ANNUAL REPORT 2013

For the year ended March 31, 2013

Sanken Electric Co., Ltd.

Profile

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

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

Contents

Forward-Looking Statements

This annual Report contains forecasts and other forward-looking statements concerning the Sanken Group's 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 numerous factors, including 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.

Sanken at a Glance

As the market for “eco-friendly and energy-saving” products spreads to every corner of the world, stages upon which Sanken’s advanced proprietary technology on power electronics and time-proven application-specific expertise do thrive will widen rapidly.

As the worldwide trend for achieving a low-carbon society gathers momentum, it is becoming increasingly clear that the “eco-friendly and energy-saving” solutions long pursued by Sanken Electric are in ever greater demand from various markets.

For automobiles, for instance, noteworthy moves are surfacing as the use of electronic components is expanding, internal combustion cars are pressing for lower fuel consumption, and hybrid and electric vehicles are steadily on the rise. In white goods, inverters are finally making inroads, particularly in air conditioners. Furthermore, the use of natural energy, such as solar and wind power, as well as concepts such as the “Smart City,” are spreading worldwide.

To bring to real life the potential of these novel ideas, the power electronics technology and expertise of Sanken and its affiliates are indispensible. Sanken has more than half a century of experience in development, production and marketing of products that meet the “eco-friendly and energy-saving” needs of the market, and is now actively engaged in technological research and product development to achieve growth on a global scale.

Power solution technologies that are essential to the “eco-friendly and energy-saving” concept

- Process technologies (Power semiconductors, control ICs)
- Package technologies
- Circuit technologies
- Device technologies, etc.

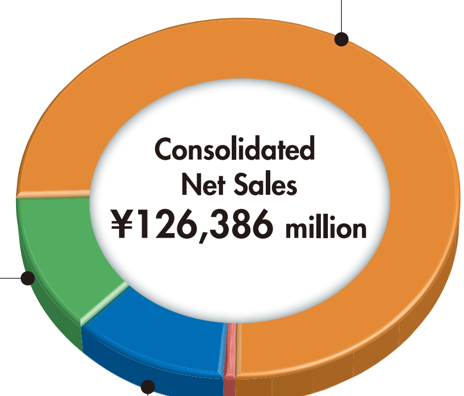
Composition of consolidated net sales by business segment (FY 2012)

12.3%
Power System Business

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

75.7%
Semiconductor Device Business

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



11.3%
Power Module Business

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

0.7%
CCFL Business

Main Products
- CCFLs (Cold Cathode Fluorescent Lamps)

Dear Fellow Shareholders

Sadatoshi Iijima, President
Sanken Electric Co., Ltd.

FY2012 Business Environment and Our Results

During the fiscal year 2012, my management team and I continued to try to meet a series of challenges from the adverse business environment, brought onward from the previous year, in each of the business sectors in which we are currently involved.

Summarizing the conditions of the global economy in 2012, the debt-induced stagnant European economy accelerated the downturn of emerging country economies including China. In Japan, many Japanese businesses suffered the impact from various sources such as the sluggish European economy, the deterioration in the Sino-Japanese relationship, and the unprecedented appreciation of the Japanese yen. However, some signs of improvements in corporate earnings were seen during the fourth quarter, thanks to the recovery of the U.S. economy in general and corrections in the hyper-appreciated yen.

Amidst such circumstances, our company recorded consolidated net sales of ¥126.4 billion, a 4.1% drop from the previous fiscal year. This was due to a significant reduction in production of LCD television sets by Japanese TV manufacturers, caused by a rapid decline in their cost competitiveness, which in turn brought about a sharp decrease in the sales of our devices used in television sets. The appreciation of the yen that persisted through the third quarter also eroded a portion of our sales denominated in other currencies.

We are, however, pleased to report to you that consolidated operating income for the fiscal year in review was ¥4.6 billion, a 14.3% gain from the previous fiscal year, and consolidated net income for the year was ¥2.3 billion, a 420.9% increase from the previous year, both of which were achieved through the successful implementation of our profitability improvement programs, such as consolidation of our manufacturing plants, termination of underperforming products, and comprehensive reduction of fixed expenses.

All of us at our company are pleased to see that in this year in review we could record profits higher than the previous year, even at a lower level of net sales.

Evolution into a Company with Higher Profit Potential

The Company was able to evolve into a “new corporate earnings structure” by which it can secure a reasonable level of profit at a minimum even under a volatile and low level of net sales, and by which it can significantly boost the amount of its profits as sales return to an expansionary phase, thanks to the structural reform programs implemented over nearly four years under a series of extreme business conditions including the “Lehman Shock” global financial crisis, the “CCFL Shock” sudden disappearance of demand for our products, the earthquake in Japan and the flooding in Thailand, and the surfacing of Sino-Japan geo-political risks .

The domestic operating units were successful in significantly lowering the breakeven point through such measures as a 30% reduction in fixed expenses, the reorganization of manufacturing plants and the integration of production lines. Furthermore, we started to keep distance from products for use in television sets, which in the past had been our principal products, and we made a shift to products for the automotive and white goods markets, both of which are assessed as expanding application fields for our products now and in the future. These products are on a steady growth path with an annual growth rate of about 10%. Allegro MicroSystems LLC, (formerly Allegro MicroSystems, Inc.), our subsidiary in the United States and a leader in sensor ICs for automotive applications, has sustained robust financial results and is expected to show remarkable financial performance as its sales further expand. With all these growth factors on hand, and support in part from the exchange rate corrections away from the super appreciated yen, our company will be able to score larger profit as consolidated net sales start to gain growth momentum.

Strategies for FY2013

The fundamental strategic direction for FY2013 is stated as “Sales Expansion through Penetration into Global Markets.” The Company has been shifting its focus more to the “Eco-friendly and Energy-saving” markets and the related markets associated with “Green Energy,” through a series of structural reforms of our businesses. The direction is deemed all the more appropriate since the entire world seems to be demanding more “Eco-friendly and Energy-saving” as well as “Green Energy” products. The Company is mobilizing its management resources to a select group of target markets and is trying to capture such dynamic changes in the various markets.

We prioritized markets by such factors as, products, applications and specifications. In terms of products, we will focus on markets where we can realize growth potential and where we can leverage our technological competitiveness for power devices and power systems; *i.e.* energy-saving consumer electronics, IT and mobile instruments, LED lighting, power conditioners for solar power generation and magnetic sensors for automotive applications. In terms of applications, we will promote product development and sales expansion activities to cater to such groups of applications as white goods, automotives, and industrial machinery, as we have identified a number of areas showing tremendous potential in demand in emerging nations, the most notable of which is China. In terms of specifications, we will focus on “application specific standard products” that are marketed with specifications created by our own analysis of growth market segments, rather than focus on “custom design products” manufactured based on specifications provided by our customers.

Organizational Change; Be More Marketing-oriented

It is essential to succeed in the business of “application-specific standard products,” integrate marketing information on a corporate-wide basis and make management decisions based on such information. Formerly, individual divisions conducted their own market analysis and performed product development based on division-based decisions, since our business used to be primarily focused on “custom design products.” In order to respond better to demands for “application specific standard products” created for the global market, we decided to restructure our organization to ensure appropriate decision-making, ranging from marketing to product development, from a corporate rather than divisional standpoint. This philosophy led to the new “Global Marketing Strategy Division” in the Engineering Headquarters in April 2013. Decisions concerning product development should be made through practical product planning by the “Global Marketing Strategy Division” of the Engineering Headquarters and the “Strategic Planning Division” of the Sales Headquarters. We believe this will lead to an optimal resource allocation among technological development projects throughout the company, and enable us to bring the “application specific standard product” business on line more quickly. Furthermore, a new decision-making body, comprised of the “Corporate Planning Office,” “Global Marketing Strategy Division” and the “Strategic Planning Division,” was established to realign the directions of the entire Company. This enables us to make medium to long term strategic decisions from a broader and more practical perspective, to foster growth potential, improve profitability and enhance efficiency.

North American Organization; Be More Linked

The two North American subsidiaries, Allegro MicroSystems LLC (formerly Allegro MicroSystems Inc.) and Polar Semiconductor LLC (formerly Polar Semiconductor, Inc.), play particularly important roles for achieving further growth in global business. The tri-party group consisting of Sanken Electric, Allegro and Polar has established an "arrangement for collaborative technology development" to conduct joint development projects by mobilizing the respective relative strengths and complementing each other in an effective manner. In manufacturing, an arrangement has been created between Sanken Electric and Polar to share responsibility for wafer production, especially to raise preparedness against any production disruption and to put into operation our business continuity plan (BCP). Furthermore, Allegro is expected to grow steadily in the future because proprietary sensor technologies are suited to the latest automotive trends in adopting more electronic components in vehicles, most notably for hybrid and electric cars.

To more closely inter-link the two North American companies, in March 2013 we established a new North American regional headquarters company, "Sanken North America Inc.," to facilitate rapid decision-making and improve management efficiency. We will try our best to strike the optimal balance between keeping independence of operations and integrating the strategic planning to continue improving the comprehensive strength of our Company.

Medium-Term Outlook

With the era of rapid and drastic change finally over, the Company is about to enter the period for recouping the toil and the investment made in the recent past. By completing its series of structural reforms, the Company is now "better positioned to generate profits" and "ready to respond to increased demand in the future." Shifting the focus to "Eco-friendly and Energy-saving" is practically completed. And now the global market is ripe with the key strategic concepts of "Eco-friendly and Energy-saving" and "Green Energy."

We recognize the most important objectives vested in management is to leverage this golden opportunity to the fullest and to secure a growth path for the future era.

Our Company will continue to build a solid presence in the global market by achieving "Eco-friendly and Energy-saving" objectives, which we will resolutely pursue even under severely adverse business environments in the global market place.

To our investors, we ask for your continued support for the Company and hope that you are as excited as we are about the Company's growth in the future.

July 2013

Sadatoshi Iijima
President

Sanken's "eco-friendly and energy-saving" technologies

The idea of "eco-friendly and energy-saving," which Sanken has been pursuing for many years, has today become not only an environmental but also an economic theme that countries around the world are addressing aggressively. The problems of keeping the balance between growing demand for electric power and the protection of natural environment have grown especially acute, not only in advanced countries but in emerging nations that continue to achieve rapid economic growth and development, and have become global issues that must be solved through a coordinated transnational effort.

Key technologies to achieve "eco-friendly and energy-saving"

Sanken possesses technologies that are vitally important for achieving "eco-friendly and energy-saving" features in electric and electronic products now being offered in the global marketplace. One of these includes all-important "power devices," a collection of power semiconductor element technologies and the "gatekeeper" of electric power for latter-stage loads. Another is "power controllers" a collection of application know-how packed in an IC for accurately and appropriately "controlling" power devices according to the type of load and desired level of electric power at a particular moment of operation. Finally, Sanken has a wide range of proprietary manufacturing techniques to mount these advanced technologies into a single IC package and test the product before shipment.

