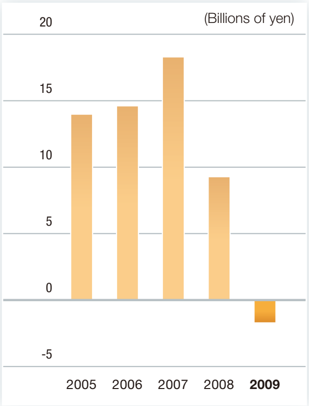
Orders Received
Years ended March 31



Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



Semiconductor Devices

The semiconductor business is the heart of the Sanken Group. Our main products in this core business range from ICs and transistors to diodes and Hall-effect sensors. Our semiconductor devices are concentrated in a field called power electronics and are key components in many areas, including AV equipment such as FPD-TV, home appliances, OA equipment and automobiles. Sanken Electric is currently participating in a three-way collaboration with two of its subsidiaries, Allegro MicroSystems, Inc. ("AMI") and Polar Semiconductor, Inc. ("PSI"), to increase development speed and provide products that meet the needs of our customers.

Market Conditions

Sanken Group semiconductor products are broadly categorized into three areas: consumer electronics-related, automobile-related and OA/industrial machinery-related. The Group's current focus is on the FPD-TV market, the white goods household appliance market and the automobile market.

The Sanken Group expects industry-wide increases in product development and sophistication within these three markets, particularly in our target research areas of "eco-friendly and energy-saving" products.

First, in the FPD-TV market, new environmental standards concerning the efficiency of external power supplies such as AC adaptors have been established by the US Environmental Protection Agency. The newest version, "ENERGY STAR Ver.3", was enacted on November 1, 2008 and many global corporations are now rapidly working to incorporate these new standards.

Second, in the white goods household appliance market, the shift to greater energy efficiency through the use of highly effective, energy-saving inverters is gaining momentum worldwide alongside a move toward increased product performance and capacity. This trend can be most clearly seen in home air conditioners - large consumers of electricity - and is also expected to spread to the entire white goods household appliance market. Countries around the world have begun enacting energy-saving policies in 2009, from Japan's introduction of the "Eco Point System", the US' promotion of the "Green New Deal" and China's rural subsidies scheme for home appliance purchase.

Third, in the automobile market, the use of electronic components, even in non-engine related capacities, is increasing in order to realize large improvements in "safety", "comfort", and "drivability". In the future, as development of fuel-cell automobiles, hybrid automobiles, electric automobiles, etc. continues, the need for more advanced onboard power and information transmission technology is expected to increase.

Sanken Electric expects that increased interests in "eco-friendly and energy-saving" solutions will become the impetus for growth in the three targeted markets over the medium to long-term horizon. However, the financial crisis that began in the US in September 2008 has spread to the real economy and the world is now experiencing economic turmoil on an unprecedented scale.

Purchasing power for consumer durables has decreased greatly throughout the world and since November 2008, orders received in the electronic component industry have also rapidly decreased. Even the automobile market, which has long served as a stable base for Sanken Electric's financial results, has begun to contract and Japanese automobile manufacturers have entered a period of production adjustment.

Fiscal 2008 Results

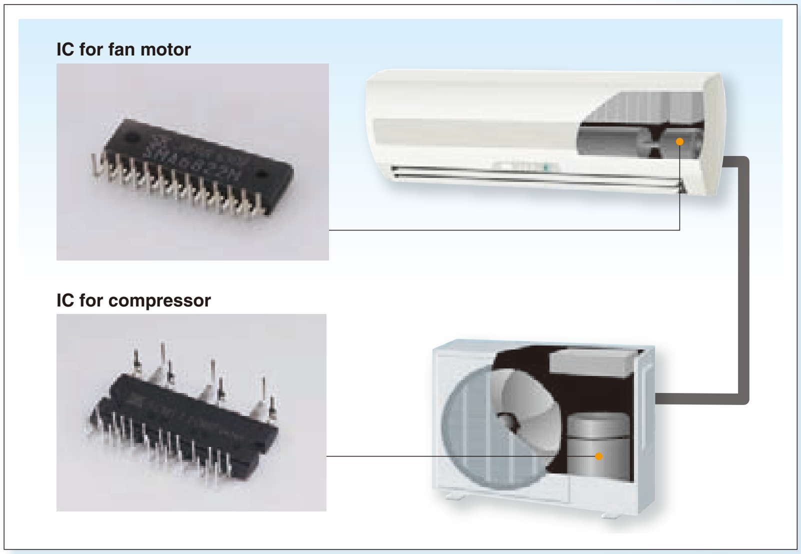
2008 brought unprecedented difficulties to the semiconductor device business.

In the FPD-TV market, as consumers rapidly shift from CRT televisions to LCD televisions, Sanken Electric has widened the lineup of devices designed for LCD televisions. However, the full-scale introduction of these new products into the market did not contribute to our financial results for the current year as they were designed for 2009 model televisions. Additionally, the effects of the production adjustment of LCD televisions since November 2008 have been serious, further delaying the introduction of 2009 models and causing a large decrease in net sales in this area from the 3rd quarter onward.

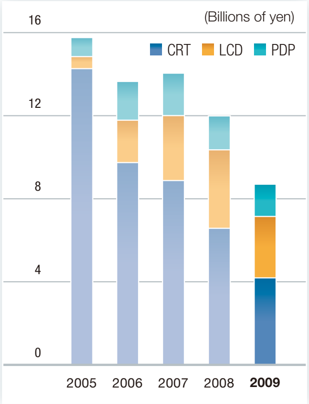
For white goods household appliances, shipments of IPMs used to control the three-phase motor inverters increasingly installed in air conditioners, refrigerators, washing machines, etc., have been strong, and net sales of products were on track through the 3rd quarter. However, this market too entered into a worldwide production adjustment from the 4th quarter and as a result of the rapid decrease in orders received, net sales for the entire year in this area have fallen below those of the previous year.

Sales of products designed for automobiles traced the plan through the 2nd quarter. However, the automobile manufacturing industry began making large-scale adjustments in production from the 3rd quarter, and large reductions in orders-received were seen at both Sanken Electric and our US subsidiary, AMI.

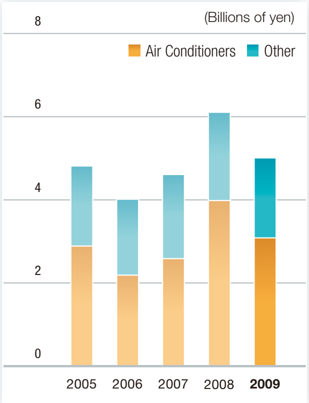
Inverter Air Conditioner



Focus Market: FPD-TV
Years ended March 31

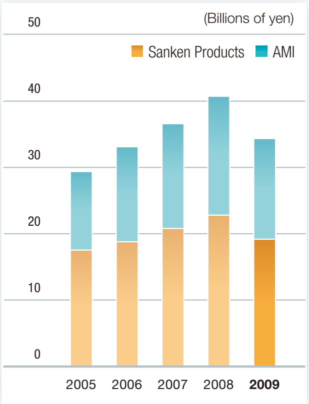


Focus Market: White Goods
Years ended March 31



Note: Above figures are non-consolidated, excluding Allegro.

Focus Market: Automotive
Years ended March 31



Semiconductor Business

As a result of these factors, consolidated net sales in the semiconductor device business fell to ¥81,415 million, a 23.7% reduction compared to the previous year and operating losses were posted for the year. Net sales from our semiconductor device business accounted for 73.6% of our entire semiconductor business segment for the current year.

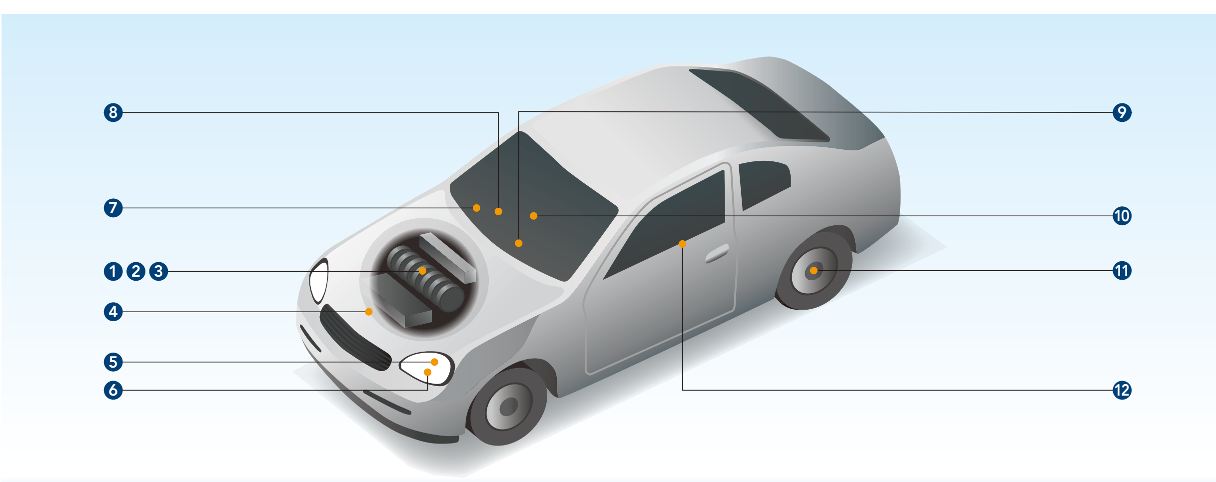
Future Efforts

Sanken Electric believes that we must continue to focus on power electronics and optical devices as our future business domains and has ranked our semiconductor device business as the Group's core business for the future.

Production levels are expected to remain flat for the time being and the Sanken Group intends to secure sales opportunities and financial results by capturing even slightest improvements in currently existing markets and by aggressively promoting expansion into new markets and new applications.

Sanken Electric believes that "eco-friendly and energy-saving" will become keywords for each of our three primary markets (FPD-TV, white goods home appliances, and automobiles). To take advantage of this trend, Sanken Electric is pursuing the development of total solutions with new "eco-friendly and energy-

Automotive devices



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

2 **Ignition systems**
- High-voltage diodes for ignition
- Igniter ICs

3 **Alternators**
- Rectifier diodes
- Regulator ICs

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

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

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

7 **Various displays**
- LEDs

8 **Power steering**
- Metal Oxide Field Effect Transistors (MOSFETs) for motor drivers

9 **Car Infotainment**
- Transistors for amplifier outputs
- MOSFETs for DC/DC converter

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

11 **Anti-lock braking systems**
- Driver ICs for anti-lock braking systems

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

saving" products, as well as penetrating new markets and offering new applications.

In addition to cultivating deeper into our three primary markets, Sanken Electric's Technology, Sales and Marketing staff are collaborating to ensure successful entry into new markets such as lighting, communications and IT. We are also developing a market strategy to stay a step ahead of market needs and to provide optimally customized solutions.

The Group's management structure has been strengthened in order to draw a global strategy and to bring out our comprehensive Group strengths. Through the collaboration between Sanken Electric, AMI and PSI, the development of new products is encouraged using next-generation wafer fabrication processes. Production costs for the entire Group can be lowered through aggressive joint purchasing arrangements and maximizing use of wafer processing capabilities at Yamagata Sanken Electric Co., Ltd. and AMI. Furthermore, our goal is to create a comprehensive package assembly management system including subcontractors, EMS, etc. and establish a production system capable of flexibly responding to changes.

CCFLs

CCFLs (cold cathode fluorescent lamps) are vital components used as light sources for LCD backlights in LCD televisions, laptop computers, etc. Amid growing demands for brighter and more efficient products, the Sanken Group is further differentiating itself from its competitors by launching third-generation CCFLs into the market.

Fiscal 2008 Results

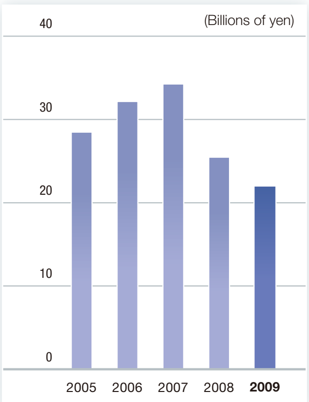
As a result of our CCFL business' efforts to expand sales through development of brighter, lower-cost next-generation products, net sales grew through the 2nd quarter and market share for 2008 models rallied. At the same time, although prices fell, costs were reduced accordingly, and profits increased overall.

However, in addition to the 3rd quarter LCD panel inventory adjustments that exceeded projections, the accelerated transition to LED backlights in laptop computer panels prompted sales of CCFLs fell greatly after November causing net sales to contract sharply in the 2nd half of the year, a drop of approximately 55% compared to the same period of the previous year.

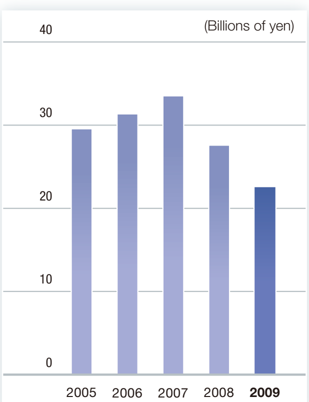
As a result of these factors, consolidated net sales in the CCFL business for the current fiscal year fell to ¥29,128 million, a 17.8% reduction compared to the previous year and operating losses were posted for the year. Net sales from our CCFL business accounted for 26.4% of our entire semiconductor business for the current year.

Power Module Business

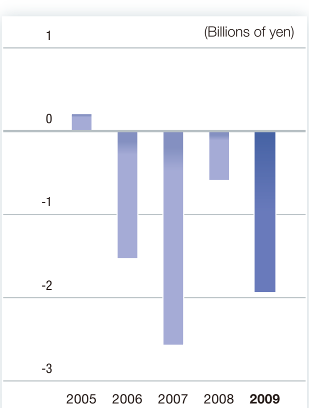
Orders Received
Years ended March 31



Net Sales
Years ended March 31



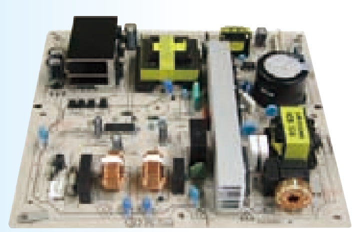
Operating Income (Loss)
Years ended March 31



Power modules bring together our superior semiconductor and power supply technologies. This covers a wide range of products from switching mode power supplies found in computers and OA/FA equipment, power supplies for FPD-TV such as PDPs, AC adapters for PCs, to small uninterruptible power supplies (UPS).

Fiscal 2008 Results

Switching mode power supplies for the consumer electronics market are the main focus of the power module (PM) business. The effects of slow growth in plasma televisions within the FPD-TV market were serious and orders-received for power supply boards fell. In addition to slow growth throughout the sluggish FPD-TV market, the rapidly changing business environment resulted in large-scale inventory adjustments and a sharp drop in orders-received in the 2nd half. Furthermore, the delayed release of the new 2009 model power supplies for LCD-TVs prevented the inclusion of their sales figures and represented a large revenue loss.



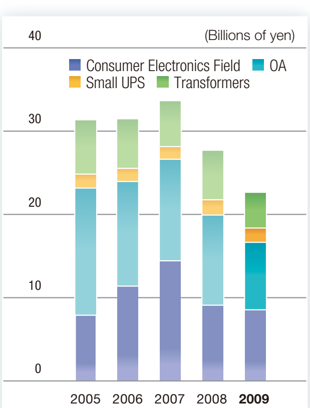
As a result of these factors, consolidated net sales in the PM business for the current fiscal year fell to ¥22,539 million, a 18.3% reduction compared to the previous year and operating losses were posted for the year.

Future Efforts

During the current fiscal year, the PM business worked to improve business efficiency and to create a low-cost yet stable procurement system by strengthening supply chain management through efforts such as concentrating production in P.T. Sanken Indonesia and localizing and diversifying material suppliers. In the future, we will continue to implement structural reform to strengthen global Group management systems and to improve the Group's overall strength.

Sanken Electric intends to advance development of ultra-thin power supplies for FPD-TV as part of our campaign to create thin, small, lightweight and high-efficiency products, while also using our unique circuit and packaging technology to quickly commercialize our module power supplies.

Power Module Sales by Use
Years ended March 31



Review of Operations

Power System Business

The power system business is the root of our "manufacturing" tradition. Our products, such as large DC power supplies, high-intensity airway beacon systems ("strobes"), and high-capacity uninterruptible power supplies, alongside general-purpose inverters to control motors, have earned trust and a reputation for excellence while serving in important areas of social infrastructure where power interruptions are unacceptable, such as in telecommunications systems, dams, transformer substations, and tunnels.

Fiscal 2008 Results

Domestic sales of power system (PS) products were generally positive primarily due to the expanding business for mobile phone base stations and government agencies. Sales in the Chinese market, on the other hand, were lower due to reduced capital investment by our customers affected by scarce credit availability, and orders-received by our subsidiary Sanken L.D. Electric (Jiangyin) Co., Ltd. for VVVF inverters decreased.

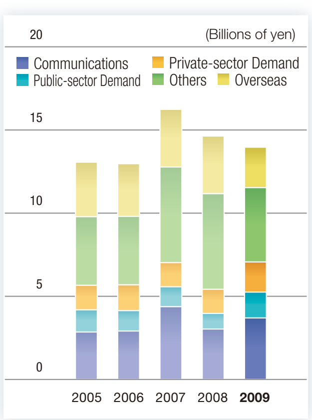
As a result of these factors, consolidated net sales in the PS business for the current fiscal year fell to ¥13,919 million, a 4.9% reduction compared to the previous year. A large decrease in income was seen due to the effects of slumping sales of strobes and inverters in the Chinese market.

Future Efforts

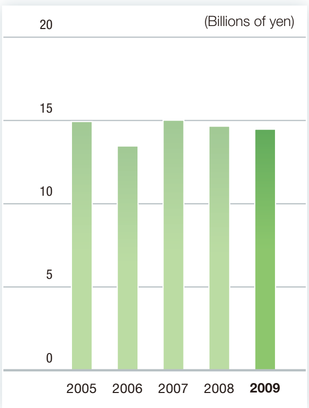
In the future, Sanken Electric will work to make further inroads in currently existing areas, such as our extremely stable government-oriented business. As part of our effort to develop new markets, we will focus on the development of high-efficiency/high-capacity power supply equipment and high voltage inverters aimed at future growth markets such as digital television broadcasts, disaster preparedness, the environment and energy conservation.

The global focus on solar power generation as a next-era technology has intensified in recent years. As part of our efforts to develop the next growth market, the Sanken Group has been conducting research and development of power conditioners in advance of our entry into the new energy (solar power generation systems/fuel-cell cogeneration) field. In 2009, Sanken Electric was successful in developing a power conditioner (10kW) for solar power generators with 95.2% conversion efficiency, the highest rate in the industry. (Please refer to pages 12-13 for details.)

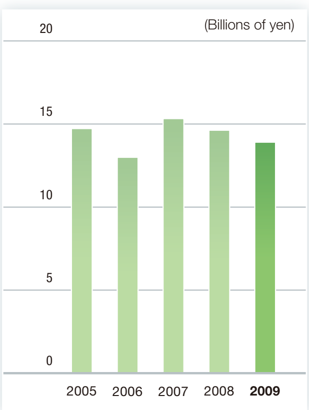
Power System Sales by Use
Years ended March 31



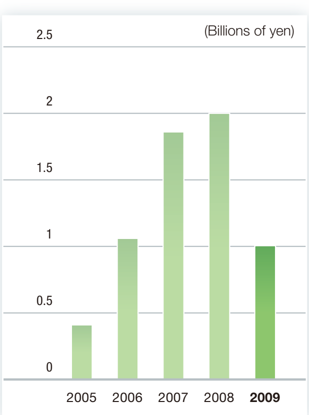
Orders Received
Years ended March 31



Net Sales
Years ended March 31



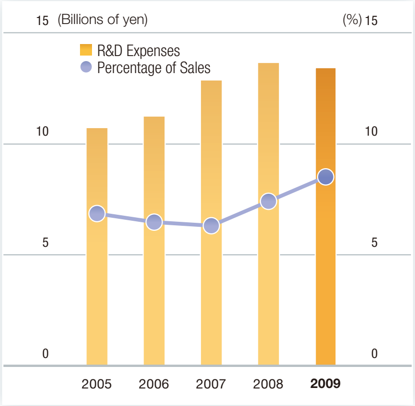
Operating Income
Years ended March 31

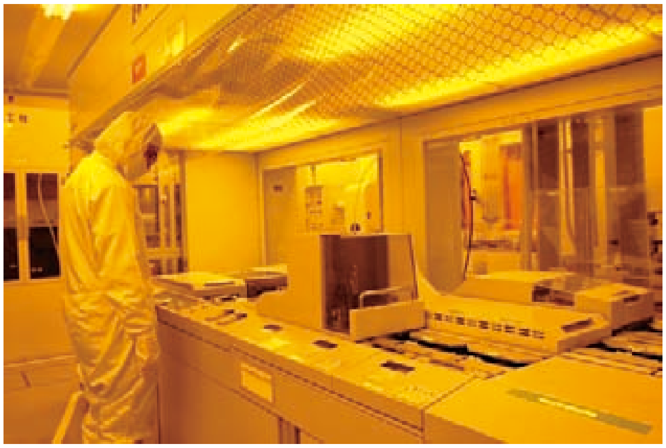


R&D and Intellectual Property

As part of our basic strategic policy, the Sanken Group has clarified the direction of future R&D, such as the pursuit of "eco-friendly and energy-saving" products and the creation of technology to differentiate us from competitors. The Technology Headquarters, charged with R&D for the entire Sanken Group, has reconfigured its organization in response to this basic policy and changes in the market environment. The new organization is already at work maximizing development output and strengthening our ability to develop next-generation products.

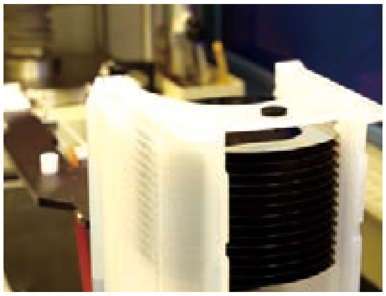
R&D Expenses
Years ended March 31





R&D Policy

The Sanken Group has adopted the slogan "Leadership through Innovative Power and Optical Solutions". As the slogan indicates, the Sanken Group aims to develop strong competitiveness in the global market by concentrating our management resources into two areas: power electronics, based upon power semiconductors, and optical devices, a high-growth, next-generation technology.



Further, to establish competitive advantage, the Sanken Group has developed a basic R&D policy with two specific aspects: first, the encouragement of R&D in each of the above two areas and second, the strengthening of our ability to integrate each piece of R&D achievements to come up with comprehensive solutions.

As a result of our concentrated approach toward R&D in power electronics and optical devices, we created an extremely strong market presence, capturing a top-ranking global and domestic market share in many product areas.

Additionally, the technology and know-how developed from our concentrated R&D efforts have grown in depth and breadth with each passing year and the Sanken Group is now capable of providing total solutions that comprehensively address customer needs. For example, consider the power supply system, central to the power electronics field. Rather than simply aiming to provide individual semiconductor parts, the Sanken Group now focuses product development on modularization and systemization, to provide a total power supply system, both hardware and software, in response to customer requests.

The Sanken Group is now in a position to provide all power supply-related elements, including the development and manufacture of semiconductors parts, power supply board circuit design and assembly, and the design and production of transformers. This ability is an extremely important advantage for the Sanken Group.

R&D Organization

Sanken Electric's R&D organization is centered on the fundamental concept of "Trilateral Collaborative Technology Development" and comprises Sanken Electric and two of its US subsidiaries, sensor and motor driver design specialist Allegro MicroSystems, Inc. (AMI) and Polar Semiconductor, Inc. (PSI), which operates a design center capable of new circuit development. This global collaboration efficiently creates new technologies by taking advantage of the mutually complementary development activities of the engineers working within each company's specialty.

Additionally, Sanken Electric has changed its organization, effective April 2009, to further promote the development of products that accurately address our customers' needs. The organizational change included the upgrading of the Device Marketing Division and its placement at the center of new, company-wide product development routines, in addition to it being given authority to monitor and control product development cycle. A "Strategic Product Decision-making Council", led by the Device Marketing Division and including both the Sales and Technology Headquarters, will hold regular cross-sectional discussions and decide on a common direction of product development for both Headquarters. The Technology Headquarters has established the "Device Technology Development Center" and the "Power Technology Development Center" to accelerate development and create strategic products in our core business areas. These organizational reforms have reinforced Sanken Electric's R&D organization and further increased our ability more than before to rapidly develop new products best suited to the needs of our focus markets.

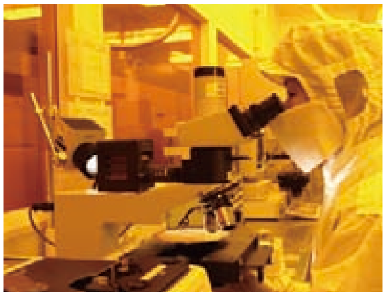
We are also aggressively working to foster collaborations such as technology alliances and joint research with non-Group companies in areas where such collaborations are deemed effective. For example, the joint research with Vicor Corporation (NASDAQ-listed, Headquartered in Massachusetts, USA) that began in 2007 resulted in the commercialization of next-generation, ultra-thin, ultra-small module power supplies whose mass-production is planned to begin in 2010.

R&D Achievements in Fiscal 2008

Research and development achievements relating to our focus areas of “modularization” and “eco-friendly and energy-saving” increased in fiscal 2008.

One achievement of “modularization” was the development and commercialization of automobile electronic components such as the “SPF5000 Series” of linear solenoid driver ICs with full current monitoring. Products in this series have a highly precise current detection capability through which hydraulic pressure is controlled, making smooth transmission shifts possible in AT (Automatic Transmission) and CVT (Continuously Variable Transmission). The newly developed “SPF5025B” in particular incorporates mixed-signal circuits to handle the rapid and complicated controls typical of automotive electronic components, thanks to the BCD wafer fabrication process - a Sanken Electric specialty. Additionally, the “FMKS” series of temperature detect FRDs (fast recovery diodes) was developed and commercialized for use in equipment that requires temperature detection, such as audio equipment, printers, air conditioners, and AC adapters. The heat sensing device elements embedded in the FRDs eliminate the need for separate overheat protection circuits in these products and make temperature detection faster and smoother. Such advances have reduced costs and simplified overheat protection designs.