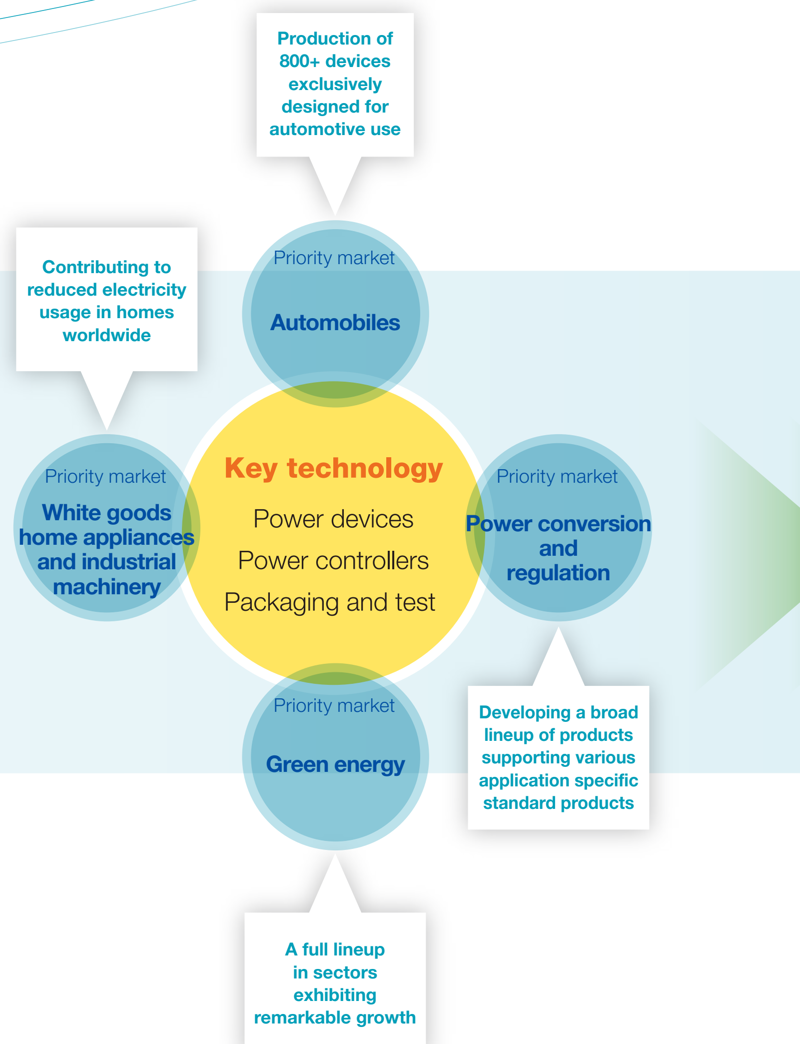
Based on these technologies, Sanken exhibits a level of competitiveness that is unsurpassed in the world market, and leadership in the industry we believe will be ensured by our relentless and uncompromising effort to create better technologies for the future.

For example, when products use electric motors there is a need for technological refinement to merge both the mechanical aspects that accompany the linear or rotational movement with electronic aspects for controlling this action electronically. Energy efficient motors can only be achieved by employing "inverters," electronic controls to operate motors according to how much physical power or rotational speed is optimally needed at a given time, rather than always running at the motor's maximum power. This electro-mechanical control is realized optimally only through the combination of a large accumulation of working know-how and a group of experienced engineers to apply the know-how to practical solutions; a domain that cannot be easily mimicked or copy-pasted like any of the highly digitalized products, and Sanken is committed to pursue product development focused on this domain and determined to keep its leadership position in the years to come.

Focus on markets where dramatic growth is anticipated

Sanken Electric is making focused approaches into four markets: automobiles, electric motors for white goods home appliances and industrial machinery, power conversion and regulation and green energy. All of these markets are sectors in which technological innovations are being driven by the key words "energy efficiency." According to a survey by the Agency for Natural Resources and Energy in Japan, for example, over the past ten years power consumption has been reduced by about 50% for air conditioners, while refrigerators have achieved energy savings of roughly 70%, thanks to the government's aggressive policy initiative to set standard at the highest efficiency product available; "The Top Runner Program." This great leap in energy efficiency in Japan now draws attention from newly emerging countries in Asia and around the world, which are trying to raise efficiency of electric power usage to ease the imbalance of demand and supply of electricity during a period of rapid economic growth.

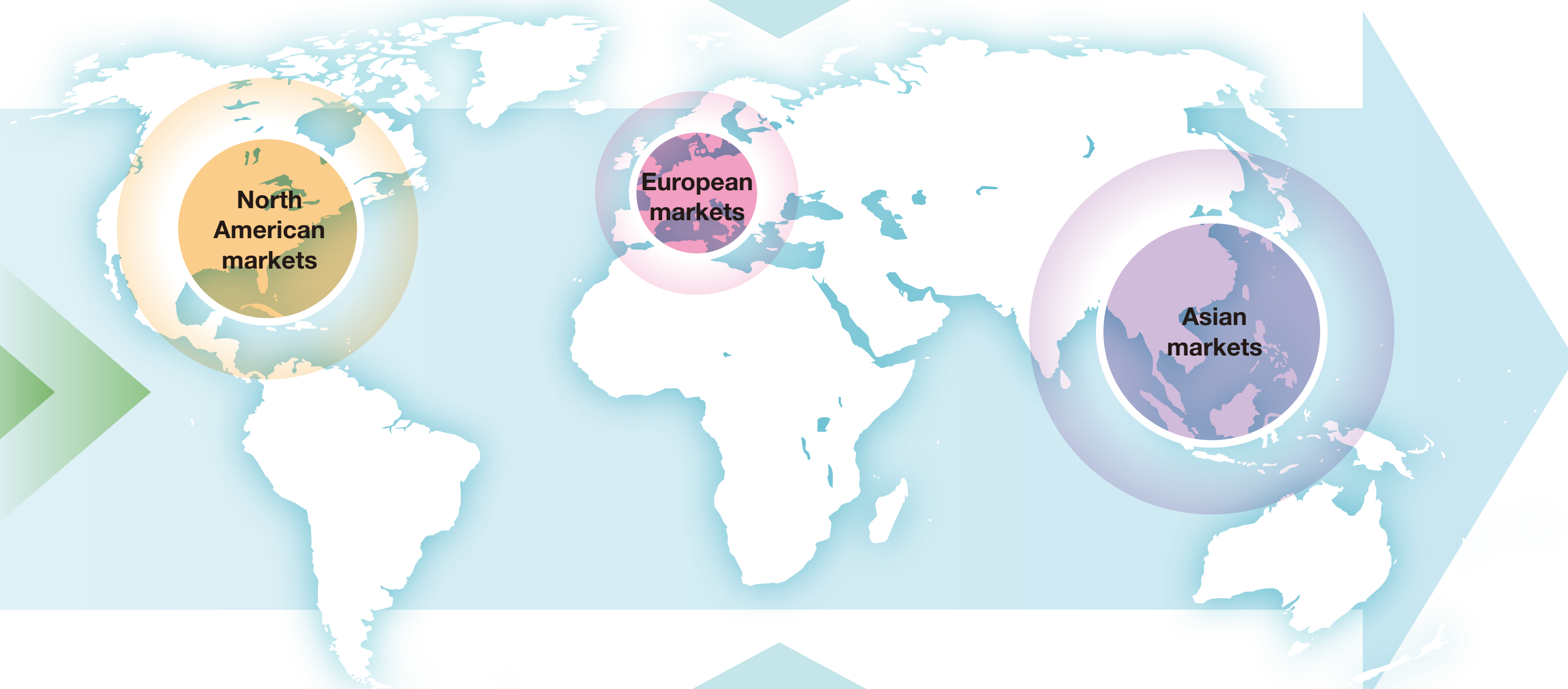
Sanken has always strived to be at the head of this trend and has already established a track record of high sales growth, particularly in the automobile and white goods sectors, where it started its penetration and strengthened its capabilities decades earlier than the rest of the industry.



Pursuing global markets through advanced technologies, focused marketing and an agile organization.

Pursuit of a three-in-one business strategy.

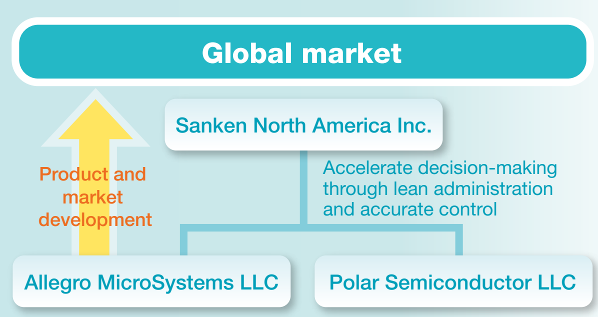
Sanken has launched a series of management initiatives to speed up its penetration into various parts of the global market, and in particular tailor its efforts to capture the idiosyncratic nature of each of the markets in Asia, North America and Europe. To lead this effort we have established a number of new organizations. The Global Marketing Division in the Engineering Headquarters will conduct analyses and make decisions as to which technology development project is prioritized and scheduled to be completed to meet the emerging technological needs from the marketplace concerning product development. The Strategic Planning Division in the Sales Headquarters will be tasked with drawing and executing marketing plans to gain a foothold in emerging markets, while the Corporate Planning Office will guide the directions of each of the strategic business units to be aligned more closely in tune with the medium to long-term strategic policies of the Company. By implementing our basic business strategy based on close communication and detailed coordination, we will be better positioned to capture the global market in a timely and less trouble-prone manner.



North American regional headquarters company to coordinate Allegro-Polar alliance.

Automotive products are one of Sanken's priority markets. Our US subsidiary, Allegro MicroSystems, LLC is leveraging its proprietary magnetic sensor technologies to expand its own reach for global automotive markets while at the same time playing a key role in Sanken's effort to widen the overall product portfolio for automobile applications.

To accelerate the pace of its business expansion, increase management efficiency and achieve timely decision-making, Sanken Electric established Sanken North America, Inc., a new regional headquarters company to provide coordination and control for both of Allegro MicroSystems, LLC and Polar Semiconductor, LLC, Sanken's two leading subsidiaries in North America.



Accelerate market development by focusing on automotive

Among the four priority markets to promote "eco-friendly and energy-saving" semiconductor products, Sanken has made special efforts to build capacity and acquire capabilities in the segments offering products for automotive and white goods applications.

Sales for automobiles and white goods home appliances plunged abruptly as a result of global economic unrest after the "Lehman Shock," but the decline was temporary. Sales recovered rapidly afterwards and are now on an upswing. This reflects the underlying operating environment, where the global needs for "eco-friendly and energy-saving" are evident and intact, and Sanken's decision to redeploy more of its management resources on the automotive and white goods markets while reformulating its corporate organization around its core business in power semiconductor devices.

The market-by-market composition of Sanken's semiconductor device sales for FY2012 was 54.3% for automobiles, 15.3% for white goods, 22.4% for office automation instrument and industrial machinery and 8.1% for audio-visual applications.

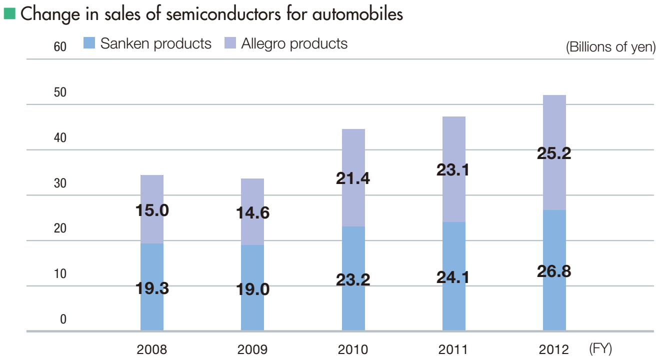
For automobiles

Global automobile production is estimated by many to be growing at an annual rate of about 3-5%. The growth of "electronic contents in automobiles," however, is projected to be more than double this rate, creating a market that is extremely large in terms of both scale and growth potential.

Sanken has a long history and ample experience in developing and marketing products for automotive applications and now supplies more than 800 products for this very promising market. We have been successful in maintaining average annual sales growth of approximately 10% over any mid-to long-term period, and we expect to attain the same level of growth in the years to come.

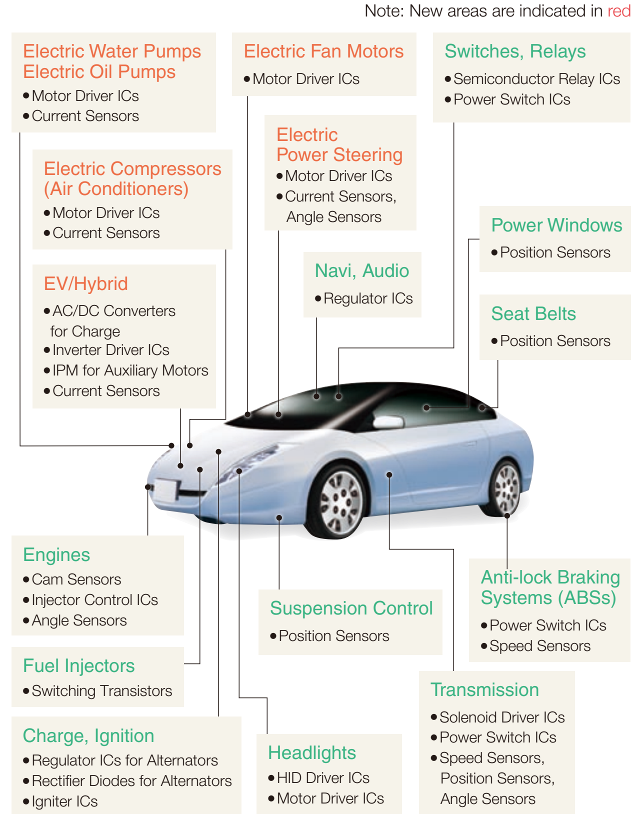
In today's automotive market, more than 90% of all automobiles manufactured in the world are vehicles equipped with conventional internal combustion engines, while there is also a small but rapidly expanding markets for hybrid and electric automobiles. By supporting the progress in various motor and solenoid controls that are common to all types of vehicles, Sanken now is well positioned to capture the best of both worlds: the rapid adoption of auto components controlled electronically in internal combustion vehicles to meet ever stricter regulatory requirements for higher fuel efficiency, and the ultimate "green automobiles" such as hybrid, all-electric and even fuel cell vehicles whose power trains are by definition all-electric motors. Sanken Electric is committed to maintaining its efforts to secure an even larger portion of these rising markets.