Rapid expansion is expected in the LED field. One new Sanken Electric product line developed to be “eco-friendly and energy-saving” is the “LC5200” series of driver ICs for LED lighting. Non-isolated, these new products do not require electrolytic capacitors, which have heretofore been a bottleneck in efforts to increase product life. The development of these ICs was groundbreaking. They make extremely dependable and long-lived lighting systems that require few parts when used in LED lighting fixtures. Work is also being done in the area surrounding “fuel-cells,” now being explored as one of the next-generation technologies, including our development of a new power conditioner for fuel-cell power generation. This product uses our strength in switching mode power supply technology - “resonance circuit technology” - to achieve a conversion efficiency exceeding 95%, the highest rate of energy conversion within the industry.



Our greatest achievement in 2008 was the development of a silicon-substrate, “normally off”-type GaN FET and the first successful (41 patents) operation in actual equipment, such as inverter circuits, in the industry. (Please see pages 12-13 for details.) These products are expected to enjoy a wide range of applications as next-generation, high-voltage power devices, such as in large FPD-TVs, switching mode power supplies, inverters (air conditioners, industrial motors, etc.), various power supply systems, electric automobiles and hybrid automobiles. In the future, Sanken Electric will pursue further improvements in performance and develop application technologies, and strive for early commercialization.

Cooperation with the Manufacturing Headquarters

Sanken Electric believes that product “modularization” and “systemization” is the key to our goal of “providing total solutions to customers.” An extremely important factor in turning this idealistic belief into a reality throughout our business is “how efficient and low-cost can we make our products?” in order to win over the stiff competition in the global market.

From this point of view, Sanken Electric has created a framework unifying its activities in product development and manufacturing technology. In 2007, the “Production Engineering Division” was established within the “Production Headquarters” responsible for mass production of products. This new Division has taken the lead in development of manufacturing technology, production line design and in-house construction of equipment, production reform for raising efficiency, etc. Staff at the “Technology Headquarters”, tasked with product R&D, will collaborate with the “Production Engineering Division” from the initial stages of new product development, deploying engineers to actual production plants to jointly create an optimized mass-production system. In short, by involving Technology Headquarters staff in all phases of mass-production preparation process, from developing manufacturing technologies and building equipment in-house to the selection of materials and parts to procure, Sanken Electric can construct a maximum efficiency, mass-production system in a short period of time. Such efforts should create an extremely large cost advantage.

The cross-sectional link of both product and manufacturing technologies in this manner will improve organizational performance through employee exchanges, such as the transfer of assembly-related staff from Production Headquarters to Technology Headquarters, to help integrate separately accumulated pools of know-how.

Intellectual Property

For a company to secure lasting competitive advantage, it must not only create products with high added value through unrelenting R&D, it is also vital for the company to adequately protect its core technologies as intellectual property ("IP"). In addition to increasing the number of IP staff to achieve this goal, Sanken Electric integrated our previously dispersed IP-related organizations in 2007 and structured a system in which Sanken Electric may efficiently and smoothly create, secure the rights to, and make use of, intellectual property. In 2008, a stronger culture took root in our organization, when both R&D staff and IP staff began to share information closely - from the very first stages of projects - as they developed new products and technology. Through this process, we were able to expand our portfolio of patents, both foreign and domestic, over the past two years.

R&D themes are established from an executive management point of view that takes into consideration such factors as medium to long-term technology trends and changing customer needs. Through the creation of patent maps, the IP staff promote intellectual property surveys, support innovation, and reduce the time required for R&D, while they also aggressively seek opportunities to acquire a broad range of IP with a view to potentially form technical collaboration arrangements with other companies. Going forward, Sanken Electric also aims to "transform our traditionally defensive IP rights strategy in order to more aggressively seek out opportunities and to nurture technologies that will differentiate us from competitors," and we will try to expand our market share with the best use of our intellectual property.

Furthermore, in order to make the most out of our IP-related costs and expenses, Sanken Electric is acquiring global patents relating to our core technologies while simultaneously abandoning unused patent rights. By doing so, we are quickly and effectively building an intellectual property portfolio best suited to our rapidly changing business environment.

Environmental Initiatives

Basic Philosophy

Sanken Electric and its Group companies recognize that maintaining harmony with the environment is one of our fundamental obligations, and, as our basic philosophy, we act in an environmentally friendly manner, with sincerity and ingenuity, in all aspects of our corporate activities.

The Sanken Group Environmental Charter

Sanken Electric established the “Sanken Group Environmental Charter” in 2000 and announced to all stakeholders, both inside and outside the Group, our basic principles and guidelines for action. In accordance with this basic philosophy, the Sanken Group undertakes a variety of environmental conservation measures including the development of energy and resource-efficient products, the establishment and effective operation of an environmental management system based on ISO 14001 certification standards, and compliance with environmental laws and regulations, as well as conducting programs to reduce waste and promote recycling, lessening the level of environmental load in our products and promoting green procurement. Sanken Electric also takes steps to ensure that environmental conservation is part of our overseas business development, holding discussions with and seeking cooperation from local communities, government agencies, customers, and trading partners. The Sanken Group further ensures that all our employees are familiar with the Environmental Charter, and makes it available to the general public through Sanken Electric’s website.

Environmental Policies

Sanken Electric and each of the Sanken Group companies have established environmental policies. Conservation activities basically follow the Environmental Charter, and medium-term and annual plans are developed in accordance with the nature of the individual business and emphasize that the activities should continuously be engaged.

Action Plan

Each year, Sanken Electric issues the Sanken Group Environmental Action Plan as part of its yearly planning process, setting the direction for environmental conservation for each Group company. Six priority measures were adopted and carried out in 2008:

1. Provide environmentally friendly electronic products

2. Strengthen management of environmentally burdensome substances contained in products.

3. Promote energy-saving and resource-saving activities.

4. Increase recycling of unnecessary waste

5. Prevent chemical contamination

6. Enhance our Environmental Management System

In April 2008, the Sanken Group also participated in “the Team Minus 6%”, a national project aimed at preventing global warming by reducing emissions of gases with a warming effect. Sanken Electric and its Group companies are also working to elevate awareness among employees through energy conservation activities and environmental education, in addition to the priority measures outlined above.

Conservation Activities

Sanken Electric launched an Environmental Management System (EMS) in 1998. In April of that year, Fukushima Sanken Co., Ltd. became the first member of the Sanken Group to obtain ISO 14001 certification with support from its fully operative EMS. As of May 2009, all Sanken Group companies located in domestic or overseas production sites have acquired ISO 14001 certification.

Sanken Electric has cooperated with Saitama Prefecture in their public policy initiatives designed to reduce the environmental burden. In this regard and in recognition of our specific efforts to protect the environment, such as reduction of our CO_2 emissions and recycling of our industrial waste, Sanken Electric was awarded the 9th Annual Saitama Environment Award ("the Eco-Up Grand Prize") by Saitama Prefecture. Additionally, every factory located in Saitama Prefecture underwent and successfully passed a six-month inspection that began in March 2008 and all obtained certification under the "Eco-Up Certification System".

One example of our achievements in this area is our industrial waste recycling rate. In fiscal 2008, we met and exceeded our 98% target to achieve a 98.8% recycling rate for the aggregate of domestic Sanken Group companies. This result exceeded the previous year's 98.2% recycling rate. The recycling rate for Sanken's Niiza plant and eight of the twelve factories operated by Sanken Electric's five domestic subsidiaries achieved the even more impressive result of "zero emissions" – an industrial waste recycling rate of 99% or greater. The eight subsidiary plants even accomplished "zero emissions" for the second year in a row.

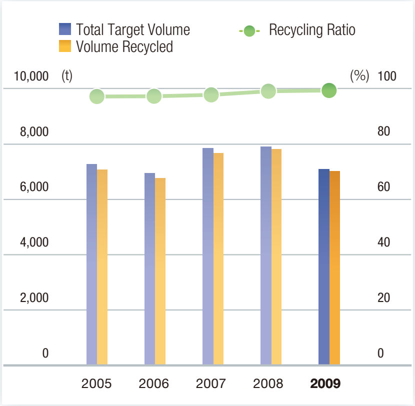
As part of our efforts to promote energy conservation, in 2007, Sanken Electric set up an "Energy Conservation Committee" to bolster efforts to "reduce CO_2 emissions at our business sites." Sanken Electric became further active in conservation in 2008 through such efforts as our participation in the national "Team Minus 6%" project and raising employee awareness. In fiscal 2008, we strove to strengthen the monitoring and management of equipment that uses electricity, select and install energy-conserving equipment and devices, and address issues found in our own workplaces, in accordance with guidelines established by the Energy Conservation Committee. Unfortunately, we were unable to meet the "1% reduction of basic unit of sales" target for CO_2 emissions in 2008, pursuant to the Energy Conservation Law, due to a sharp fall in net sales but we did achieve a 16.3% reduction in emissions in fiscal 2008 compared to fiscal 1999, our base year for environment management. Furthermore, the control of chemical substances was strengthened at our Niiza plant and throughout the entire Sanken Group in fiscal 2008 in accordance with the priority management initiative to "prevent chemical contamination."

Environmental Responsiveness of Products

Sanken Electric has adopted the environmentally friendly design of products, green procurement and other measures in order to comply with international regulations governing harmful substances. In response to the European Union's RoHS Directive (restricting the use of six substances, including cadmium and lead), which went into effect in July 2006, Sanken Electric has, since 2000, worked diligently in collaboration with Group companies to transition to the use of lead-free solder and implement other necessary measures. Since fiscal 2003, Sanken Electric has worked to strengthen controls on products containing harmful substances, mainly through green procurement, and in January 2005, began shipping products that comply with the RoHS Directive. As a result of this early implementation, most of Sanken Electric's client companies with advanced environmental policies have recognized the Group as a source for green procurement, and the Group's framework for compliance with the RoHS Directive was quickly completed.

In fiscal 2008, with the creation of an action plan priority item of "provide environmentally friendly electronic products", Sanken Electric is working to develop products that are particularly small, light and have low energy requirements, in addition to helping to eliminate or reduce harmful substances within products. One specific achievement in this area is Sanken Electric's "low standby power PWM IC". By completely redesigning the control circuits to reduce power consumption while in standby mode, the new product is able to reduce CO_2 emissions by an astounding 75% compared to the previous product.

Waste Volume and Recycling Progress



Corporate Governance

Basic Approach to Corporate Governance

Sanken Electric is striding forward with initiatives to strengthen management functions in order to boost efficiency, improve transparency and maintain sound management. On the one hand, the Company is working to enhance the speed and appropriateness of strategic decision-making by the Board of Directors and strengthen the board's supervisory role. On the other hand, Sanken Electric has adopted a corporate officer system in order to build a more flexible business execution structure, and is promoting steps to enhance the ability to manage tactical operations. Sanken Electric has adopted a corporate system with Statutory Auditors. Corporate governance at Sanken Electric has also been reinforced by the addition of an Operational Audit Office to our governance structure. A latest enhancement to this basic framework of corporate governance is the amendment to the Articles of Incorporation adopted at the 91st Ordinary General Meeting of Shareholders on June 27, 2008 to shorten the term of office of directors from two years to one year, with the aim of ensuring that the Board of Directors is more responsive to changes in the business environment and clarifying that the performance of the duties of the Board of Directors is evaluated each year corresponding to the fiscal year of the Company.

Corporate Governance Structure

The company has adopted the Statutory Auditor System, with the Board of Directors comprising six directors and the Board of Statutory Auditors comprising four members, two of whom are Outside Statutory Auditors. Furthermore, the adoption of the Corporate Officer System has enabled the Company to effectively separate business execution from strategic decision-making and supervisory functions. As of June 26, 2009, Sanken Electric has 16 Corporate Officers, four of whom serve concurrently as directors.

In accordance with its Rules and Regulations, the Board of Directors deliberates important matters pertaining to business execution, and is responsible for supervising the directors' performance of duties to ensure the appropriateness of actions taken on the Company's behalf. Furthermore, the board has clarified the scope of duties and responsibilities by formulating regulations governing the Company's basic organizational and authority structure, the division of duties, uniform administrative responsibilities, and managerial approval requests. The outcome and process of decisions is clearly recorded in the managerial approval requests. The Company reviews its internal control systems pertaining to financial information, as well as related processes for the preparation of documents and reporting of such information, on an ongoing basis. The objective is to create a structure that assures accuracy in the financial information disclosed by the Company. The storage and control of minutes from meetings of the Board of Directors and documents and notes from other important meetings and business execution are strictly managed in accordance with relevant laws and internal regulations. Risks pertaining to significant investments, new businesses and other matters are carefully delineated following discussions that examine such risks from a variety of angles by the Board of Directors, management committee meetings, and other important Company meetings. Each division is responsible for evaluating and managing specific risks that could emerge during the course of ordinary business operations.

Internal Audits, Audits by Statutory Audits, and Financial Audits

The Statutory Auditors sit on the Board of Statutory Auditors, and meet in order to set audit policies, audit plans, and decide other matters as prescribed by law, as well as to share audit information. In accordance with the division of duties determined by the Board of Statutory Auditors, the Statutory Auditors attend Board of Directors' meetings, management committee meetings and other important meetings, as well as inspect important documents. The findings of their audits are reported to the Board of Statutory Auditors. The statutory auditors also meet regularly for discussions with directors, the head of the Operational Audit Office and the independent auditor to enhance the efficacy of audits performed. The Statutory Auditors, furthermore, perform auditing visits to the Group's business locations in and outside of Japan, which are audited in a stringent but fair manner. The results of these audits are then reported to the Board of Statutory Auditors. The Company is working to facilitate cooperation through such means as holding regular meetings during which independent auditors report to the Board of Statutory Auditors and promoting the exchange of ideas on internal control. The independent auditor's staff assisting the independent auditor consists of five certified public accountants and 18 associate public accountants.

Directors' and Independent Auditors' Compensation

Years ended March 31, 2009
Millions of yen

Compensation paid to Directors and Statutory Auditors:	
Compensation paid to Directors*1	¥159 million
Compensation paid to Statutory Auditors*2	¥45 million
Total	¥204 million
Fees paid to independent auditor	¥77 million

*1: Sanken Electric presently has no outside director.

*2: Two of the statutory auditors are outside statutory auditors, and the total paid to them is ¥0 million.

Basic Approach to Internal Control System

The Company has established a set of basic governance documents; the Corporate Philosophy, the Business Guidelines and the Conduct Guidelines. With these as foundation, Directors, Corporate Officers and employees alike are working together to build a compliance system, to ensure the efficiency of operations and the reliability of financial reporting through creating necessary organizational units, action programs, and rules and regulations. With these efforts combined, the Company is striving to put in motion an effective internal control system.

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

● Compliance System

While the Company works to implement its Corporate Philosophy, Business Guidelines and Conduct Guidelines, efforts by the President to foster corporate culture for compliance, as well as periodic compliance education and training, all aim to ensure that the company and all its employees, without exception, comply with all relevant laws and regulations and the Articles of Incorporation.

Internal audits are performed by the Operational Audit Office, which reports directly to the President. The office is responsible for auditing and inspecting the corporate activities conducted by the Company and the Group, as well as preserving the effectiveness of the compliance system through the operation of a whistleblower system for reporting compliance-related problems.

The Operational Audit Office consists of a two-member Compliance Group responsible for ascertaining and preventing risk, and a three-member Internal Control Group, which conducts audits and provides guidance for improvements required in connection with the Company's internal control system. The office is also responsible for companywide compliance education and training. The Compliance Group operates the Company's "Helpline System," which serves as the source of whistle-blowing information and as a help desk for advice on compliance-related matters for employees. The system is in place at all Sanken Group companies in Japan. The Internal Control Group audits and evaluates all companywide control systems as well as the process controls of Sanken headquarters and Ishikawa Sanken. The Company is always striving to upgrade its internal control system, as represented by its addition of one Internal Control Group staff as recently as April 2009.

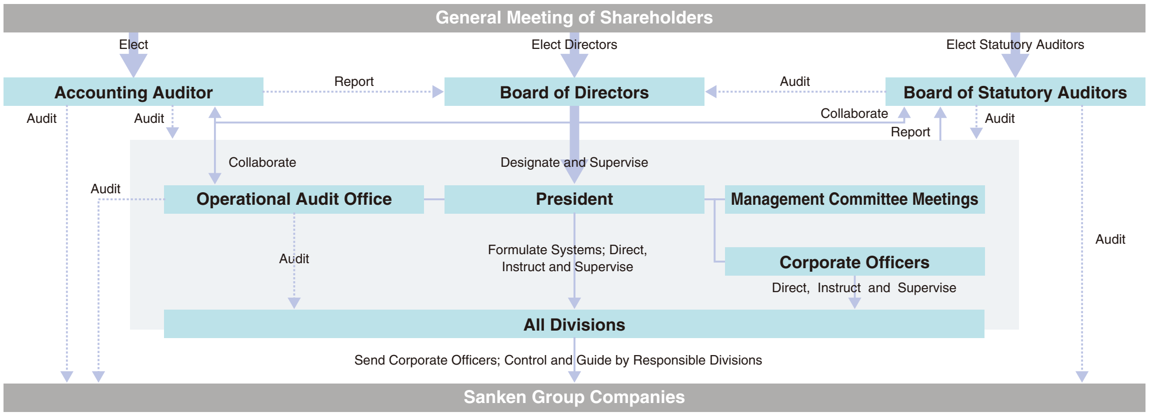
● Risk Management System and Related Activities

Sanken Electric has established a Risk Management Committee, which reports directly to the President, to strengthen overall risk management for the entire Group and promote risk-event preparedness. In addition to measures for coping with natural disasters, the committee studies, evaluates and analyzes the wide range of risks encountered by the Group during the course of business operations. Through the proposal of planned countermeasures and plan implementation, the committee strives to ensure integrated and cross-divisional risk management across the entire Group.

On March 25, 2007, a major earthquake struck the Noto region of Ishikawa Prefecture, Japan, affecting Ishikawa Sanken's manufacturing facilities. By March 29, just four days later, however, production lines had been restored at all of the Company's six plants in the area. Learning from this earthquake, led by Ishikawa Sanken, we implemented a thorough review of earthquake preparedness. In July 2007, countermeasure policies proposed through this revision were passed on to other Group production facilities. Thereafter, each Group company took various actions to enhance the earthquake resilience of its entire infrastructure, including production facilities, equipment and furniture, as well as to upgrade its business continuity plan.

● Disclosure System

The General Affairs section continuously collects, confirms and examines information with respect to material decisions and facts, and their timely disclosure is made without delay in accordance with applicable laws and regulations after authorization by the decision-making body or occurrence of said facts. The IR Office, meanwhile, actively provides shareholders and other investors, analysts, the media and other parties with corporate information (including financial results) and also carries out public relations activities, operates the Company website and holds financial results briefings.



Management's Discussion and Analysis

OVERVIEW

Management strategy

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

We have established five themes as part of our medium-term management strategy: ① maximize our "eco-friendly" and "energy-saving" efforts by offering total solutions, ② promote innovative manufacturing and the creation of technology to differentiate us from competitors, ③ firmly establish our company through marketing and operate our business in close contact with the markets, ④ develop a global strategy and exercise our comprehensive Group strength, and ⑤ improve the productivity of each employee.

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

On April 1, 2009, Sanken Electric conducted a broad organizational review. This review included establishing an organization to implement structural reform, strengthening our marketing organization to improve our strategic capabilities and adding cross-sectional functionality in product development departments in order to deliver Sanken Electric's own unique total solutions.

In the future, Sanken Electric will further optimize personnel and equipment and go beyond the old ways as we conduct cost reviews to lower the break-even point between profit and loss. Furthermore, we will accumulate experience in rapid management capable of keeping step with the digital market and come together as a Group to improve our results and vigorously push for future expansion.

Fund procurement and liquidity

The Group procures funds in a number of ways, including bond and commercial paper issuances, commitment line contracts and bank loans. As of March 31, 2009, short-term loans totaled ¥19,590 million (of which, long-term loans payable within one year totaled ¥1,120 million), commercial paper totaled ¥16,000 million, unsecured bonds redeemable in 2013 (issued September 2008) totaled ¥20,000 million, and long-term loans totaled ¥4,212 million. The Group's basic policy is to fund working capital and capital expenditures through internal financing. However, in order to raise the working capital and capital expenditures necessary to maintain growth in the Sanken Group, we may raise outside funds by to ¥14,000 million in unused commercial paper issuances and ¥10,000 million in commitment line contracts, in addition to internally generated cash-flow from operations.

Dividend policy

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

In accordance with this basic policy, Sanken Electric distributes its capital surplus to shareholders twice a year in the form of interim and year-end cash dividends. Dividend amounts are decided by resolution at the General Shareholders Meeting for the year-end dividend, and by resolution of the Board of Directors in accordance with the Articles of Incorporation for the interim dividend.

In consideration of the large losses accounted for in the current year, year-end dividends were calculated as ¥3 per share. Accordingly, the Company paid ¥10 per share (¥7 interim + ¥3 year-end) in annual dividends.

RESULTS OF OPERATIONS

Summary

In response to the rapid fall in orders received caused by rapid changes in the business environment during the 2nd half of the year, the Sanken Group enacted emergency measures from November 2008 and focused our efforts on strengthening our manufacturing, such as by improving yield ratios and reducing costs. Additionally, we reviewed our personnel structure, implemented broad production adjustments and held full-scale reviews of our capital expenditures and fixed costs in an effort to streamline every area of our business. However, these efforts could not keep up with the rapid decline in sales and results for the current fiscal year include net sales of ¥147,003 million, a 20.2% reduction compared to the previous year. Large losses were incurred during this fiscal year, including operating losses and net losses totaling ¥4,891 million and ¥15,773 million, respectively.

Results of operations by business segment

Semiconductor business

Net sales in this segment decreased by ¥31,544 million, or 22.2%, from the previous year to ¥110,544 million.

Although sales of products aimed at automobiles grew in the first half, orders received for semiconductor devices decreased due to the effects of production adjustments in the automobile and digital appliances markets in the 2nd half. Demand in the OA, production equipment and white goods appliance markets also fell, marking this as one of the most difficult years in Sanken Electric history. Even in the CCFL market, net sales in the first half exceeded those of the same period in the previous year but inventory adjustments of LCD panels exceeded predictions from last autumn, causing a sharp decline in orders received and a reduction in annual sales compared to the previous year.

As a result, the semiconductor business recorded operating losses of ¥1,706 million (operating income of ¥9,247 million was recorded in the previous year).

Power module business

Net sales in this segment decreased by ¥5,045 million, or 18.3%, from the previous year to ¥22,539 million.

Our power module business focused its efforts on improving business efficiency by concentrating production in P.T. Sanken Indonesia and on structural reform to realize a low-cost, stable procurement system by localizing materials procurement and strengthening supply chain management from multiple angles. Despite these efforts, and slight signs of recovery in products designed for flat-panel televisions, sluggish growth across the flat-panel television market and inventory adjustments from the 2nd half led to a decline in sales compared to the previous year.

As a result, the power module business recorded operating losses of ¥1,930 million.

Power system business

Net sales in this segment decreased by ¥716 million, or 4.9%, from the previous year to ¥13,919 million.

Sales of VVVF inverters decreased in the 2nd half due to weak capital expenditures in China. However, sales within the Japanese market were generally positive, particularly products for mobile phone base stations and government agencies, and sales for this segment were in-line with those of the previous year.

As a result, operating income in the power system business fell by ¥1,005 million, or 50.1%, from the previous year to ¥1,000 million.

Results of operations by geographic segment

Japan

Net sales within Japan fell by ¥25,093 million, or 19.9%, from the previous year to ¥101,310 million due to the effects of production adjustments from the 2nd half in the automotive and digital appliance markets. In accordance with this decrease in sales, operating losses of ¥5,350 million were recorded (operating income of ¥6,261 million was recorded in the previous year).

Asia

Net sales in Asia fell by ¥1,413 million, or 7.1%, from the previous year to ¥18,552 million due to lagging sales of semiconductor devices, which was the result of falling demand in the appliance market. Operating income drastically increased by ¥804 million, or 118.6%, from the previous year to ¥1,483 million due to factors such as improved revenue in Allegro MicroSystems Philippines, Inc.

North America

Net sales in North America fell by ¥6,107 million, or 25.8%, from the previous year to ¥17,541 million due to decreased sales of products designed for automobiles. Accordingly, operating income fell by ¥1,407 million, or 65.6%, from the previous year to ¥739 million.

Europe

Net sales in Europe fell by ¥4,692 million, or 32.8%, from the previous year to ¥9,599 million due to decreased sales of Sanken Power Systems (UK) Limited’s PM products. Accordingly, operating income fell by ¥516 million, or 82.6%, from the previous year to ¥109 million.

Other income (expenses)

Other income (expenses) ended with ¥5,719 million in expenses, an increase of ¥1,722 million from the previous year. While interest expenses were lower compared to the previous year, the primary cause of this year’s increased expenses was impairment of business equipment, in addition to increased exchange losses and product compensation costs.

FINANCIAL POSITION

Assets

Total assets decreased by ¥25,761 million from the end of the previous year to ¥147,768 million at the end of the current fiscal year. Current assets decreased by ¥21,150 million from the end of the previous year to ¥82,900 million. Factors behind this change include a ¥3,306 million increase in cash and deposits, a ¥2,229 million increase in inventories and a ¥22,298 million decrease in notes and accounts receivable. Investments and long-term receivables decreased by ¥944 million from the end of the previous year to ¥5,376 million. Factors behind this change include a ¥848 million decrease in investments in securities and a ¥529 million decrease in deferred tax assets. Net property, plant and equipment decreased by ¥3,099 million from the end of the previous year to ¥58,501 million, primarily due to decreases in machinery and equipment.

Liabilities

Current liabilities decreased by ¥27,183 million from the end of the previous year to ¥61,078 million at the end of the current fiscal year. Factors behind this change include a ¥10,000 million decrease in bonds redeemable within one year, a ¥14,000 million decrease in commercial paper, and a ¥9,458 million decrease in notes and accounts payable. Long-term liabilities decreased by ¥21,685 million from the end of the previous year to ¥28,871 million at the end of the current fiscal year, primarily due to the issuance of ¥20,000 million in bonds.

Net assets

Net assets decreased by ¥20,263 million from the end of the previous year to ¥57,818 million at the end of the current fiscal year. Shareholders' equity (net assets minus stock acquisition rights and minority interests) decreased by ¥20,275 million from the end of the previous year to ¥57,325 million. Factors behind this change include a ¥17,540 million decrease in retained earnings and a ¥2,210 million decrease in translation adjustments. Sanken Electric's equity ratio decreased by 5.9 points from the end of the previous year to 38.8% at the end of the current fiscal year.