Change in sales of semiconductors for automobiles



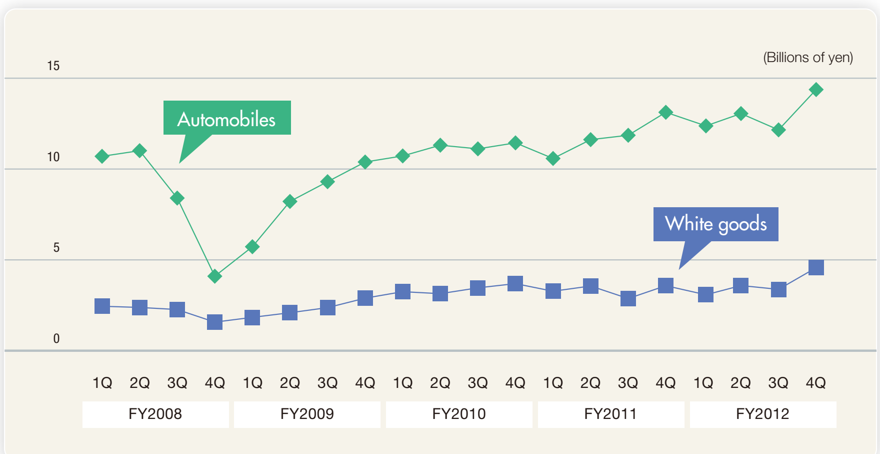
Summary of Sanken's growing automotive device lineup

Note: New areas are indicated in red

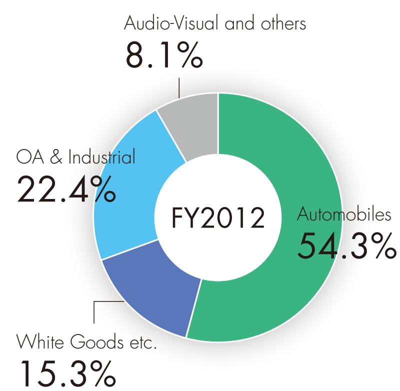


and white goods home appliances markets.

■ Quarterly change in sales of products for automobiles and white goods



■ Semiconductor devices sales by market

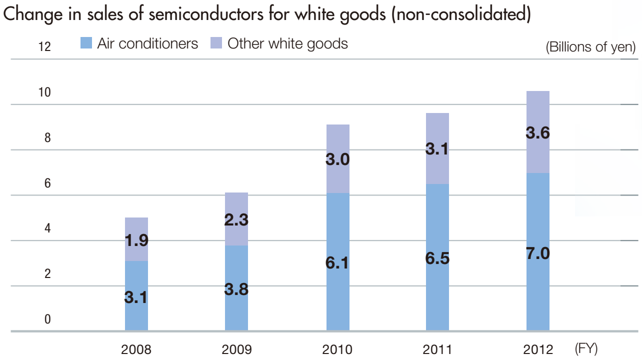


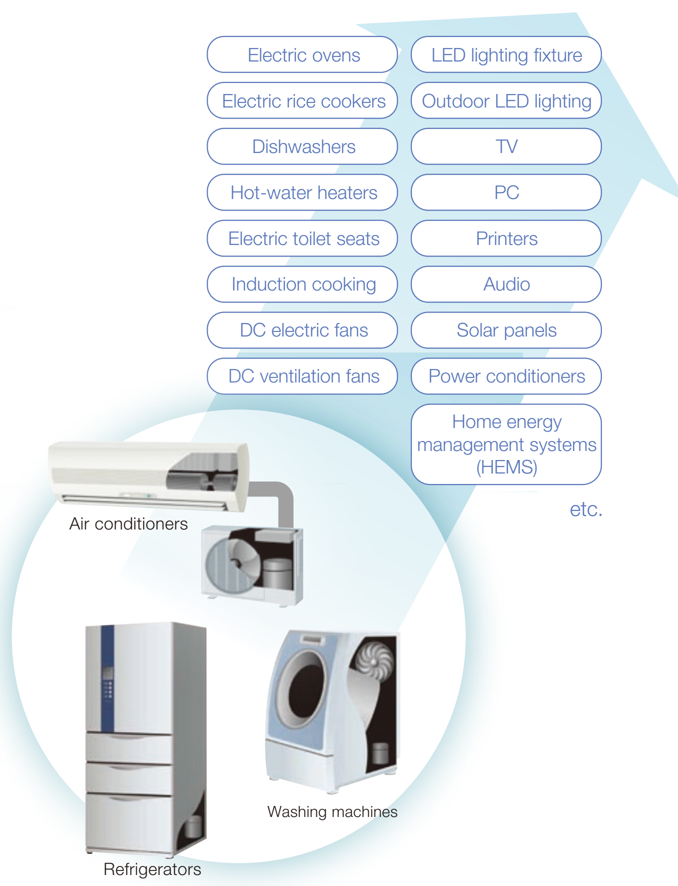
For white goods home appliances

In white goods, the adoption of inverters for driving electric motors to gain higher energy efficiency has gathered momentum as a response to the quandary of electric power and environmental problems in every part of the world, particularly in newly developing countries. The most rapidly changing is the largest consumer of energy in homes: air conditioners. In China, which boasts the world's largest producer of air conditioners, inverter-equipped air conditioner units are projected to have reached 29% of all production in 2012 and climbed to 34% in 2013, according to Sanken's estimates. Full-scale installation of inverters in refrigerators and washing machines is also progressing at the similar pace among South Korean appliance manufacturers for products to be marketed worldwide.

Given such benevolent market conditions, Sanken's sales of semiconductors for white goods have shown rapid growth, with sales for air conditioners, both in Japan and China, leading the way. And in the near future, it is expected that inverter-driven white goods shall become a common-place sight in homes everywhere, not only in Japan and China but also in North America and Europe, where energy efficiency regulations are constantly being reviewed and introduction of stricter rules is most likely being discussed right now. Sanken is determined to lead these changes of global magnitude and offer innovative new products to contribute to the universal spread of the most-sought-after feature of all electronic products: "eco-friendly and energy-saving" functionalities.

■ Change in sales of semiconductors for white goods (non-consolidated)





Global Network

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

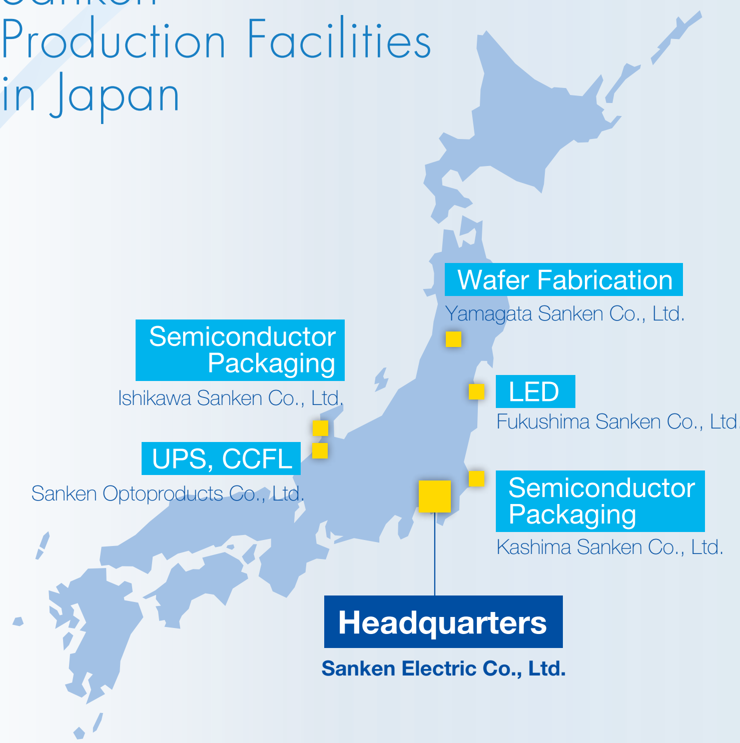
With the exercise of appropriate management decision-making on a global basis for both the development and production aspects of business, Sanken always strives to choose "the best available decision from "the overall group-wide perspective." This management philosophy is best represented in the arrangement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

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

Yamagata Sanken Co., Ltd.

Fukushima Sanken Co., Ltd.

Sanken Production Facilities in Japan



Sanken Electric Co., Ltd.

Kashima Sanken Co., Ltd.

Ishikawa Sanken Co., Ltd.

Sanken Optoproducts Co., Ltd.

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

Dalian Sanken Electric Co., Ltd.

Korea Sanken Co., Ltd.

Sanken Production Facilities Overseas

Allegro MicroSystems Philippines, Inc.

P.T. Sanken Indonesia

Polar Semiconductor, Inc.

Allegro MicroSystems, Inc.

Semiconductor devices sit at the center of Sanken's entire business, and our products in this core business segment range from power ICs to high-voltage large-current transistors and diodes, as well as Hall-effect sensor ICs. Most of our semiconductor devices belong to an engineering field known as power electronics and deal with conversion and management of electric power. They are used as key components in various consumer and commercial products, including automobiles, home appliances, industrial machinery, IT and mobile equipment and LED lighting fixtures.

Sanken Electric and its US subsidiary, Allegro MicroSystems, LLC, strive to accelerate product development with our ample reservoir of proprietary technologies, and offer to the market products best-suited to satisfy the specific needs of our customers.

Market Conditions

The general tide of the market is moving steadily in the direction of the dual concepts of "eco-friendly" and "energy-savings," which the Sanken Group has pursued for many years. Many advanced nations like Japan, the United States and those in Europe are implementing initiatives such as the "International ENERGY STAR Program" and "Green IT Projects" as part of their efforts to make office and commercial equipment more energy efficient, reduce the power consumed by IT equipment in operation and move towards an IT-enhanced low-carbon society.

Looking at individual markets that we serve, in the automotive sector, electronic components grow in importance each year as manufacturers seek to provide greater fuel efficiency, higher driving safety and better passenger comfort. As hybrid and electric vehicles capture more of the market, we expect demand for new innovative devices to electronically control vehicular power-trains to soar.

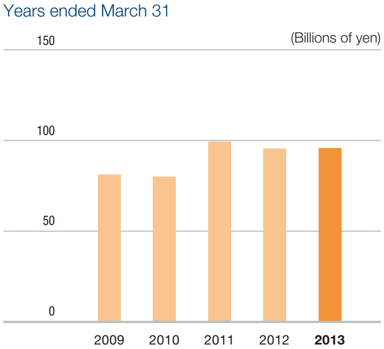
Moreover, in the white goods sector, products that have adopted inverters to achieve significant power savings are exhibiting significant sales growth worldwide. While primarily confined in the past to energy-intensive air conditioners, the adoption of inverters has now spread to all white goods, including refrigerators and washing machines. In the emerging countries of Asia, in particular, including China and its huge consumer market, more and more air conditioners are being equipped with inverters in response to stricter environmental regulations imposed by the governments.

The market environment in FY2012, however, remained extremely difficult, being affected by such factors as Europe's economic slump, a slowing economy in China, the deterioration of Sino-Japan relations and the appreciation of the yen through the third quarter.