Cash flows

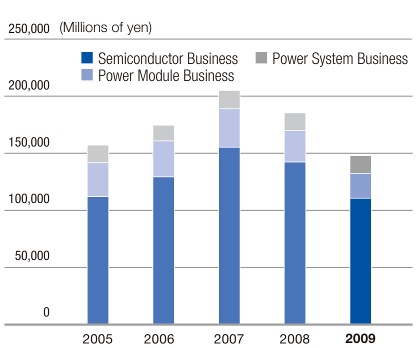
Net cash provided by operating activities totaled ¥14,056 million, an increase of ¥2,520 million from the previous year, due to a decrease in notes and accounts receivable, while a net loss was recorded. Net cash used in investing activities totaled ¥12,181 million due to increased purchases of property, plant and equipment, an increase of ¥2,883 million from the previous year. Net cash provided in financing activities totaled ¥2,999 million, an increase of ¥6,421 million from the previous year, due to an increase in borrowings along with issuing bonds to correspond to the funds for redemption of bonds and commercial paper. As a result, interest-bearing debt increased by ¥4,780 million from the end of the previous year to ¥60,001 million at the end of the current fiscal year and the debt reliance ratio was 34.3%. As a result of these factors, cash and cash equivalents at the end of the current fiscal year increased by ¥3,348 million from the end of the previous year to ¥12,891 million.

Capital Expenditures

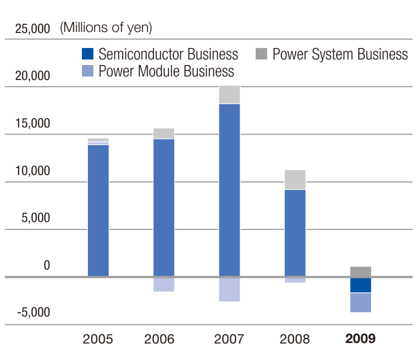
The Sanken Group's capital expenditures during the current fiscal year totaled ¥12,282 million and primarily consisted of purchases of production, testing and research equipment.

In the semiconductor business, Sanken Electric made capital

Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



expenditures of ¥553 million for production, testing and research equipment, and consolidated subsidiaries including Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Allegro MicroSystems, Inc. and Polar Semiconductor, Inc. made capital expenditures of ¥11,018 million to enhance production equipment.

In the PM business, Sanken Electric made capital expenditures of ¥79 million for product molds, etc. and consolidated subsidiaries including P.T. Sanken Indonesia made capital expenditures of ¥385 million for production equipment, product molds, etc.

In the PS business, Sanken Electric made capital expenditures of ¥86 million for product molds, etc., and consolidated subsidiaries including Sanken L.D. Electric (Jiang Yin) Co., Ltd. made capital expenditures of ¥56 million for production equipment, etc.

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

Business Risks

Management has identified the following issues as posing potential risks to the Group's business performance and financial condition. Concerning risks to business strategy, forecasts regarding the future presented here are judgments made as of the end of the fiscal year under review (March 31, 2009). It is important to keep in mind that actual outcomes may deviate considerably from these forecasts due to inherent uncertainties.

Strategy Risk

New Product Development

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

Price Competition

Price competition in the electronics industry is escalating. The emergence of competitors using production bases in Southeast Asia, and particularly China, has had a major impact on the determination of prices for the Company's products. While price competition is expected to continue escalating, the Group is responding by working to further reduce the cost of sales and to introduce high-value-added products that leverage its inherent technologies. However, the Group's profitability, earnings, and financial condition could suffer due to the appearance of products made by companies with a greater ability to respond to price reductions and/or to changes in demand by its customers.

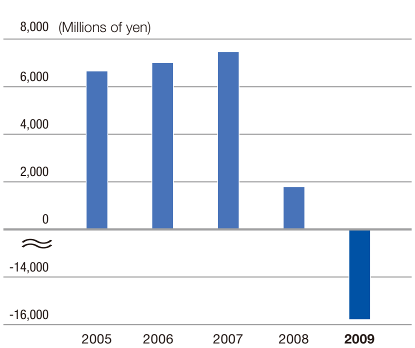
Fund Procurement

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

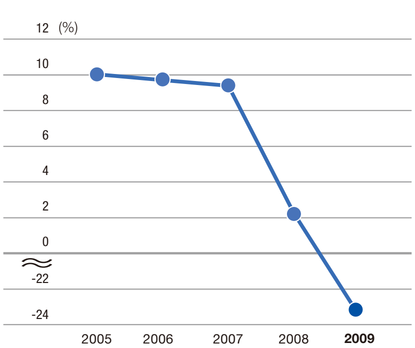
Intellectual Property

The Group takes steps to differentiate its products from those of competitors by using proprietary technologies and know-how. Although

Net Income (Loss)
Years ended March 31



Return on Equity
Years ended March 31



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

External Risks

Economic Environment

In addition to Japan, the Group produces products in several other nations and regions, including Asia, North America, and Europe. Overseas production value accounted for 42.0% of consolidated production value in fiscal 2006, 42.0% in fiscal 2007 and 43.3% in fiscal 2008. Overseas sales on a consolidated basis as a proportion of total sales in fiscal 2006, fiscal 2007 and fiscal 2008 were 59.3%, 55.8%, and 53.7%, respectively. As a consequence, the Group's earnings and financial condition could be adversely affected by changes in the operating environment, including economic trends, in the relevant areas.

Exchange Rates

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

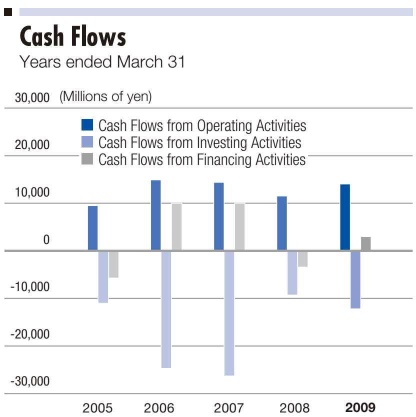
Exports as a share of the Company's sales were 47.7% in fiscal 2006, 42.5% in fiscal 2007, and 40.1% in fiscal 2008. Of these exports, the proportion denominated in foreign currencies was 48.3% in fiscal 2006, 46.0% in fiscal 2007, and 49.4% in fiscal 2008. As for exchange risk associated with transactions, the Group engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover by expanding overseas procurement of products and raw materials, and through the use of forward currency contracts. By doing so, the Company aims to minimize the impact of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar and the Japanese yen.

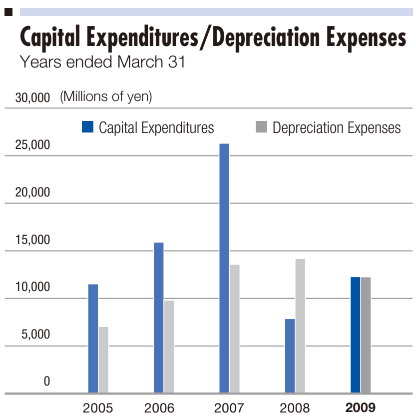
Additionally, appreciation of the currencies in the regions and nations where the Group has production bases may drive up manufacturing and procurement costs. Higher costs would have the impact of lower margins and diminished price competitiveness, which may adversely affect earnings.

Internal Risks

Legal Restraints

The Group has production and sales bases in 11 regions and nations, including Japan, and establishes businesses subject to the application of various laws, ordinances, and regulations (hereinafter "legal restraints") specified in each region or nation. In addition, with respect to the export and import of technology, products, and materials necessary for sales and production by the Group around the world, business





activities are subject to legal restraints relating to tariffs, trade, foreign currency, strategic materials, specific technologies, antitrust, patents, the environment, and other areas in each region and nation. Failure to comply with these legal restraints could result in restrictions on the Group's business activities and/or undermine public confidence, which may adversely affect the Company's earnings and financial condition.

Quality Issues

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

Environmental Problems

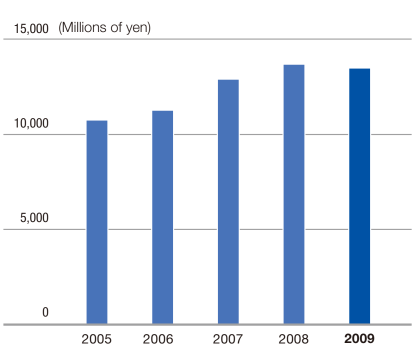
The Group complies with all legal restraints pertaining to the prevention of environmental damage and pollution in the nations and regions where it has production bases. As part of its own environmental activities, the Group pursues ISO 14001 certification, an international standard for environmental management systems. Also, the Group works to better understand and reduce the use of substances that carry environmental burdens and that are used in its production processes or contained in its products. The failure to comply with these restraints, the occurrence of an accident that results in the discharge of a large volume of hazardous substances, or the elimination of prohibited substances from products could incur substantial costs to rectify these situations. In addition, this could result in restrictions on business activities, liability for reparations to customers, and loss of public confidence, all of which could adversely affect the Company's earnings and financial position.

Besides the above, in addition to possible occurrence of some kind of calamity, such as natural disaster, fire, or damage to the social or telecommunications infrastructure, there may be unforeseeable country risk, such as a war, terrorist attack, epidemic of infectious disease, or significant changes to laws or the taxation system in a particular country or region. Alternatively, there is the risk of legal action or compensation payment obligations that could arise from a product defect causing death, or impacting society, the environment, or business activities. Other risks include potential changes to the compulsory corporate contribution to retirement benefits and the increasing risk of improper or illegal use of company information, including personal information, as the use of information systems expand.

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

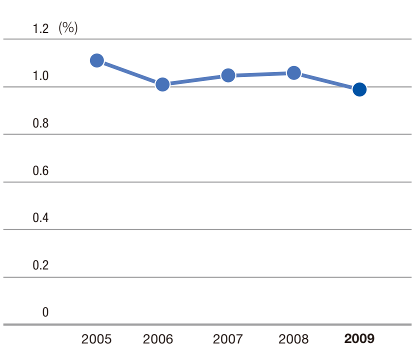
R&D Expenses

Years ended March 31



Asset Turnover

Years ended March 31



Consolidated Balance Sheets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

Assets	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
Current assets:			
Cash and deposits (Note 5)	¥ 13,069	¥ 9,763	$ 133,067
Notes and accounts receivable (Note 6):			
Trade and other	24,587	46,781	250,330
Less allowance for doubtful receivables	(233)	(129)	(2,379)
	24,353	46,652	247,951
Inventories (Note 8)	42,835	40,606	436,119
Deferred tax assets (Note 14)	226	3,371	2,308
Other current assets	2,414	3,657	24,582
Total current assets	82,900	104,050	844,029
Investments and long-term receivables:			
Investments in unconsolidated subsidiaries and affiliates	75	103	772
Investments in other securities (Note 7)	1,934	2,756	19,700
Deferred tax assets (Note 14)	126	655	1,282
Other long-term receivables	3,490	3,055	35,539
Less allowance for doubtful receivables	(250)	(249)	(2,553)
Total investments and long-term receivables	5,376	6,321	54,741
Property, plant and equipment, at cost:			
Land	4,502	4,412	45,845
Buildings	54,127	54,540	551,085
Machinery and equipment	118,788	113,408	1,209,415
Construction in progress	3,864	1,907	39,350
	181,284	174,268	1,845,696
Less accumulated depreciation and impairment losses	(122,783)	(112,667)	(1,250,082)
Property, plant and equipment, net	58,501	61,600	595,614
Other assets	990	1,556	10,081
Total assets	¥ 147,768	¥ 173,529	$ 1,504,467

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
Current liabilities:			
Short-term bank loans (Note 9)	¥ 18,470	¥ 11,300	$ 188,053
Current portion of long-term debt (Note 9)	1,120	11,593	11,403
Commercial paper	16,000	30,000	162,899
Notes and accounts payable:			
Trade and other	16,206	25,652	165,000
Construction	34	46	350
	16,240	25,699	165,350
Accrued expenses	7,100	8,160	72,287
Income taxes payable	398	394	4,056
Deferred tax liabilities (Note 14)	19	0	193
Reserve for directors' bonuses	—	30	—
Provision for business structure reform	492	—	5,010
Other current liabilities	1,237	1,084	12,594
Total current liabilities	61,078	88,262	621,850
Long-term liabilities:			
Long-term debt (Note 9)	24,212	2,200	246,517
Accrued retirement benefits for directors	156	172	1,594
Accrued employees' retirement benefits (Note 13)	2,798	3,092	28,493
Deferred tax liabilities (Note 14)	1,123	1,069	11,438
Other long-term liabilities	580	651	5,907
Total long-term liabilities	28,871	7,185	293,951
Net assets (Note 15)**:**			
Shareholders' equity:			
Common stock:			
Authorized — 257,000,000 shares			
Issued and outstanding: 2009 — 125,490,302 shares	20,896	—	212,754
2008 — 125,490,302 shares	—	20,896	—
Capital surplus	21,249	21,261	216,350
Retained earnings	24,699	42,239	251,467
Less treasury stock, at cost: 4,033,630 shares in 2009 and 3,998,156 shares in 2008	(3,885)	(3,878)	(39,555)
Total shareholders' equity (Note 23)	62,960	80,518	641,017
Valuation, translation adjustments and other:			
Net unrealized gain on securities	19	526	201
Translation adjustments	(5,655)	(3,444)	(57,576)
Total valuation, translation adjustments and other	(5,635)	(2,917)	(57,375)
Stock acquisition rights	253	189	2,582
Minority interests	239	291	2,440
Total net assets	57,818	78,081	588,665
Contingent liabilities (Note 16)			
Total liabilities and net assets	¥ 147,768	¥ 173,529	$ 1,504,467

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

Consolidated Statements of Operations

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
Net sales	¥ 147,003	¥ 184,309	$ 1,496,674
Cost of sales (Notes 13 and 17)	127,107	149,064	1,294,113
Gross profit	19,895	35,244	202,560
Selling, general and administrative expenses (Notes 11, 13, 17 and 22)	24,787	26,975	252,363
Operating income (loss)	(4,891)	8,269	(49,802)
Other income (expenses):			
Interest expense	(714)	(1,189)	(7,270)
Interest and dividend income	117	320	1,192
Impairment losses (Note 12)	(1,762)	—	(17,949)
Provision for business structure reform	(599)	—	(6,107)
Product compensation costs	(756)	(601)	(7,702)
Foreign exchange loss	(917)	(708)	(9,338)
Other, net	(1,086)	(1,818)	(11,058)
	(5,719)	(3,997)	(58,235)
Income (loss) before income taxes and minority interests	(10,611)	4,271	(108,037)
Income taxes (Note 14):			
Current	1,048	1,092	10,672
Deferred	4,093	1,281	41,679
Income (loss) before minority interests	(15,753)	1,897	(160,389)
Minority interests	(20)	(121)	(204)
Net income (loss) (Note 23)	¥ (15,773)	¥ 1,776	$ (160,594)

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

Consolidated Statements of Changes in Net Assets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
Shareholders' equity			
Common stock:			
Balance at the end of previous year	¥ 20,896	¥ 20,896	$ 212,754
Balance at the end of current year	20,896	20,896	212,754
Capital surplus:			
Balance at the end of previous year	21,261	21,263	216,643
Changes of items during the year:			
Disposition of treasury stock	(11)	(2)	(113)
Total changes of items during the year	(11)	(2)	(113)
Balance at the end of current year	21,249	21,261	216,350
Retained earnings:			
Balance at the end of previous year	42,239	42,369	430,046
Adjustments for changes of foreign subsidiaries' accounting policies	(142)	—	(1,447)
Changes of items during the year:			
Cash dividends paid	(1,700)	(1,701)	(17,315)
Net income (loss)	(15,773)	1,776	(160,594)
Adjustments for inclusion (exclusion) of subsidiaries in (from) consolidation	76	(205)	777
Total changes of items during the year	(17,397)	(130)	(177,131)
Balance at the end of current year	24,699	42,239	251,467
Treasury stock:			
Balance at the end of previous year	(3,878)	(3,832)	(39,483)
Changes of items during the year:			
Acquisition of treasury stock	(26)	(55)	(265)
Disposition of treasury stock	19	10	193
Total changes of items during the year	(7)	(45)	(71)
Balance at the end of current year	(3,885)	(3,878)	(39,555)
Total shareholders' equity:			
Balance at the end of previous year	80,518	80,697	819,781
Adjustments for changes of foreign subsidiaries' accounting policies	(142)	—	(1,447)
Changes of items during the year:			
Cash dividends paid	(1,700)	(1,701)	(17,315)
Net income (loss)	(15,773)	1,776	(160,594)
Acquisition of treasury stock	(26)	(55)	(265)
Disposition of treasury stock	7	7	80
Adjustments for inclusion (exclusion) of subsidiaries in (from) consolidation	76	(205)	777
Total changes of items during the year	(17,416)	(178)	(177,316)
Balance at the end of current year	62,960	80,518	641,017

Consolidated Statements of Changes in Net Assets (continued)

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
Valuation, translation adjustments and other			
Net unrealized gain on securities:			
Balance at the end of previous year	¥ 526	¥ 1,648	$ 5,364
Changes of items during the year:			
Net changes of items other than shareholders' equity	(507)	(1,121)	(5,163)
Total changes of items during the year	(507)	(1,121)	(5,163)
Balance at the end of current year	19	526	201
Translation adjustments:			
Balance at the end of previous year	(3,444)	314	(35,072)
Changes of items during the year:			
Net changes of items other than shareholders' equity	(2,210)	(3,759)	(22,504)
Total changes of items during the year	(2,210)	(3,759)	(22,504)
Balance at the end of current year	(5,655)	(3,444)	(57,576)
Total valuation, translation adjustments and other:			
Balance at the end of previous year	(2,917)	1,962	(29,708)
Changes of items during the year:			
Net changes of items other than shareholders' equity	(2,717)	(4,880)	(27,667)
Total changes of items during the year	(2,717)	(4,880)	(27,667)
Balance at the end of current year	(5,635)	(2,917)	(57,375)
Stock acquisition rights			
Balance at the end of previous year	189	111	1,924
Changes of items during the year:			
Net changes of items other than shareholders' equity	64	77	658
Total changes of items during the year	64	77	658
Balance at the end of current year	253	189	2,582
Minority interests			
Balance at the end of previous year	291	314	2,972
Changes of items during the year:			
Net changes of items other than shareholders' equity	(52)	(22)	(531)
Total changes of items during the year	(52)	(22)	(531)
Balance at the end of current year	239	291	2,440
Total net assets			
Balance at the end of previous year	78,081	83,086	794,969
Adjustments for changes of foreign subsidiaries' accounting policies	(142)	—	(1,447)
Changes of items during the year:			
Cash dividends paid	(1,700)	(1,701)	(17,315)
Net income (loss)	(15,773)	1,776	(160,594)
Acquisition of treasury stock	(26)	(55)	(265)
Disposition of treasury stock	7	7	80
Adjustments for inclusion (exclusion) of subsidiaries in (from) consolidation	76	(205)	777
Net changes of items other than shareholders' equity	(2,705)	(4,825)	(27,540)
Total changes of items during the year	(20,121)	(5,004)	(204,857)
Balance at the end of current year	¥ 57,818	¥ 78,081	$ 588,665

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

Consolidated Statements of Cash Flows

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
Operating activities			
Income (loss) before income taxes and minority interests	¥ (10,611)	¥ 4,271	$ (108,037)
Depreciation and amortization	12,709	14,970	129,398
Impairment losses	1,762	—	17,949
Increase in allowance for doubtful receivables	110	228	1,125
Interest and dividend income	(117)	(320)	(1,192)
Interest expense	714	1,189	7,270
Decrease in provision for retirement benefits for employees	(520)	(1,973)	(5,303)
Increase in provision for business structure reform	599	—	6,107
Decrease in notes and accounts receivable	20,355	5,075	207,247
Increase in inventories	(2,971)	(3,128)	(30,248)
Decrease in notes and accounts payable	(9,054)	(5,815)	(92,190)
Other	2,725	690	27,745
Subtotal	15,702	15,188	159,872
Interest and dividends received	117	320	1,192
Interest paid	(669)	(1,255)	(6,819)
Income taxes paid	(1,093)	(2,717)	(11,132)
Net cash provided by operating activities	14,056	11,535	143,112
Investing activities			
Purchases of property, plant and equipment	(12,186)	(8,460)	(124,076)
Proceeds from sales of property, plant and equipment	208	126	2,121
Purchases of intangible assets	(277)	(272)	(2,822)
Payment for liquidation of a subsidiary	—	(46)	—
Purchases of investment securities	(29)	(28)	(303)
Increase in loans made	(2,059)	(1,017)	(20,966)
Proceeds from loans made	2,122	817	21,609
Other	40	(417)	412
Net cash used in investing activities	(12,181)	(9,298)	(124,025)
Financing activities			
Increase in short-term bank loans	7,365	1,601	74,992
Decrease in commercial paper	(14,000)	—	(142,537)
Proceeds from issuance of long-term debt	3,150	3,300	32,075
Repayment of long-term debt	(1,591)	(6,487)	(16,205)
Repayment of finance lease liabilities	(58)	—	(598)
Proceeds from issuance of unsecured bonds	19,900	—	202,612
Redemption of unsecured bonds	(10,000)	—	(101,812)
Proceeds from sales of treasury stock	7	7	80
Retirement of treasury stock	(26)	(55)	(265)
Cash dividends paid	(1,699)	(1,696)	(17,299)
Dividends paid to minority interests	(49)	(91)	(506)
Net cash provided by (used in) financing activities	2,999	(3,422)	30,536
Effect of exchange rate changes on cash and cash equivalents	(1,526)	361	(15,541)
Net decrease in cash and cash equivalents	3,347	(823)	34,081
Cash and cash equivalents at beginning of the year	9,543	10,367	97,164
Increase in cash resulting from inclusion of subsidiaries in consolidation	0	—	6
Cash and cash equivalents at end of the year (Note 5)	¥ 12,891	¥ 9,543	$ 131,251

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

Notes to Consolidated Financial Statements

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. See Note 2.

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its significant subsidiaries. As of March 31, 2009, the number of consolidated subsidiaries was 28 (26 in 2008). For five subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, i.e. December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. Significant intercompany transactions and account balances have been eliminated in consolidation. Generally, the difference, if significant in amount, between the cost and the equity in the underlying net assets of a consolidated subsidiary at the date acquired is capitalized in the year of acquisition and amortized principally over a five-year period.

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

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

(c) Securities

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

(d) Hedge Accounting

The Group conducts interest-rate swap transactions for the purpose of mitigating interest-rate volatility risk on loans payable and to establish stable cash flows. Discrimination of hedged items is dependent upon individual contracts.

Interest-rate swap agreements which fulfill the hedge accounting requirements, together with the related debt, having nearly the same notional amounts, interest rates, interest settlement dates, and contract periods as those of the debt, are not valued at market; the net effect of the interest-rate swap transactions is added to (or deducted from) the interest on the debt using special accounting rules.

Due to the fact that significant terms and conditions for hedging instruments and those for hedged items are the same, and that interest-rate volatility is continuously offset from the commencement of hedging transactions, assessments of hedge effectiveness are not performed.

The hedging instrument utilized and the corresponding hedged items are as follows:

Hedging instrument ....Interest-rate swap transactions
Hedged items ....Floating interest rate on loans payable

(e) Inventories

Inventories held for sale in the ordinary course of business

Finished goods and work-in-process are stated at the lower of cost and net realizable value. Cost is determined principally by the first-in, first-out method.

Raw materials and supplies are stated at cost being determined principally by the last purchase price method.

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

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

Buildings	10 – 60 years
Machinery and equipment	3 – 12 years

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

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

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

(g) Deferred assets

Stock issuance costs are expensed as incurred.

Bond issuance costs are expensed as incurred.

(h) Allowance for doubtful receivables

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

(i) Provision for Business Structure Reform

Provision for business structure reform is provided to cover the costs reasonably estimated to be incurred for business restructuring at a certain subsidiary.

(j) Employees' Retirement Benefits

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

The overseas consolidated subsidiaries principally have defined contribution pension plans.

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

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

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 11 through 25 years).

Effective the current fiscal year, with regard to the period over which net unrecognized actuarial gain or loss is expensed, the designated number of years within the average remaining service period for employees has been revised from 12 to 19 years to 11 to 25 years as a result of a change in the scope of consolidation. This revision had no material effect on income for the year ended March 31, 2009.

In addition, officers of the Company are entitled to lump-sum payments under an unfunded retirement benefit plan. The provision for retirement allowances for these officers has been made at estimated amounts based on the Company's internal rules.

(k) Foreign Currency Translation

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

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the fiscal year-end exchange rates.

Income statements of overseas consolidated subsidiaries are translated at average exchange rates. Differences arising from the translation are presented as translation adjustments and minority interests as components of net assets in its consolidated financial statements.

(l) Derivatives

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

(m) Cash Equivalents

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

(n) Consumption Taxes

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

2. Accounting Changes

Accounting standard for measurement of inventories

Effective the fiscal year ended March 31, 2009, the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No. 9, July 5, 2006) has been applied. This change had no effect on income for the year ended March 31, 2009.

Accounting standards for lease transactions

Until March 31, 2008, noncancelable leases of the Company and its domestic consolidated subsidiaries were accounted for as operating leases (whether such leases were classified as operating or finance leases) except that lease agreements which stipulated the transfer of ownership of the leased assets to the lessee were accounted for as finance leases. Effective, the fiscal year ended March 31, 2009, the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, later revised March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, later revised March 30, 2007) have been applied. In accordance with the revised standards, lease transactions that have been entered into on and after April 1, 2008 and do not stipulate the transfer of ownership of the leased assets to the lessee have been accounted for as either finance or operating leases. This change had no effect on income for the year ended March 31, 2009.

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective April 1, 2008, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18, May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary. This change had no material effect on income for the year ended March 31, 2009.

Accounting for employees’ retirement benefits

Effective the year ended March 31, 2009, a certain domestic subsidiary has changed its calculation method of retirement benefit obligation from the simplified method to the standard method. This change was made because the subsidiary can now accurately calculate retirement benefit obligation by the standard method. This change had no material effect on income for the year ended March 31, 2009.

3. Additional Information

Depreciation methods of property, plant and equipment

Effective April 1, 2007, pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007 to 5% of acquisition cost based on the Corporate Tax Law prior to the amendment, the Company and its domestic subsidiaries depreciate the difference between 5% of acquisition cost and memorandum price using the straight-line method over a period of 5 years.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥98.22 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2009. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

5. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and deposits with cash and cash equivalents as of March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
March 31,	2009	2008	2009
Cash and deposits	¥ 13,069	¥ 9,763	$ 133,067
Restricted cash	(178)	(220)	(1,816)
Cash and cash equivalents	¥ 12,891	¥ 9,543	$ 131,251

6. Notes and Accounts Receivable

The retroactively adjusted liability upon transfer of export receivables was zero at March 31, 2009, and ¥1,892 million at March 31, 2008.