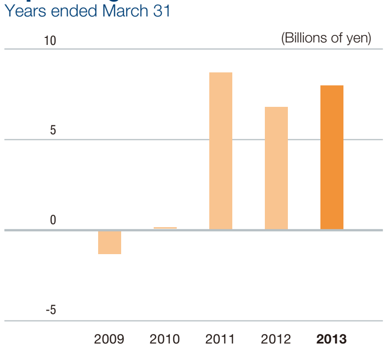
Fiscal 2012 Results

As we look at business trends sector by sector, sales of automotive products generally remained steady. Despite a temporary drop in demand triggered by the end of eco-friendly vehicle subsidies in Japan and the weak sales of Japanese automobiles in China because of the deterioration

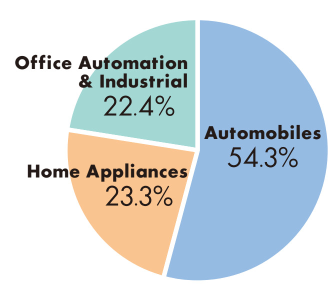
Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



Semiconductor Devices Sales by Market
Years ended March 31



of Japan-China relations, demand for Sanken's products was boosted by the automotive sector's industry-wide inventory build as a result of the introduction of Business Continuity Plans (BCPs) by respective companies and the steady advance in acceptance for electric vehicles. Operating results at Allegro MicroSystems, LLC, a US subsidiary, were strong as well, supported by factors such as robust sensor IC demand in Europe, the US, and Japan.

In products for white goods household appliances, sales exceeded the levels of the previous period but fell short of the planned targets, mainly because of the broad-reaching effects of the deterioration of Europe's economy and the slow growth in demand for products for energy-saving air conditioners in the Chinese market.

In products for flat panel TVs, sluggish demand continued and led to severely adverse business conditions for the second consecutive year as Japanese TV set manufacturers as a whole drastically reduced production.

In LED lighting products, the development of products for a broad range of applications, together with focused efforts to expand sales channels, resulted in improved sales.

In light of these circumstances, the Sanken Group accelerated development of its business in the "environmentally-friendly and energy savings" sector, which is less susceptible to economic conditions, and pursued expansion in the automotive, white goods, industrial machinery and LED lighting markets, where there is strong demand for energy-saving technologies. We also carried out structural reforms we deemed necessary to achieve these goals. From a technological development perspective, we concentrated the development resources of the entire group to undertake the development of low-power, high-performance power semiconductor products. Finally, from a manufacturing standpoint we undertook offensive structural reforms that included promoting narrower design rules of semiconductor front-end fabrication processes and the adoption of eight-inch wafers, and the startup of semiconductor assembly lines in China aimed at shortening supply chains to customers' factories.

As a result, consolidated net sales in the semiconductor devices business were ¥95,692 million, an increase of ¥397 million or 0.4% from the previous year. Consolidated operating income was ¥7,990 million, an increase of ¥1,163 million or 17.0% from the previous year.

Agenda for the Future

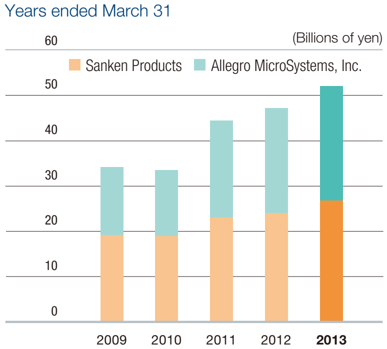
Using the "business structure built around the semiconductor device" that Sanken has worked to consolidate through its past efforts, we will strive to expand sales and accelerate overseas operations by developing our business focused on growth markets.

More specifically, Sanken has identified a number of growth markets, such as automotive, white goods, industrial equipment, IT/mobile, LED lighting, power conditioner, sensor and other products, through growth potential analyses conducted with such keywords as "eco-friendly," "energy-saving" and "green energy." Now we have four units, "AMD" (Automotive Device), "MCD" (Motion Control Device), "PCD" (Power Conversion Device) and "RMD" (Regulator Module and Device), based on their respective market attributes to enable us to engage in timely and precise strategy formulation and execution.

AMD works on a dual mission, aiming for sales growth in currently existing applications such as ignition, battery charging and sensors, as well as for penetration into

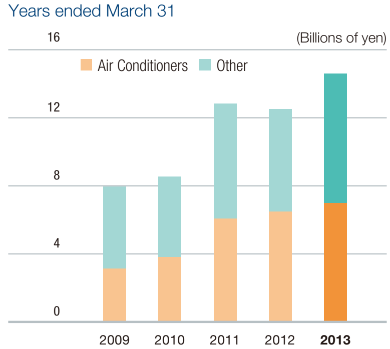
Focus Market: Automotive

Years ended March 31



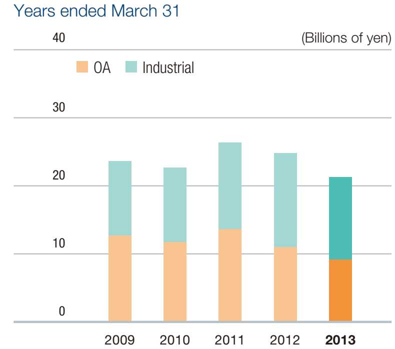
Focus Market: White Goods

Years ended March 31



Focus Market: OA & Industrial

Years ended March 31



new applications in response to the advances in motor control technology, found commonly in low fuel-consumption internal-combustion engine autos, hybrid vehicles and electric cars. Because the growth of vehicle electrification is projected to far outpace the growth in worldwide vehicle production in the future, we will seek to further accelerate our sales growth in the global market. The sales regions of Allegro MicroSystems, LLC, our US subsidiary, are comprised of an excellent balance among Europe, Japan, North America and Asia, and steady sales growth is anticipated in the future as well based on the introduction of new product lines to the market, including modularized products with various components installed in a single package and miniaturized products.

In MCD Sanken has put together a wide-ranging lineup of products, from small to large-current motor drivers, in response to the globally expanding use of inverters in white goods, and invested in expanded plant capacity to accommodate the growth. With these as a base, we will move forward in the future to capture the markets in China and Korea in particular for products using inverters, and strive to attract local customers other than Japanese customers.

PCD has revamped its organization, which until now had overemphasized the AV market, and will move ahead to open up new markets by means such as the introduction of multipurpose AC/DC power supply ICs for product applications related to LED lighting, white goods and IT/mobile devices, and expanding the sale of power supply devices to undeveloped domains such as the "eco-friendly and energy-savings" sector.

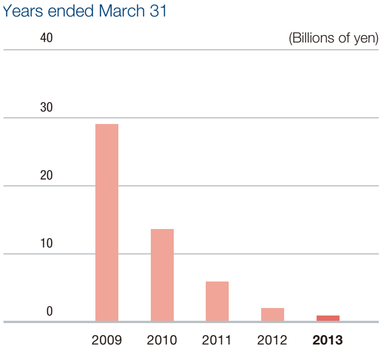
RMD will establish a product portfolio that is capable of covering the entire DC/DC universe, from simple secondary-side regulator ICs to "brick" power supplies, to satisfy demand from such diverse fields as white goods, industrial equipment, industrial robots and data center servers. Domestically it will operate more aggressively in markets such as industrial machinery and OA and telecommunications and IT, while in markets overseas it will aggressively expand into the home appliance markets in China and Korea and enter the telecommunications and IT market.

Review of Operations CCFL Business

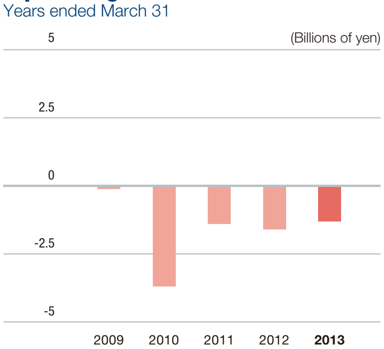
Fiscal 2012 Results

In the CCFL business, which continues to shrink in conjunction with the increased acceptance of LED backlights, Sanken is moving forward with a balanced contraction program to systematically reorganize and downsize its production system and personnel organization to levels appropriate under the current market conditions. Consolidated net sales in the CCFL business were ¥880 million, a fall of ¥1,085 million or a 55.2% reduction compared with the previous year. Efforts were made to counter the decrease in sales, but a ¥1,316 million consolidated operating loss was posted compared with a loss of ¥1,575 million last year.

Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



The power module business illustrates Sanken's advantage gained from the combination of its superior semiconductor technologies and power-supply circuitry technologies. The power module products cover a wide range of applications such as switching-mode power-supplies for computers, office/factory automation equipment, industrial instruments and medical apparatus, and products such as AC adapters for PCs.

Fiscal 2012 Results

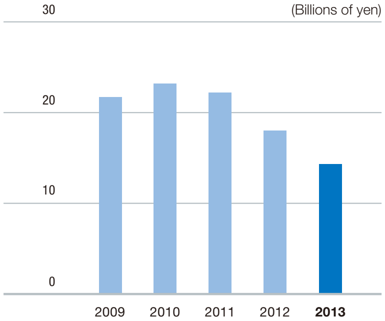
In the power module (PM) business, sales of products for office automation equipment such as multifunctional printing systems expanded steadily in the first half of the fiscal year but struggled during the second half, while products such as TVs for consumers remained lackluster for the second year in a row, after having already slumped in the previous fiscal year.

As a result, consolidated net sales in the power module business were ¥14,295 million, down ¥3,727 million or 20.7% from the previous year. As for earnings, a consolidated operating loss of ¥1,038 million was posted, compared to the loss of ¥1,034 million in the prior year.

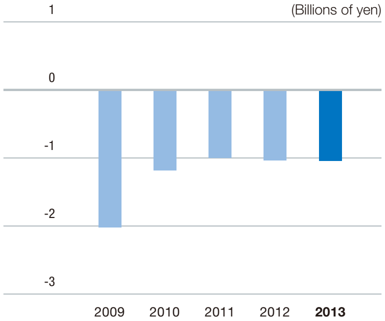
Agenda for the Future

In the PM business, Sanken will strengthen its support for new applications, new markets and products for installation in vehicles, to establish a profitable structure based on a reshuffling of the markets it supports and its product mix. For the office automation equipment market, which was our main focus traditionally, we will launch products for new applications, such as adapters for printers, and also expand into new domains, including high-performance power supplies for new markets such as the platinum-rated power supplies for data servers and the latest technology power supplies for manufacturing equipment, medical care devices, and modules for automobiles.

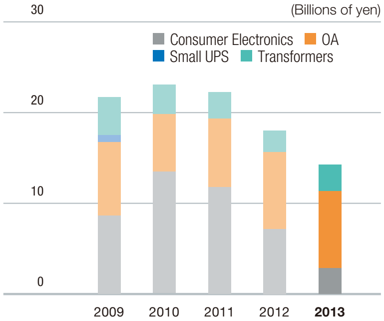
Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



Power Module Sales by Use
Years ended March 31



The power system business is the origin of our company and the source of our “excellence in manufacturing” tradition. This segment’s products, such as large DC power supplies, high-intensity aircraft warning lights, or “strobes,” uninterruptible power supplies, and general-purpose inverters for industrial motors, have earned customer trust and a reputation for excellence in socially critical facilities where power interruptions are unacceptable, such as telecommunications systems, dams, power transmission substations and highway tunnels.

Fiscal 2012 Results

The power system (PS) business enjoyed strong demand for its products for communication equipment, as capital investment in mobile phone base stations rose in the latter half of the term. Products for government and municipal offices, however, which were planned by incorporating recovery demand following the Great East Japan Earthquake, did not lead to improved operating results because orders for power supply facilities have yet to be issued at the maximum level. In the market for private sector demand, sales of products related to “eco-friendly and energy-saving” measures, such as power conditioners for solar power generation systems, expanded in the latter half of the fiscal year, but were insufficient to lift operating results for the business as a whole.

As a result, consolidated net sales in the Power System business were ¥15,517 million, down ¥1,001 million or 6.1% from the previous year. Consolidated operating income was ¥1,078 million, down ¥704 million or 39.5% from the prior year.