7. Securities

Marketable securities classified as other securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2009	Acquisition cost	Carrying amount	Net unrealized gain (loss)	Acquisition cost	Carrying amount	Net unrealized gain (loss)
Securities whose carrying amounts exceed their acquisition cost:						
Equity securities	¥ 779	¥ 1,150	¥ 371	$ 7,932	$11,716	$ 3,784
Securities whose acquisition cost exceeds their carrying amounts:						
Equity securities	1,046	700	(346)	10,659	7,132	(3,527)
	¥ 1,826	¥ 1,851	¥ 25	$18,592	$18,848	$ 256

	Millions of yen		
March 31, 2008	Acquisition cost	Carrying amount	Net unrealized gain (loss)
Securities whose carrying amounts exceed their acquisition cost:			
Equity securities	¥ 1,028	¥ 2,004	¥ 975
Securities whose acquisition cost exceeds their carrying amounts:			
Equity securities	767	668	(98)
	¥ 1,796	¥ 2,673	¥ 876

Non-marketable securities classified as other securities at both March 31, 2009 and 2008 amounted to ¥83 million ($851 thousand).

Sales of securities classified as other securities for the year ended March 31, 2009 amounted to ¥0 million ($4 thousand) with gain of ¥0 million ($2 thousand). There were no sales of securities classified as other securities for the year ended March 31, 2008.

8. Inventories

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished products	**¥ 15,085**	¥ 13,517	**$ 153,591**
Work in process	**16,522**	14,369	**168,214**
Raw materials and supplies	**11,227**	12,719	**114,313**
	¥ 42,835	¥ 40,606	**$ 436,119**

9. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans generally represent notes. The related weighted average interest rates at March 31, 2009 and 2008 were approximately 1.54% and 2.36%, respectively.

Long-term debt at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans payable in yen due serially through 2014 at the weighted average rates of 1.36%	**¥ 5,333**	¥ 3,793	**$ 54,296**
1.66% bonds due 2013	**20,000**	10,000	**203,624**
	25,333	13,793	**257,921**
Less current portion	**(1,120)**	(11,593)	**(11,403)**
	¥ 24,212	¥ 2,200	**$ 246,517**

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

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 1,152	$ 11,736
2012	3,026	30,815
2013	26	272
2014	20,006	203,692
	¥ 24,212	$ 246,517

10. Lines of Credit

The Company has committed line-of-credit agreements with certain financial institutions in order to raise funds efficiently. In addition, certain of the overseas subsidiaries have entered into overdraft agreements. The balances of credit available at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Total committed lines of credit	¥ 10,000	¥ 10,000	$ 101,812
Balance of credit available	10,000	10,000	101,812
Total overdraft	5,651	6,126	57,542
Balance of overdraft unused	4,669	6,112	47,542

11. Selling, General and Administrative Expenses

The principal components of selling, general and administrative expenses for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Salaries and bonuses	¥ 8,966	¥ 9,232	$ 91,290
Packing and shipping expenses	1,219	3,002	12,413
Outside services	2,672	1,962	27,210
Retirement benefit expenses	(51)	(406)	(520)
Provision for directors' bonuses	—	30	—
Provision for directors' retirement benefits	15	8	157
Provision for doubtful receivables	148	231	1,508

12. Impairment Losses

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

The PM business recognized impairment losses on the following asset group for the year ended March 31, 2009.

Location	Use	Asset category
P.T. Sanken Indonesia (Bekasi, West Java, Indonesia), and others	PM products manufacturing facilities, and others	Machinery and equipment, and others

The PM business recognized net operating loss for the year ended March 31, 2009 due to the sluggish market for flat-panel TVs in general and inventory adjustments in particular, and carrying amounts of certain fixed assets for this business segment are not expected to be recoverable. As a result, the PM business recognized impairment losses of ¥1,744 million ($17,759 thousand) on those assets by devaluing their carrying amounts to recoverable amounts which are their net selling prices.

The Semiconductor business recognized impairment losses of ¥18 million ($189 thousand) on semiconductor manufacturing equipment, which was no longer utilized at Allegro MicroSystems, Inc., by devaluing the carrying amounts to recoverable amounts which are its net selling prices.

13. Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥ (24,610)	¥ (8,748)	$ (250,562)
Plan assets at fair value	15,319	5,554	155,969
Unfunded retirement benefit obligation	(9,290)	(3,193)	(94,592)
Unrecognized actuarial loss	9,657	1,241	98,320
Unrecognized prior service cost	(1,727)	(1,140)	(17,589)
Net retirement benefit obligation	(1,361)	(3,092)	(13,862)
Prepaid pension cost	1,437	1,004	14,631
Accrued retirement benefits	¥ (2,798)	¥ (2,087)	$ (28,493)

The components of retirement benefit expenses for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥ 1,356	¥ 1,362	$ 13,805
Interest cost	530	471	5,399
Expected return on plan assets	(1,372)	(1,768)	(13,975)
Amortization of actuarial loss	798	(77)	8,126
Amortization of prior service cost	(304)	(361)	(3,102)
Total	¥ 1,007	¥ (373)	$ 10,253

For the years ended March 31, 2009 and 2008, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥340 million ($3,463 thousand) and ¥266 million, respectively.

As described in "Accounting changes," effective the year ended March 31, 2009, a certain domestic subsidiary has changed its calculation method of retirement benefit obligation from the simplified method to the standard method. As a result, the unrecognized actuarial loss at the beginning of the current fiscal year was collectively expensed for the year ended March 31, 2009.

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

	2009		2008	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	2.0%	4.0% – 10.0%	2.0%	5.5% – 10.4%
Expected rates of return on plan assets	6.2% – 7.7%	7.0% – 8.0%	7.4% – 8.4%	7.0% – 8.0%

14. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended March 31, 2009 and 2008.

A summary of the significant differences between the statutory income tax rate and the effective income tax rate for financial statement purposes for the year ended March 31, 2009 was omitted as a net loss was recorded. For the year ended March 31, 2008, it was as follows:

	2008
Statutory tax rate	40.4%
Effect of:	
Expenses permanently not deductible for income tax purposes	5.4
Dividend income deductible for income tax purposes	(8.1)
Inhabitants' per capita taxes	0.5
Changes in valuation allowance	10.8
Foreign tax rate differential	(7.3)
Tax credit for research and development expenses	(2.4)
Elimination of dividends received from overseas subsidiaries	12.7
Deferred tax effect of change in statutory tax rate	0.2
Other, net	3.4
Effective tax rates	55.6%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 6,308**	¥ 2,002	**$ 64,231**
Accrued retirement benefits	**961**	1,094	**9,784**
Inventories	**1,412**	1,386	**14,378**
Accrued bonuses	**1,047**	1,090	**10,668**
Net unrealized holding gain	**165**	132	**1,682**
Tax credit carryforwards	**348**	421	**3,547**
Impairment losses	**515**	—	**5,243**
Other	**1,468**	1,227	**14,948**
Gross deferred tax assets	**12,226**	7,356	**124,484**
Valuation allowance	**(10,691)**	(1,660)	**(108,850)**
Total deferred tax assets	**1,535**	5,695	**15,634**
Deferred tax liabilities:			
Fixed assets	**(1,270)**	(1,335)	**(12,939)**
Reserve for special depreciation	**(223)**	(347)	**(2,275)**
Other	**(831)**	(1,055)	**(8,461)**
Total deferred tax liabilities	**(2,325)**	(2,738)	**(23,675)**
Net deferred tax assets	**¥ (789)**	¥ 2,957	**$ (8,041)**

15. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

An appropriation of retained earnings for the year ended March 31, 2009 was duly approved at the annual general meeting of the shareholders held on June 26, 2009 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (U.S.$0.03) per share	¥ 364	$ 3,709

16. Contingent Liabilities

Contingent liabilities at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantors of indebtedness of employees	**¥ 0**	**$ 5**

17. Research and Development Expenses

Research and development expenses for the years ended March 31, 2009 and 2008 were ¥13,468 million ($137,123 thousand) and ¥13,672 million, respectively.

18. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased property at March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Acquisition costs	**¥ 1,175**	¥ 1,340	**$ 11,968**
Accumulated depreciation	**644**	571	**6,558**
Accumulated impairment losses	**31**	—	**315**
Net book value	**¥ 500**	¥ 769	**$ 5,094**

With respect to finance lease contracts other than those under which the title of the leased equipment will be transferred to the Company by the end of the contract period, annual lease expenses for the years ended March 31, 2009 and 2008 and future minimum lease payments subsequent to March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease expenses	**¥ 253**	¥ 259	**$ 2,585**
Future minimum lease payments:			
Within one year	**¥ 217**	¥ 251	**$ 2,210**
Over one year	**314**	517	**3,199**
	¥ 531	¥ 769	**$ 5,410**

Total expenses for all operating leases for the years ended March 31, 2009 and 2008 amounted to ¥3,400 million ($34,624 thousand) and ¥2,631 million, respectively.

19. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's open derivatives positions at March 31, 2009 and 2008:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
Forward foreign exchange contracts:						
Sell U.S. dollars	**¥6,414**	**¥6,765**	¥6,294	¥5,874	**$65,306**	**$68,881**

20. Segment Information

a. Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 is summarized as follows:

	Millions of yen					
Year ended March 31, 2009	Semiconductor business	Power Module business	Power System business	Total	Eliminations	Consolidated
I. Sales:						
(1) Sales to third parties	**¥110,544**	**¥ 22,539**	**¥ 13,919**	**¥147,003**	**¥ —**	**¥147,003**
(2) Intersegment sales	**1,728**	**91**	**1**	**1,821**	**(1,821)**	**—**
Net sales	**112,272**	**22,631**	**13,920**	**148,824**	**(1,821)**	**147,003**
Operating expenses	**113,979**	**24,561**	**12,920**	**151,461**	**433**	**151,894**
Operating income (loss)	**¥ (1,706)**	**¥ (1,930)**	**¥ 1,000**	**¥ (2,637)**	**¥ (2,254)**	**¥ (4,891)**
II. Total assets, depreciation and amortization, impairment losses, capital expenditures:						
Total assets	**¥102,929**	**¥ 20,155**	**¥ 7,350**	**¥130,435**	**¥ 17,333**	**¥147,768**
Depreciation and amortization	**11,695**	**511**	**162**	**12,369**	**340**	**12,709**
Impairment losses	**18**	**1,744**	**—**	**1,762**	**—**	**1,762**
Capital expenditures	**11,889**	**517**	**147**	**12,554**	**128**	**12,682**

Year ended March 31, 2008						
I. Sales:						
(1) Sales to third parties	¥142,089	¥ 27,585	¥ 14,635	¥184,309	¥ —	¥184,309
(2) Intersegment sales	1,309	953	2	2,265	(2,265)	—
Net sales	143,398	28,539	14,637	186,575	(2,265)	184,309
Operating expenses	134,151	29,130	12,632	175,913	126	176,040
Operating income (loss)	¥ 9,247	¥ (591)	¥ 2,005	¥ 10,661	¥ (2,391)	¥ 8,269
II. Total assets, depreciation and amortization, capital expenditures:						
Total assets	¥120,932	¥ 26,775	¥ 8,162	¥155,869	¥ 17,660	¥173,529
Depreciation and amortization	13,764	718	144	14,627	342	14,970
Capital expenditures	7,668	336	137	8,142	168	8,310

Year ended March 31, 2009	Semiconductor business	Power Module business	Power System business	Total	Eliminations	Consolidated
	Thousands of U.S. dollars					
I. Sales:						
(1) Sales to third parties	$ 1,125,476	$ 229,484	$ 141,713	$ 1,496,674	$ —	$ 1,496,674
(2) Intersegment sales	17,596	930	13	18,540	(18,540)	—
Net sales	1,143,073	230,414	141,727	1,515,215	(18,540)	1,496,674
Operating expenses	1,160,449	250,071	131,545	1,542,065	4,411	1,546,476
Operating income (loss)	$ (17,375)	$ (19,656)	$ 10,182	$ (26,850)	$ (22,952)	$ (49,802)
II. Total assets, depreciation and amortization, impairment losses, capital expenditures:						
Total assets	$ 1,047,945	$ 205,204	$ 74,838	$ 1,327,988	$ 176,478	$ 1,504,467
Depreciation and amortization	119,076	5,209	1,650	125,936	3,462	129,398
Impairment losses	189	17,759	—	17,949	—	17,949
Capital expenditures	121,047	5,270	1,499	127,818	1,304	129,122

As described in “Accounting changes,” effective the year ended March 31, 2009, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18, May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary. This change had no material effect on income for the year ended March 31, 2009.

As described in “Accounting changes,” effective the year ended March 31, 2009, a certain domestic subsidiary has changed its calculation method of retirement benefit obligation from the simplified method to the standard method. This change was made because the subsidiary can now accurately calculate the retirement benefit obligation by the standard method. This change had no material effect on income for the year ended March 31, 2009.

Effective the previous fiscal year, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries changed their methods of depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on the amended Corporate Tax Law.

As a result, depreciation expenses in the semiconductor business, the power module business and power system business increased by ¥366 million, ¥15 million and ¥1 million, respectively, and operating income in the semiconductor business decreased by ¥316 million, operating loss in the power module business increased by ¥11 million, and operating income in the power system business decreased by ¥1 million for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

Effective the previous fiscal year, pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007 to 5% of acquisition cost based on the Corporate Tax Law prior to the amendment, the Company and its domestic subsidiaries depreciate the difference between 5% of acquisition cost and memorandum price using the straight-line method over a period of 5 years.