Agenda for the Future

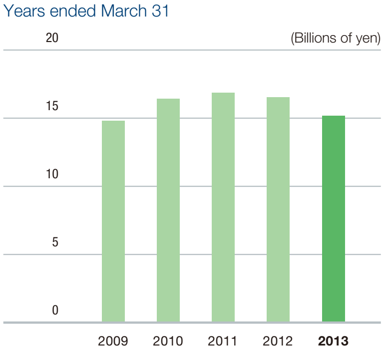
The basic direction for our existing business remains, as before, to focus on securing a stable flow of business originated from national and local governments. In addition to this we will push expansion of the business into the power generation, transmission, consumption and storage markets, based on the key words “green energy.” As the “smart house” and “smart city” projects garner attention as a potential market for innovative methods to manage energy distribution and consumption, Sanken will try to expand sales of such new energy-related products as power conditioners for solar power cell modules and UPSs with power storage features, and to strengthen our approach to become involved with such new markets as the BEMS (Building Energy Management System) and HEMS (Home Energy Management System) markets.

In power conditioners we will proceed with expansion of our product lineup to cover various ranges of output power, each suited for such customers as small-to-medium sized enterprises and residential homes.

For BEMS-related activities, for instance, Sanken has already established track records of completing joint projects with real estate developers and construction companies, and will push forward with aggressive expansion plans applying these experiences together with the Company’s comprehensive array of sophisticated power electronics technologies.

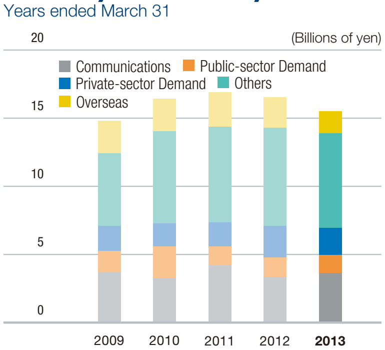
Moreover, the Company has long history and wide experience in the field of “green energy” that covers not only solar power generation but also other alternative methods such as wind power generation, and we will strive to build new businesses by close analyses and ingenious adaptation to the respective needs and social conditions of each of the nations around the world and their people.

Net Sales
Years ended March 31



Operating Income
Years ended March 31

Power System Sales by Use
Years ended March 31

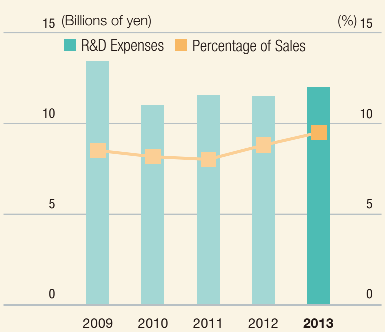


R&D and Intellectual Property

"The pursuit of the most 'eco-friendly' and 'energy-saving' solutions," which our company places at the top of its strategic agenda, has now also become the most prioritized issue of global significance. To achieve this objective the Company's core competence - our technology and expertise in power electronics - is inarguably an indispensable factor. The Company has fully come to understand this important and historic role to advance further the technological horizons to satisfy expectations from the global market place and to develop and offer forward-looking, innovative products. And the Company has already commenced the procedure to strengthen its entire research and development organization, by such actions as encouraging global collaboration among our major units including overseas subsidiaries, integrating all available technical resources, and bringing to the market high value-added products within the shortest period of development time.

R&D Expenses

Years ended March 31



Research and Development Policy

It has become a common understanding among the world's industries that it is fundamentally right to realign their business directions in order to foster "eco-friendly" and "energy-saving" endeavors. The Company too understands that its technology and expertise are necessary as a means for reaching the goal. Thus the Company has expanded its research and development activities in the last several years, and as a result its technological competitiveness in power electronics is eminently suited to penetrating into new markets with new technologies and new products.

The Company has begun efforts to widen its reach to enter these new markets and offer new application opportunities, and to solidify further the Company's reputation as one of the leaders in the global marketplace, and secure larger market shares by more of its innovative technologies and novel products, on top of an array of already-well-established products.

With this approach, we are confident we will be able to change the way we manage our research and development operations, moving from a collection of several technologically isolated products to our current line-up of numerous technologically linked products forming a product group, and in the future an entire family of products that will enable us to secure a firmer grip on the larger market.

R&D and Intellectual Property

Key Research and Development Goals and Sanken's Strengths

Currently the Company is advancing its research and development efforts in two directions. The first is to put "eco-friendly" features into our products by raising "efficiency" in our electric power conversion and motion control devices and to bring out smaller and lighter products. The second is to offer "energy-saving" features by reducing power consumption while devices are in a stand-by mode.

The Company itself is a globally unique entity that keeps within itself the comprehensive set of elemental technologies related to electric power supply, ranging from development and manufacture of semiconductor devices to circuit design and the manufacture of power supply boards. This full range of technological assets gives the Company a great advantage in attempting to bring to reality the concepts of "eco-friendly" and "energy-saving."

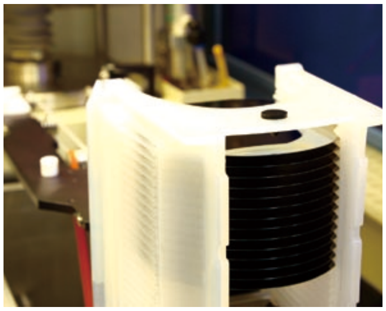
In the semiconductor business, Sanken's core, the Company is placing emphasis on development of high value-added products in response to the latest market requirements such as lower power loss, higher switching frequency, lower power consumption, attention to environmental impact and customer value maximization, in the areas of power conversion (or power management), and motion control (or motor drivers and sensors), and the BCD wafer process technologies.

Going forward, the Company is currently targeting high potential strategic markets of automobiles, white goods, industrial machinery, IT and mobile devices, LED lighting fixtures, PV power conditioners, sensors, and other related fields, and research and development activities are coordinated alongside the marketing initiatives aimed at these targets.

Research and Development Achievements in Fiscal 2012

The Company regards the concepts of "eco-friendly and energy-saving" and "green energy" as sitting at the heart of the markets it intends to capture, and undertakes fundamental technological research and product development, based on its growth strategy, the feedback from technological market analysis and efficient management of the entire R&D process.

The Company completed a significant number of development programs in fiscal 2012. Several representative projects are introduced below.



In the area of research in elemental technology, by extending the Company's successful development in 2011 of a new model IGBT (Insulated Gate Bipolar Transistors, which play a critical role in large-power electric control), which reduced both size and cost by 50% compared with conventional products, in fiscal 2012 the Company was able to add even larger-current products with 20A/30A ratings to its product line. Based on these technological advancements, the Company then developed a group of new application products such as stepper motor drivers for air conditioner compressors, that also can be adjusted to support applications in markets for industrial machinery and equipment, one of the markets Sanken is targeting for its future growth.

For automobiles, by far Sanken's principal application market, the Company developed a variety of products for auxiliary power supplies that will contribute considerably to make the production of automotive components for supportive functions in hybrid and electric vehicles. In contrast to conventional products offering single output, these new products achieved a circuit structure that enables multi-output while maintaining power supply efficiency at the same level as its predecessor models.

Sanken similarly developed a line of ultra-high efficiency fast recovery rectifier diodes to improve the degree of energy saving properties of air conditioners and other white goods household appliances, another of the Company's principal focus markets. These rectifier diodes are used in a type of circuitry called "power factor correctors (PFC)," a technology for use in deriving maximum power out of alternating current, but the circuitry itself creates some power loss. Compared with older devices, this new product successfully reduced this loss by about 25%.

In the area of ICs for switching mode power supplies, last year Sanken developed a new product that generated significant excitement by realizing a "zero standby power requirement" for devices such as chargers for smartphones, tablet terminals and other mobile devices. In fiscal 2012, the Company took this technology to the next level and developed a small capacity AC/DC power supply IC that will contribute to minimizing the dimensional space requirement of power supply circuits and at the same time lower cost by reducing the number of parts by roughly 30% compared with conventional products.

In LED-related products, which Sanken has aggressively supported from the earliest stages, the Company has accelerated its development of both LED devices and LED lighting fixture products. In devices the Company developed white chip LEDs with ten times longer life than conventional chips, and flat LEDs that achieved a high degree of light intensity and efficiency. Furthermore, in lighting fixture products Sanken has developed multiple lines of products, ranging from LED security lights that consume approximately 60% less electric power than older products, tube-type LED lamps that achieve low power consumption and long life with the brightest luminescence in the industry, and LED high-ceiling lights that achieve energy conservation of roughly 70% compared with conventional mercury lamps. Additional related new products include driver ICs for LED lighting that enables highly accurate current control by detecting the LED current directly, and ICs for LED backlights that make feasible low-loss, highly effective systems to control LED voltage fluctuation.

In the power-module sector, Sanken developed a 40W ultra-compact, super-lightweight, AC adapter for use to drive highly dynamic loads such as data server CPUs with very high momentary peak current, the most notable feature of which is it's the energy-saving properties across all operational current ranges, which satisfies the strict requirements of the world's energy regulations such as the ErP Directive and the ENERGY STAR.

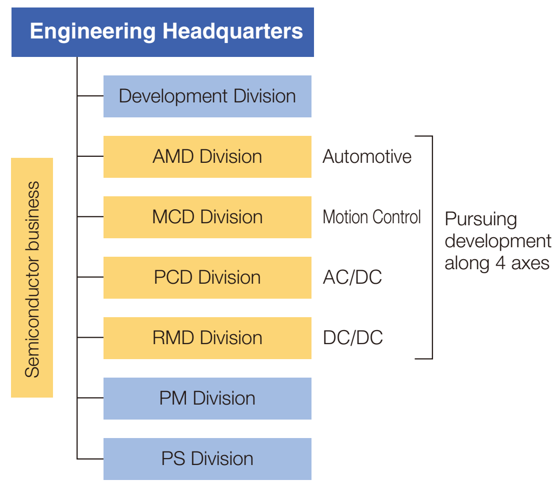
Products developed by the Company for the power system sector includes a power conditioner for photovoltaic power generation combined with an uninterruptible power supply unit with its battery internally installed, so that the combined system can be operated independently to serve as an emergency power supply source during a blackout.

Research and Development Organization

The R&D organization, formed around Sanken's Engineering Headquarters, which is located at the Company's headquarters complex, coordinates worldwide cooperative development activities aimed at the efficient creation of new technologies, based on mutually complementary execution of development programs between two companies – Sanken's world headquarters in Japan and Sanken North America, Inc. (SKN), a newly established regional headquarters company. SKN has two operating units under management, Allegro Microsystems, LLC (AML), which specializes in the development, design and production of products such as sensors and motor drivers, and Polar Semiconductor, LLC (PSL), which serves as a wafer fabrication plant where power semiconductor process technology is created and tested, and manages a design center for handling new application circuit development. These two operating companies are directed by SKN on a day-to-day basis to play a valuable and indispensable role in Sanken's worldwide endeavor to foster innovation, accelerate development of new technologies, and promote internal R&D cooperation.

With the "eco-friendly and energy saving" trend gaining momentum in every corner of the world and in every industry, the Engineering Headquarters organization at Sanken's headquarters was realigned in April 2012 to address four markets with distinctively different sets of technological requirements; "automotives," "motion control," "primary-side general-purpose power supplies (AC/DC)" and "secondary-side general-purpose power supplies (DC/DC)." Accordingly, the Company established four operating divisions for "AMD" (Automotive Devices), "MCD" (Motion Control Devices), "PCD" (Power Conversion Devices) and "RMD" (Regulator and Module Devices), respectively. The Company is aggressively pursuing technology development along these four axes and undertaking efforts to broaden the scope and apply proactive systematic approaches to new product development, as opposed to the Company's traditional made-to-specification custom product mindset.

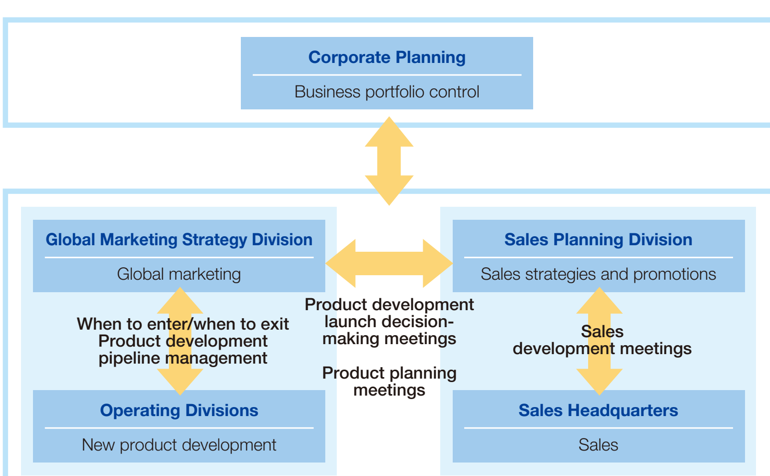
Product development organization at the Engineering Headquarters



Coordination with the Marketing Division

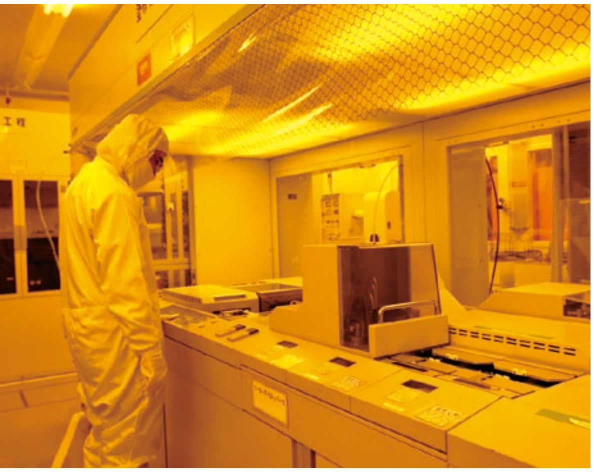
Sanken Electric has shifted its development orientation from conventional tailor-made custom products and moved to a focus on standard products whose markets are enjoying more rapid expansion. To complete this realignment successfully, some changes in the fundamental operational modes is considered essential; standardizing the varied development policies of each operating division, unifying development directions across the entire company to make the most use of limited resources, and rapidly identifying emerging as well as potential trends in the market place and turning these pieces of information into commercially viable products. Sanken therefore created a new organization named Global Marketing Strategy Division in the Engineering Headquarters, and simultaneously established a cross-sectional decision-making body that regularly convenes to discuss product planning with representatives from the Global Marketing Strategy Division and Marketing Planning Division in the Sales Headquarters, with the goal of making maximum use of the market information and customer-specific information gathered by the Sales Headquarters and the status of technological advances analyzed by the Engineering Headquarters for product development.

Cross-sectional product development organization



Intellectual Property

It is of utmost importance to protect effectively the intellectual property rights that are related to our core technologies, side by side with creating innovative, high value-added products through continuous research and development, in order to remain competitive in the semiconductor market place. To this end, Sanken has taken steps, not only to create intellectual property and legalize the rights, and to make effective use of this intellectual property, but also has laid out a system to accelerate development of new products and technologies through sharing of information between the research and development and the intellectual property organizations from the initial stages of development. By these actions the Company is able to improve the quality and increase the quantity of the patents it holds.



Alternatively, in order to give support for the global expansion of our businesses, the Company has started to apply for and obtain a large portfolio of patents in both the United States and in emerging countries in Asia, with the number of patents in FY2012 split evenly between Japan and overseas. Sanken will continue to pursue development programs that lead to the acquisition and effective use of patents in other countries.

Sanken has set its patent strategy to secure a cluster of patents covering both basic and improved inventions, and to strengthen our position against our competition. We are also actively making progress in the replacement of older patents with newer ones, creating an intellectual property portfolio which keeps pace with the latest changes in the business environment.

Our intellectual property organization is following several fundamental directions. The first such strategic direction is to coordinate with the research and development organization to form a cluster of patents at the early stages of technology and product development. By also undertaking a comprehensive analysis of technological trends in other companies, we will be able to have a number of alternatives to respond to potential patent negotiations and secure access to a wide range of outside intellectual properties, including such options as an offer to create a technical cooperation arrangement. For this reason the intellectual property organization is actively conducting training sessions to encourage our development engineers to engage in intellectual property activities from an early stage of product development. We believe we will be able to coordinate these and other activity through the effective functioning of the Global Marketing Division established recently within the Engineering Headquarters.

The second strategy is to adapt to the trend for globalization. In particular, the Company is making efforts to increase its acquisition of patents in emerging countries such as China, and is working to strengthen its network of patent professionals overseas and expand its intellectual property portfolio outside Japan.

The third strategy is to provide support to accelerate the Company's research and development activities. Through its access to patent and other technical information, the intellectual property organization is expected to provide the latest technological trends and related information to the research and development organization, and promote the effective use of the Company's own property rights, to allow our engineers to have safe access to a wide variety of legally protected property rights to stimulate innovation.

CSR Initiatives

1 CSR Policies and System for Advancing CSR

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

Fundamental CSR Policies

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

The CSR Committee

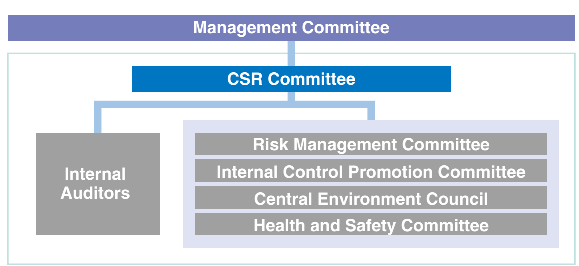
Sanken seeks to continually improve its over-all corporate value by pursuing responsible business activities. As a special corporate-wide, cross-functional organization, the CSR Committee works to promote dissemination of the CSR concept and encourage CSR actions at all Group companies.

- Basic Directions of the CSR Committee -

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

The CSR Committee is an organization whose members include the heads of each headquarters, and is responsible for monitoring the CSR efforts conducted at Group companies.

CSR Promotion Framework



Establishment of CSR Promotion Councils

In August 2012, Sanken Electric established a CSR Promotion Council to foster and realize the practice of CSR awareness at every Group company. Through CSR advocates selected from each division within the Company, these councils are developing CSR training and specific CSR activities and working to ensure every employee maintains a CSR outlook. When selected, CSR advocates are chosen from the standpoint of diversity and prepare detailed CSR activities as a group whose members include women, young workers and non-Japanese employees.

2 Corporate Governance

To raise the Company's corporate value and fulfill its social responsibilities, Sanken constructs and aims to continually enhance "a framework for corporate governance" to ensure the appropriate formulation of its management goals and implementation of those goals.

Basic Approach to Corporate Governance

Sanken is striding forward to enhance accountability and ensure appropriate strategic decision-making by the Board of Directors, and strengthen the board's supervisory role, in order to boost efficiency, improve transparency and maintain sound management. At the same time, the Company is working to strengthen its corporate governance system through the activities of its CSR Office and IR Group. Additionally, we have set the term of office of directors at one year with the aim of ensuring that the Board of Directors is more responsive to changes in the business environment and to clarify that the performance of the duties of the Board of Directors is evaluated each year corresponding to the Company's fiscal period.

Corporate Governance Structure

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

Furthermore, the adoption of the corporate officer system has enabled the Company to effectively separate business execution from strategic decision-making and supervisory functions. This system is also designed to facilitate rapid responses to changes in the business environment. As of the end of March 2013, Sanken has eighteen corporate officers, six of whom are acting concurrently as company directors.

Internal Audits, Audits by Statutory Audits, and Financial Audits

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

The Statutory Auditors sit on the Board of Statutory Auditors, and meet to set audit policies and audit plans, and to decide other matters as prescribed by law, as well as to share audit information among Statutory Auditors. In accordance with the division of duties determined by the Board of Statutory Auditors, the Statutory Auditors attend Board of Directors' meetings, management committee meetings and other important meetings, as well as inspect important documents. The findings of their audits are reported to the Board of Statutory Auditors. The Statutory Auditors also meet regularly for discussions with directors, the head of the CSR Office and the Accounting Auditors to improve the efficacy of audits performed. Furthermore, strict monitoring is performed through auditing visits at the Group's business locations both in Japan and overseas, with the results reported to the Board of Statuary Auditors.

The Statuary Auditors are responsible for assessing the status of the Company's operations and assets, as well as the execution of other inspection duties. To this end, the Statuary Auditors, in their efforts to carry out effective audits, maintain close contacts with those in charge of monitoring functions within the Internal Auditing Group of the CSR Office and other units involved in internal control systems.

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

Internal Control System and Compliance System

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

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

Risk Management System and Related Activities

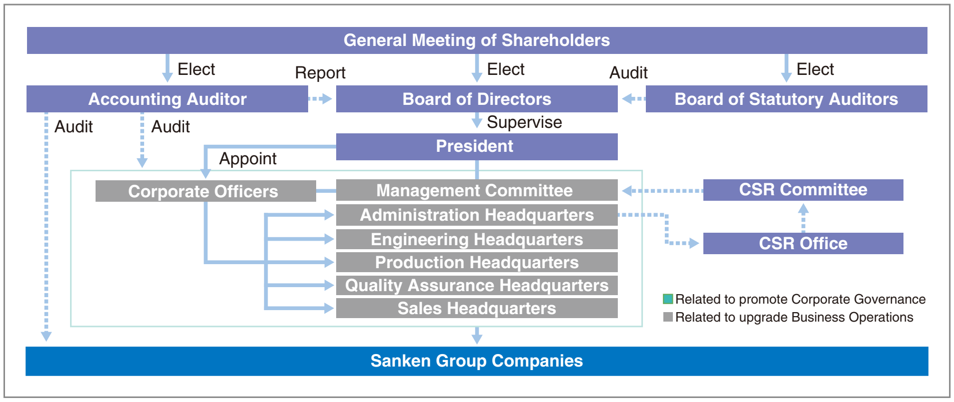
Sanken has established a Risk Management Committee, which reports directly to the President, to strengthen overall risk management for the entire Group and promote risk-event preparedness. In addition to measures to cope with natural disasters, the Committee studies, evaluates and analyzes a wide range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

With respect to crisis management, the Group has taken specific measures that assume the occurrence of a serious disaster. These include the identification of the major risks associated with disasters such as earthquakes or fires, the establishment of a system to verify the safety of employees, and the formulation and use of a "Disaster Prevention Manual" and a "Business Continuity Plan," which describe how to minimize damage and injuries if a disaster were to occur, as well as a process for recovery.

Disclosure System

The General Affairs Section continuously collects, confirms and examines information on material decision-making and material facts, and makes timely disclosures without delay after authorization by the decision-making body or occurrence of the relevant facts in accordance with applicable laws and regulations. The IR Group, meanwhile, actively provides corporate information, including financial results, to shareholders, investors, analysts, the media and other parties, carries out public relations activities, operates the Company's website and holds financial result presentation sessions. This group also implements debt investor relations in the form of IR activities provided for financial institutions, bond holders and other investors, and conducts mid-term explanatory briefings.

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



3 Environmental Initiatives

Sanken and its Group companies have placed as a critical part of our CSR activities the basic philosophy of a union between business and environmental activities. Accordingly, we are actively promoting "eco-friendly and energy-saving" activities as a management strategy, with the goal to create a low-carbon, recycling-oriented society that lives in harmony with nature.

The Sanken Group Environmental Charter and Action Plan

Sanken Electric, which enacted The SG Environmental Charter in 2000 as an environmental vision for the Sanken Group, has pledged to act in an environmentally friendly manner, with sincerity and ingenuity, in every aspect of its corporate activities. In addition, the Company formulates and implements an SG Environmental Action Plan each year as its specific program for action. Each Group company also establishes an Environmental Policy and undertakes ongoing measures to reduce its negative environmental impact, while taking into consideration its business attributes and regional characteristics.

Environmental Management Organization

To efficiently and accurately promote environmental management, Sanken has established a CSR Committee as a parent entity reporting directly to the Company's president, and created a Group-wide, cross-functional environmental protection organization.

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

CSR Promotion Framework

Conservation Activities

To improve its environmental activities, the Company conducts its own environmental audit annually to determine, for example, whether it is in compliance with all relevant regulations and has made sufficient progress on its yearly plan. In addition, annual inspections by third-party organizations are conducted each year to verify the effectiveness of the Company's environmental management system.

The Company also has drawn up a Chemicals Control Manual, and by working to properly control chemicals, strives to comply with all laws and statutes, protect the global environment, prevent accidents, maintain worker safety and health and ensure safe products. For chemicals management we put into place controls on environmental risk, which include reports to the central government on materials handled in amounts annually at each office of one ton or more for Class 1 Designated Chemical Substances, and in amounts of 0.5 tons or more for Specified Class 1 Designated Chemical Substances, based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (the "PRTR Law").