As a result, depreciation expense in the semiconductor business, the power module business and power system business increased by ¥281 million, ¥45 million and ¥28 million, respectively, and operating income in the semiconductor business decreased by ¥262 million, operating loss in the power module business increased by ¥32 million, and operating income in the power system business decreased by ¥23 million for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

b. Operating revenues by geographic area

Operating revenues by geographic area for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen						
Year ended March 31, 2009	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
I. Sales:							
(1) Sales to third parties	¥ 101,310	¥ 18,552	¥ 17,541	¥ 9,599	¥ 147,003	¥ —	¥ 147,003
(2) Intersegment sales	11,045	21,823	17,207	5	50,081	(50,081)	—
Net sales	112,356	40,375	34,748	9,604	197,084	(50,081)	147,003
Operating expenses	117,706	38,891	34,008	9,495	200,102	(48,207)	151,894
Operating income (loss)	¥ (5,350)	¥ 1,483	¥ 739	¥ 109	¥ (3,017)	¥ (1,873)	¥ (4,891)
II. Total assets	¥ 97,013	¥ 16,863	¥ 26,891	¥ 3,277	¥ 144,045	¥ 3,723	¥ 147,768
Year ended March 31, 2008							
I. Sales:							
(1) Sales to third parties	¥ 126,403	¥ 19,965	¥ 23,648	¥ 14,291	¥ 184,309	¥ —	¥ 184,309
(2) Intersegment sales	14,515	29,738	17,169	33	61,458	(61,458)	—
Net sales	140,919	49,704	40,818	14,325	245,767	(61,458)	184,309
Operating expenses	134,658	49,026	38,670	13,699	236,054	(60,014)	176,040
Operating income	¥ 6,261	¥ 678	¥ 2,147	¥ 625	¥ 9,713	¥ (1,444)	¥ 8,269
II. Total assets	¥ 118,253	¥ 20,646	¥ 27,098	¥ 5,061	¥ 171,060	¥ 2,469	¥ 173,529

	Thousands of U.S. dollars						
Year ended March 31, 2009	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
I. Sales:							
(1) Sales to third parties	$1,031,464	$ 188,884	$ 178,592	$ 97,733	$1,496,674	$ —	$1,496,674
(2) Intersegment sales	112,458	222,187	175,189	52	509,888	(509,888)	—
Net sales	1,143,923	411,071	353,781	97,785	2,006,562	(509,888)	1,496,674
Operating expenses	1,198,393	395,968	346,248	96,675	2,037,285	(490,809)	1,546,476
Operating income (loss)	$ (54,469)	$ 15,103	$ 7,532	$ 1,110	$ (30,723)	$ (19,079)	$ (49,802)
II. Total assets	$ 987,711	$ 171,692	$ 273,783	$ 33,373	$1,466,561	$ 37,905	$1,504,467

As described in "Accounting changes," effective the year ended March 31, 2009, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary. This change had no material effect on income for the year ended March 31, 2009.

As described in "Accounting changes," effective the year ended March 31, 2009, certain domestic subsidiary has changed its calculation method of retirement benefit obligation from the simplified method to the standard method. This change was made because subsidiary can accurately calculate retirement benefit obligation by the standard method. This change had no material effect on income for the year ended March 31, 2009.

Effective the year ended March 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic subsidiaries have changed their methods of depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on the amended Corporate Tax Law.

As a result, depreciation expense in the Japan segment increased by ¥384 million and operating income in the Japan segment decreased by ¥329 million for the year ended March 31, 2008, as compared to the corresponding amounts which would have been recorded by the former method.

Effective the previous fiscal year, pursuant to an amendment to the Corporate Tax Law, after having fully depreciated property, plant and equipment acquired on or before March 31, 2007 to 5% of acquisition cost based on the Corporate Tax Law prior to the amendment, the Company and its domestic subsidiaries depreciate the difference between 5% of acquisition cost and memorandum price using the straight-line method over a period of 5 years.

As a result, depreciation expense in the Japan segment increased by ¥356 million and operating income in the Japan segment decreased by ¥319 million for the year ended March 31, 2008, as compared to the amounts which would have been recorded by the former method.

c. Overseas sales

Overseas sales for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen				
Year ended March 31, 2009	Asia	North America	Europe	Other	Total
(1) Overseas sales	¥ 58,155	¥ 10,114	¥ 10,698	¥ 8	¥ 78,976
(2) Consolidated net sales					¥147,003
(3) Overseas sales as a percentage of consolidated net sales	39.5	6.9	7.3	0.0	53.7
Year ended March 31, 2008					
(1) Overseas sales	¥ 72,792	¥ 16,478	¥ 13,481	¥ 17	¥102,769
(2) Consolidated net sales					¥184,309
(3) Overseas sales as a percentage of consolidated net sales	39.5	9.0	7.3	0.0	55.8

	Thousands of U.S. dollars				
Year ended March 31, 2009	Asia	North America	Europe	Other	Total
(1) Overseas sales	$592,092	$102,973	$108,925	$ 88	$ 804,080
(2) Consolidated net sales					$1,496,674

21. Related Party Transactions

(Additional information)

Effective the year ended March 31, 2009, the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, October 17, 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (ASBI Guidance No. 13, October 17, 2006) have been applied. There was no additional information that should be disclosed for the year ended March 31, 2009 as a result of the adoption of the new standard.

Significant transactions with related parties for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		
	Transactions	Balances	
Year ended March 31, 2009	Factoring	Accounts payable	Other current liabilities
Sanken Business Service Co., Ltd.	**¥ 24,207**	**¥ 3,841**	**¥ 102**

	Millions of yen		
	Transactions	Balances	
Year ended March 31, 2008	Factoring	Accounts payable	Other current liabilities
Sanken Business Service Co., Ltd.	¥ 29,009	¥ 4,763	¥ 65

	Thousands of U.S. dollars		
	Transactions	Balances	
Year ended March 31, 2009	Factoring	Accounts payable	Other current liabilities
Sanken Business Service Co., Ltd.	**$ 246,458**	**$ 39,110**	**$ 1,048**

As for accounts payable and other current liabilities to Sanken Business Service Co., Ltd., a basic agreement was entered into among the Company, a supplier of the Company, and Sanken Business Service Co., Ltd., and the accounts were settled by way of factoring transactions.

22. Stock Option Plan

The amount of stock option compensation recognized for the year ended March 31, 2009 was ¥64 million ($658 thousand) and was included in general and administrative expenses.

The following table summarizes the contents of the stock option plan at March 31, 2009:

Company name	Allegro MicroSystems, Inc. (a subsidiary)
Position and number of grantees	Directors: 1
	Employees: 462
Class and number of shares	Common stock, 3,750,000
Grant date	From May 30, 2001 to March 31, 2007
Vesting conditions	Continuously employed until the 5th anniversary of the grant date
Service period	No provision
Exercisable period of subscription rights	Within 5 years from the vested date

The following table summarizes stock option activity under the stock option plan during the year ended March 31, 2009:

Non-vested:

Outstanding at March 31, 2008	651,240
Granted	—
Forfeited	13,500

Vested	368,540
Outstanding at March 31, 2009	269,200
Vested:	
Outstanding at March 31, 2008	2,385,350
Vested	368,540
Exercised	—
Forfeited	—
Outstanding at March 31, 2009	2,753,890

The following table summarizes price information of the stock option plan as of March 31, 2009:

Weighted average exercise price per share	$7.21
Weighted average fair value of stock option as of grant date	$7.21

No options were granted during the year ended March 31, 2009.

The amount of stock option compensation recognized for the year ended March 31, 2008 was ¥77 million and was included in general and administrative expenses.

The following table summarizes the contents of the stock option plan at March 31, 2008:

Company name	Allegro MicroSystems, Inc. (a subsidiary)
Position and number of grantees	Directors: 1
	Employees: 463
Class and number of shares	Common stock, 3,750,000
Grant date	From May 30, 2001 to March 31, 2007
Vesting conditions	Continuously employed until the 5th anniversary of the grant date
Service period	No provision
Exercisable period of subscription rights	Within 5 years from the vested date

The following table summarizes stock option activity under the stock option plan during the year ended March 31, 2008:

Non-vested:	
Outstanding at March 31, 2007	766,540
Granted	—
Forfeited	33,200
Vested	82,100
Outstanding at March 31, 2008	651,240
Vested:	
Outstanding at March 31, 2007	2,303,250
Vested	82,100
Exercised	—
Forfeited	—
Outstanding at March 31, 2008	2,385,350

The following table summarizes price information of the stock option plan as of March 31, 2008:

Weighted average exercise price per share	$7.23
Weighted average fair value of stock option as of grant date	$7.23

No options were granted during the year ended March 31, 2008.

23. Amounts per Share

Amounts per share as of and for the years ended March 31, 2009 and 2008 were as follows:

	Yen		U.S. dollars
	2009	2008	**2009**
Net income (loss) – basic	**¥ (129.85)**	¥ 14.62	**$ (1.32)**
Net income – diluted	**—**	13.47	**—**
Net assets	**471.98**	638.73	**4.80**

Diluted net income per share for the year ended March 31, 2009 is not disclosed due to the net loss per share, although dilutive shares exist.

Net income per share and diluted net income per share were calculated on the following basis:

	2009	2008	**2009**
Net income per share:			
Net income (loss) *(Millions of yen / Thousands of U.S. dollars)*	**(15,773)**	1,776	**(160,594)**
Amounts not available to shareholders of common stock *(Millions of yen / Thousands of U.S. dollars)*	**—**	—	**—**
Net income available to shareholders of common stock *(Millions of yen / Thousands of U.S. dollars)*	**(15,773)**	1,776	**(160,594)**
Average number of shares outstanding during the year *(Thousands of shares)*	**121,474**	121,512	**—**
Diluted net income per share:			
Adjustment to net income *(Millions of yen / Thousands of U.S. dollars)*:	**—**	140	**—**
Subsidiary's stock acquisition rights *(Millions of yen / Thousands of U.S. dollars)*	**—**	(140)	**—**
Increase in number of shares of common stock *(Thousands of shares)*	**—**	—	**—**
Residual securities which do not dilute net income per share	**—**	Subsidiary's stock options (stock acquisition rights) 260,000	

Net assets per share were calculated on the following basis:

	2009	2008	**2009**
Net assets *(Millions of yen / Thousands of U.S. dollars)*	**57,818**	78,081	**588,665**
Amounts deducted from net assets *(Millions of yen / Thousands of U.S. dollars)*:	**493**	480	**5,023**
Stock acquisition rights *(Millions of yen / Thousands of U.S. dollars)*	**(253)**	(189)	**(2,582)**
Minority interests *(Millions of yen / Thousands of U.S. dollars)*	**(239)**	(291)	**(2,440)**
Net assets available for distribution to shareholders *(Millions of yen / Thousands of U.S. dollars)*	**57,325**	77,600	**583,641**
Number of shares outstanding at the end of the year *(Thousands of shares)*	**121,456**	121,492	**—**

Report of Independent Auditors

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

The Board of Directors
Sanken Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sanken Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

June 26, 2009

Ernst & Young ShinNihon LLC

Board of Directors

As of June 26, 2009

Directors and Auditors

Director, President	Sadatoshi Iijima
Directors	Hidejiro Akiyama
	Takashi Wada
	Nobuhiro Kato
	Masao Hoshino
	Dennis H.Fitzgerald
Standing Statutory Auditor	Mitsumasa Sugiyama
Statutory Auditors	Takaaki Mikami
	Hiroshi Ishibashi
	Masanobu Kurihara

Corporate Officers

Executive Vice President	Hidejiro Akiyama
Senior Vice President	Takashi Wada
Senior Corporate Officers	Nobuhiro Kato
	Masao Hoshino
	Kinji Kudo
	Mitsuo Ueki
Corporate Officers	Akira Ota
	Tatsuo Okino
	Yoshihiro Suzuki
	Masahiro Sasaki
	Kouichi Shimura
	Youkou Suzuki
	Kazunori Suzuki
	Yukiyasu Taniyama
	Kiyoshi Murakami
	Shigeru Ito

Investor Information

As of March 31, 2009

Company name	Sanken Electric Co., Ltd.
Founded	September 5, 1946
Headquarter	3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan
	Phone : +81-48-472-1111
	Facsimile : +81-48-471-6249
Employees	10,063
Common stock	Authorized : 257,000,000 shares
	Issued : 125,490,302 shares
Shareholders	18,380

Distribution by type of shareholders		
	Financial Institutions	35.63%
	Individuals	35.78%
	Foreigners	17.62%
	Other	10.97%
Distribution by number of shares owned		
	1,000,000 or more	40.50%
	100,000 or more	20.31%
	10,000 or more	14.04%
	Less than 10,000	25.15%

Principal Shareholders

Shareholders	Number of shares held (in thousands)	Percentage of voting rights
Japan Trustee Services Bank, Ltd. (Trust Account)	9,150	7.29%
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	7,160	5.70%
Saitama Resona Bank, Limited	6,011	4.79%
The Master Trust Bank of Japan,Ltd. (Trust Account)	5,561	4.43%
International Rectifier Corporation	2,500	1.99%
NIPPONKOA Insurance Co., Ltd.	2,061	1.64%
Mellon Bank, N.A. as agent for its Client Mellon Omnibus US Pension	2,006	1.59%
Mizuho Corporate Bank, Ltd.	2,000	1.59%
Japan Trustee Service Bank, Ltd. (Trust Account 4)	1,928	1.53%
The Hachijuni Bank, Ltd.	1,556	1.24%

Note : The Company holds 4,033,630(3.21%) shares of treasury stock but is excluded from the principal shareholders listed above.

Bonds

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

Sanken Electric Co., Ltd.
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