The Energy Conservation Committee was established in 2007 with the goal of bolstering activities to reduce CO_2 emissions at the Company's business sites. In addition to resolving issues confronting various divisions working to improve and identifying solutions that can be disseminated to other divisions, the committee conducts patrols once a year to verify the status of operations and identify points for further improvement.

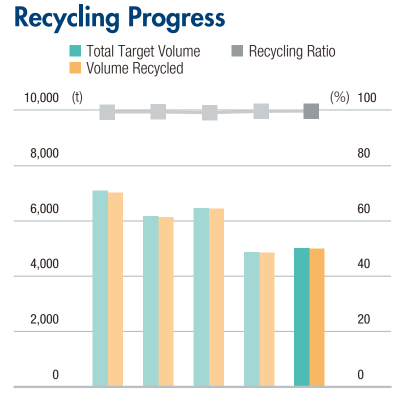
Transition to Eco-Friendly Factories

As part of the reduction of CO_2 emissions volume from its factories, in 2012 Sanken developed a system to recover and recycle all of the electric power discharged into the atmosphere as thermal energy during the PS Division's inspection process for large-scale uninterruptible power supplies, a measure that successfully achieved a 70% reduction in energy consumption during testing. Based on this performance, Sanken currently is promoting the application and expansion of this "eco-friendly factory" approach to other inspection processes at Sanken and the Sanken Group.

Environmental Responsiveness of Products

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

Waste Volume and Recycling Progress



*Years ended March 31

Financial Highlights

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2012, 2011, 2010, 2009 and 2008

	Millions of yen					
	2013	2012	2011	2010	2009	2008
Statements of income						
Net sales	¥ 126,386	¥ 131,803	¥ 144,882	¥ 134,134	¥ 147,003	¥ 184,309
Cost of sales	98,211	104,820	114,741	117,626	127,107	149,064
Gross profit	28,174	26,982	30,141	16,508	19,895	35,244
Selling, general and administrative expenses	23,549	22,934	23,991	21,990	24,787	26,975
Operating income (loss)	4,625	4,048	6,149	(5,482)	(4,891)	8,269
Other income (expenses), net	(526)	(1,502)	(5,004)	(12,684)	(5,719)	(3,997)
Income (loss) before income taxes and minority interests	4,099	2,545	1,144	(18,166)	(10,611)	4,271
Net income (loss)	2,272	436	(922)	(18,950)	(15,773)	1,776
Balance sheets						
Total current assets	¥ 92,077	¥ 84,280	¥ 84,414	¥ 83,725	¥ 82,900	¥ 104,050
Total investments and long-term receivables	3,803	3,624	3,724	4,309	5,376	6,321
Property, plant and equipment, net	50,945	47,301	43,430	43,029	58,501	61,600
Other assets	1,691	922	813	842	990	1,556
Total assets	148,517	136,130	132,384	131,908	147,768	173,529
Total current liabilities	76,948	65,930	68,469	61,233	61,078	88,262
Total long-term liabilities	32,132	36,906	30,394	32,913	28,871	7,185
Total net assets	39,436	33,293	33,520	37,761	57,818	78,081
Total liabilities and net assets	148,517	136,130	132,384	131,908	147,768	173,529

	%					
Financial indicators						
Return on assets	2.84	2.25	3.76	(4.33)	(4.80)	2.44
Return on equity	6.30	1.32	(2.62)	(40.09)	(23.38)	2.22
Return on sales	1.80	0.33	(0.63)	(14.13)	(10.73)	0.96
Equity ratio	26.4	24.3	25.1	28.2	38.8	44.7
Current ratio	119.7	127.8	123.3	136.7	135.7	117.9

	Yen					
Per share						
Total net assets per share	¥ 322.92	¥ 272.21	¥ 274.05	¥ 306.54	¥ 471.98	¥ 638.73
Net income (loss) per share	18.73	3.60	(7.60)	(156.05)	(129.85)	14.62
Cash dividends per share	6.00	3.00	6.00	0.00	10.00	14.00

Financial Section

Contents

Management's Discussion and Analysis

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

OVERVIEW

Management Strategy

The Sanken Group has mobilized technological and creative capabilities into its core semiconductor business and has worked to promote and develop a global business through the use of its proprietary technologies. At the same time, the Group has steadily worked to build a strong management base that which ensures that we are maximizing corporate value, while also meeting our social responsibilities and our commitment to co-exist with the natural environment.

In the electronics industry to which the Group belongs, there is an increasing demand for electronic components that contribute towards "eco-friendly and energy-saving" functionalities. Set against this backdrop, we have defined our business to be centered upon "Power Electronics," and by using our advanced eco-friendly and energy-saving technologies as our leverage, we are looking to expand into global markets, advance the factors of development, production, sales and human resources that support the Group's world-wide operations, and become a company that has an edge against the competition.

As part of our medium-term management strategy, we have outlined five main themes for the Group. They are 1) transform the corporate culture of the Group to enable us to become a truly global company; 2) realize growth strategies that focus on the eco-friendly, energy-saving and green energy markets; 3) promote the development of new products through the formation of forward-looking technical marketing organizations, and the efficient management of development process; 4) pursue innovative products and increase competitiveness by enhancing FAE functions; and 5) maximize the use of Group resources and improve financial conditions.

More specifically, we are strengthening our efforts in the "eco-friendly and energy-saving, and green energy," "emerging countries" and "standard products" target markets, based on our policies of "expand sales" and "accelerate product development." Toward this goal we established a new cross-organizational Global Marketing Division in the Engineering Headquarters effective April 1, 2013, and we are seeking to broaden our marketing and expand sales of new products by further strengthening development and sales cooperation with this organization as a core.

Fund Procurement and Liquidity

The Group raises funds in a number of ways, including bond and commercial paper issuance, committed line of credit agreements and bank loans. As of March 31, 2013, short-term loans totaled ¥14,805 million, commercial paper totaled ¥13,000 million, bonds payable totaled ¥30,000 million (including the current portion of bonds of ¥20,000 million) and long-term loans totaled ¥12,500 million. The Group's basic policy is to fund working capital and capital expenditures through internally generated funds. However, in some cases, in order to retain a sufficient level of cash flow to fund the capital expenditures necessary to maintain the Group's growth, we may raise outside funds by utilizing ¥17,000 million of unused commercial paper issuance facilities, ¥18,000 million of unused overdraft and ¥12,300 million in committed line of credit agreements, in addition to utilizing internally generated cash-flow from operations.

Dividend Policy

As a basic policy for distributing profits, the Sanken Group recognizes that returning profits to shareholders is one of its most important management priorities. Accordingly, we seek to implement stable and steady dividends by improving earnings capabilities and strengthening our financial position, while maintaining the internal reserves necessary to develop our businesses and strengthen our management foundation for the future.

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

Based on our consideration of operating results for the current consolidated fiscal year, the future business environment and other factors, we have set the annual dividend at ¥6, consisting of the interim dividend of ¥3 per share and a year-end dividend of ¥3 per share. Please note that the funding source for the year-end dividend is the Group's other capital surplus.

RESULTS OF OPERATIONS

Summary

In the electronics industry in which the Sanken Group is developing its business, the severe management environment continued. Demand for TVs remained sluggish, and sales of air conditioners in newly developing countries expanded less than projected, even as the demand for products for automobiles, which had remained strong, slumped temporarily because of the end of subsidies for eco-friendly vehicles and the deterioration of Japan-China relations.

To accelerate development of its business in the "environmentally-friendly and energy saving" sector, which is less susceptible to economic conditions, the Company group is shifting its resources to the automotive, white goods, industrial equipment and LED lighting markets, where there is strong demand for energy-saving technologies. The Sanken Group has aggressively promoted the structural reforms it deems necessary to achieve this transition, including measures to promote miniaturization of semiconductor front-end fabrication processes and the adoption of eight-inch wafers and the startup of semiconductor assembly lines in China, with the aim of shortening supply chains to customers' factories.

Looking at operating results for the current consolidated fiscal year, consolidated net sales were ¥126,386 million, down 4.1% compared with the previous period. Although we focused our efforts on expanding sales of products for new energy-savings markets, an area in which the Company excels, these steps were not sufficient to offset the decline in sales of products for Japanese TV set manufacturers. The drop in net sales was also linked to the ongoing appreciation of the yen that continued until the third quarter. From an earnings perspective, we were successful with measures to boost profitability despite the decline in sales, including the reorganization of plants, discontinuation of unprofitable products and moves to thoroughly restrain fixed costs. As a result, we recorded consolidated operating income of ¥4,625 million, an increase of 14.3% compared with the previous period, and consolidated net income of ¥2,272 million, an increase of 420.9% compared with the previous period.

Results of Operations by Business Segment

Semiconductor Devices Business

Consolidated net sales in the semiconductor devices business were ¥95,692 million, an increase of ¥397 million (0.4%) compared with the previous period.

Although demand for automotive products declined temporarily because of weak sales of Japanese automobiles in the Chinese market in the third quarter, sales of automotive products as a whole remained steady, boosted by our Business Continuity Plan (BCP) and ongoing progress in electrification. On the other hand, sales of products for white goods exceeded the levels of the previous period but fell short of the planned targets, mainly because of the broad-reaching effects of the deterioration of Europe's economy and the slow growth in demand for products for energy-saving air conditioners in the Chinese market. Stagnant demand also continued to weigh heavily on sales of products for TVs, with little change from the previous period. In LED lighting products, focused efforts to expand sales channels resulted in improved sales.

As a result, consolidated operating income for this segment was ¥7,990 million, an increase of ¥1,163 million (17.0%) compared with the previous period.

CCFL Business

Consolidated net sales for the CCFL business were ¥880 million, a decrease of ¥1,085 million (55.2%) compared with the previous period, reflecting the continued weakness in the demand for products for TVs.

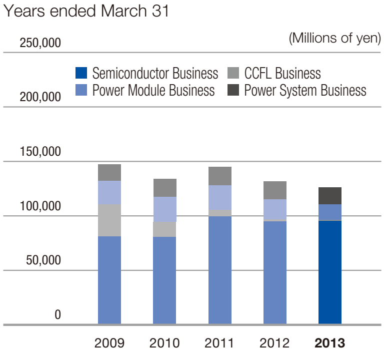
In terms of earnings, although we reduced the amount of red ink to some degree, we recorded a consolidated operating loss of ¥1,316 million (a consolidated operating loss of ¥1,575 million in the previous period).

Power Module Business

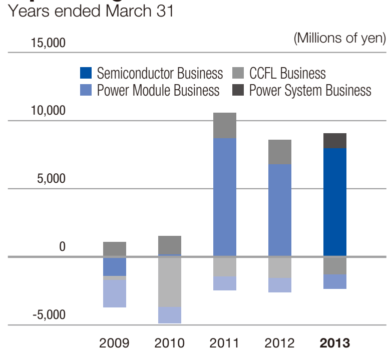
In the power module business, consolidated net sales were ¥14,295 million, a decrease of ¥3,727 million (20.7%) compared with the previous period.

Sales of products for OA equipment such as multifunctional

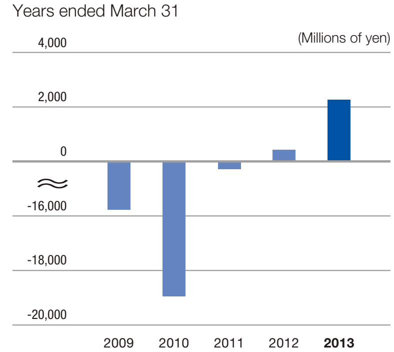
Net Sales
Years ended March 31



Operating Income (Loss)
Years ended March 31



Net Income (Loss)
Years ended March 31



printers remained steady during the first six months, but were lackluster in the second half. Sales of consumer products such as TVs maintained their pace from the previous period, continuing to plod along sluggishly.

As a result we recorded a consolidated operating loss of ¥1,038 million (a consolidated operating loss of ¥1,034 million in the previous period).

Power System Business

Consolidated net sales in the power systems business were ¥15,517 million, a decrease of ¥1,001 million (6.1%) compared with the previous period.

In this segment, sales of products for telecommunications facilities remained robust, supported by higher investments for mobile phone stations in the second half of the year, among other factors. Orders of products for government and municipal offices, on the other hand, which had been planned by incorporating earthquake restoration demand, did not translate into actual results because orders for power supply facilities were not fully implemented. Sales of products for the private sector market remained sluggish because of the protracted weakness of corporate investments. In markets for private sector demand, sales of "environmentally-friendly and energy savings" related products such as photovoltaic power conditioners expanded in the second half, but did not reach a level sufficient to buoy sales as a whole in this segment.

As a result, consolidated operating income in this business was ¥1,078 million, a decrease of ¥704 million (39.5%) compared with the previous period.

Other Income (Expenses)

Other income (expenses) improved by ¥976 million to ¥526 million. For the period we reported foreign exchange gains of ¥277 million to reflect the exchange rate trend and adjustment for appreciation of the yen in the fourth quarter, and a gain on sales of noncurrent assets of ¥242 million.

FINANCIAL POSITION

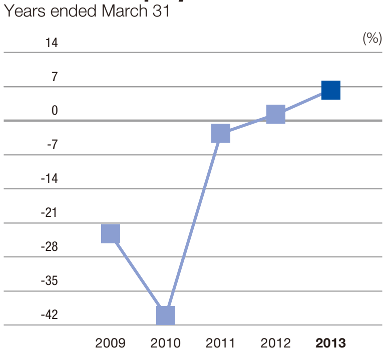
Assets

Total assets as of the end of the current consolidated fiscal year under review totaled ¥148,517 million, an increase of ¥12,387 million from the end of the previous consolidated fiscal year. Current assets increased by ¥7,796 million as compared with the end of previous consolidated fiscal year to finish at ¥92,077 million. This was mainly due to an increase of ¥2,177 million in cash and deposits and an increase of ¥2,352 million in notes and accounts receivable-trade. Investments and long-term receivables increased by ¥178 million compared with the end of the previous consolidated fiscal year to finish at ¥3,803 million. This was mainly due to an increase in the amount of investments in securities. Property, plant and equipment (net) increased by ¥3,643 million as compared with the end of the previous consolidated fiscal year to finish at ¥50,945 million, with the main reason behind this jump being the increase in machinery and equipment.

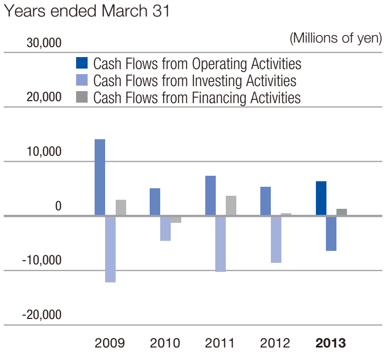
Liabilities

Current liabilities at the end of the current consolidated fiscal year under review increased by ¥11,018 million compared with the end of the previous consolidated fiscal year to finish at ¥76,948 million. This was mainly the result of a ¥3,916 million decrease in short-term bank loans, a ¥2,294 million decrease in notes and accounts payable-trade and a ¥1,500 million decrease in commercial paper, and an increase of ¥20,000 million in current portion of bonds. Long-term liabilities at the end of the current consolidated fiscal year under review totaled ¥32,132 million, a decrease of ¥4,774 million from the end of the

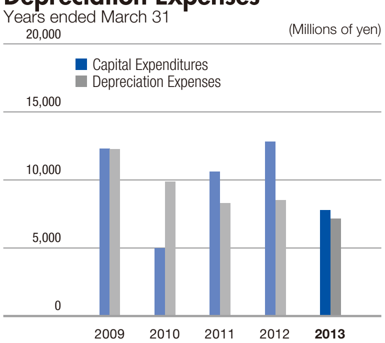
Return on Equity
Years ended March 31



Cash Flows
Years ended March 31



Capital Expenditures/ Depreciation Expenses
Years ended March 31



previous consolidated fiscal year. This was mainly due to increases of ¥4,993 million in long-term debt and ¥1,055 million in accrued employees' retirement benefits, and a decrease of ¥10,000 million in bonds payable (in total bonds increased by ¥10,000 million).

Net Assets

Total net assets at the end of the current consolidated fiscal year under review totaled ¥39,436 million, an increase of ¥6,143 million from the end of the previous consolidated fiscal year. Shareholders' equity (net assets minus stock acquisition rights and minority interests) increased by ¥1,539 million as compared with the end of the previous consolidated fiscal year to finish at ¥44,037 million. This was mainly because of an increase of ¥2,272 million in retained earnings, a decrease of ¥729 million in capital surplus, an increase of ¥125 million in net unrealized gain on securities, and an increase of ¥4,481 million in translation adjustments. Finally, the capital adequacy ratio at the end of the current consolidated fiscal year under review stood at 26.4%, an increase of 2.1% from the end of the previous consolidated fiscal year.

Cash Flows

Net cash provided by operating activities of the Sanken Group, including the increase in income before income taxes and minority interests, totaled ¥6,339 million, an increase of ¥994 million compared with the previous consolidated fiscal year. Net cash used in investing activities was ¥6,390 million, a decrease of ¥2,224 million compared with the previous consolidated fiscal year, and was mainly due to the reduction in purchases of property, plant and equipment. Net cash provided by financing activities totaled ¥1,294 million, an increase of ¥784 million compared with the previous consolidated fiscal year, including a net increase in proceeds from issuance of bonds. As a result, the balance of interest-bearing debt at the end of the current consolidated fiscal year under review rose by ¥4,701 million compared with the end of the previous consolidated fiscal year to ¥74,700 million, bringing the ratio of interest-bearing debt to total assets to 50.3%. As a result of the above, the balance of cash and cash equivalents at the end of the current consolidated fiscal year under review totaled ¥12,036 million, a ¥2,213 million increase compared with the end of the previous consolidated fiscal year.

Capital Expenditures

The Sanken Group's capital expenditures during the current consolidated fiscal year totaled ¥7,793 million and primarily consisted of purchases of production, testing and research equipment.

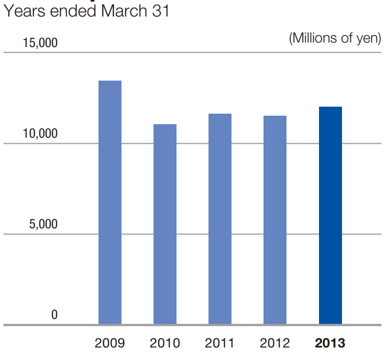
In the semiconductor devices business, Sanken Electric made capital expenditures of ¥202 million for production, testing and research equipment, and consolidated subsidiaries including Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Fukushima Sanken Co., Ltd., Dalian Sanken Electric Co., Ltd., Allegro MicroSystems, LLC, and Polar Semiconductor, LLC. made capital expenditures of ¥7,129 million to enhance production equipment.

In the CCFL business, Sanken Optoproducts Co., Ltd. and other consolidated subsidiaries made ¥14 million in capital expenditures for CCFL production equipment and other equipment.

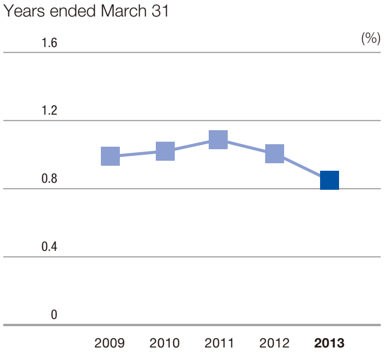
In the PM business, Sanken Electric made capital expenditures of ¥10 million for product molds and other equipment, and consolidated subsidiaries including P.T. Sanken Indonesia made capital expenditures of ¥115 million for production equipment, product molds and other equipment.

In the PS business, Sanken Electric made capital expenditures of ¥64 million for product molds and other equipment, and

R&D Expenses
Years ended March 31



Asset Turnover
Years ended March 31



consolidated subsidiaries including Sanken L.D. Electric (Jiang Yin) Co., Ltd. made capital expenditures of ¥13 million for production equipment and other equipment.

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

BUSINESS RISKS

Management has identified the following issues as posing potential risks to the Group's business performance and financial condition. Concerning risks to business strategy, forecasts regarding the future presented here are judgments made as of the end of the consolidated fiscal year under review (March 31, 2013). It is important to keep in mind that actual outcomes may deviate considerably from these forecasts due to inherent uncertainties.

Strategy risk

New product development

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

Price competition

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

Fund procurement

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

Intellectual property

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

External risk

Economic environment

In addition to Japan, the Group produces products in several other nations and regions, including Asia, North America, and Europe. Overseas production value accounted for 46.0% of consolidated production value in fiscal 2010, 44.0% in fiscal 2011 and 45.4% in fiscal 2012. Overseas sales on a consolidated basis as a proportion of total sales in fiscal 2010, fiscal 2011 and fiscal 2012 were 56.3%, 53.0% and 52.1%, 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 37.6% in fiscal 2010, 34.1% in fiscal 2011 and 33.9% in fiscal 2012. Of these exports, the proportion denominated in foreign currencies was 91.4% in fiscal 2010, 90.4% in fiscal 2011 and 89.9% in fiscal 2012. To manage the exchange risk associated with transactions, the Group engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover, by expanding overseas procurement of products and raw materials and through the use of forward currency contracts. By doing so, the Company aims to minimize the impact of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar and the Japanese yen.

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

Internal risk

Legal restraints

The Group has production and sales bases in 11 regions and nations, 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 technologies, products, and materials necessary for sales and production by the Group around the world, business activities are subject to legal restraints relating to tariffs, trade, foreign currency, strategic materials, specific technologies, antitrust, patents, the environment, and other areas in each region and nation. Failure to comply with these legal restraints could result in restrictions on the Group’s business activities or undermine public confidence, which may adversely affect the Company’s earnings and financial condition.

Quality issues

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

Environmental problems

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

In addition to the risks described above, there is a possibility demand for the Company’s products will decrease because of a sudden change in the trend of electronics products technologies used in the Company’s products or in the market environment. Furthermore, in addition to a sharp increase in the cost of raw materials and the possible occurrence of a calamity such as natural disaster or fire at a production plant or materials supplier or damage to social or telecommunications infrastructure, there may be unforeseeable country risks such as a war, terrorist attack, epidemic of infectious disease, or significant changes to laws or the taxation system in a particular country or region.

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

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

Consolidated Balance Sheets

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

Assets	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current assets:			
Cash and deposits (Notes 4 and 6)	¥ 12,079	¥ 9,901	$ 128,420
Notes and accounts receivable (Notes 5 and 6):			
Trade and other	33,809	31,455	359,442
Less allowance for doubtful receivables	(61)	(60)	(658)
	33,747	31,394	358,783
Inventories (Note 9)	43,967	40,516	467,441
Deferred tax assets (Note 18)	1,210	391	12,869
Other current assets	1,073	2,076	11,409
Total current assets	92,077	84,280	978,926
Investments and long-term receivables:			
Investments in other securities (Notes 6 and 7)	1,769	1,622	18,810
Deferred tax assets (Note 18)	196	176	2,090
Other long-term receivables	2,079	2,075	22,108
Less allowance for doubtful receivables	(242)	(249)	(2,572)
Total investments and long-term receivables	3,803	3,624	40,437
Property, plant and equipment, at cost (Note 10):			
Land	4,921	4,281	52,326
Buildings	56,794	55,810	603,815
Machinery and equipment	109,671	109,758	1,165,978
Construction in progress	5,758	4,601	61,219
	177,146	174,451	1,883,339
Less accumulated depreciation and impairment losses	(126,201)	(127,150)	(1,341,716)
Property, plant and equipment, net	50,945	47,301	541,622
Other assets (Note 10)	1,691	922	17,979
Total assets	¥ 148,517	¥ 136,130	$ 1,578,966

Liabilities and net assets	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars) (Note 3)
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	¥ 14,805	¥ 18,721	$ 157,400
Current portion of long-term debt (Notes 6 and 10)	20,000	5,025	212,630
Commercial paper (Note 6)	13,000	14,500	138,209
Notes and accounts payable (Note 6):			
Trade and other	16,199	18,484	172,222
Construction	36	46	388
	16,235	18,530	172,611
Accrued expenses	8,818	6,516	93,758
Lease obligations	1,238	1,044	13,164
Income taxes payable	526	514	5,601
Deferred tax liabilities (Note 18)	0	0	0
Other current liabilities	2,323	1,078	24,704
Total current liabilities	76,948	65,930	818,081
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	22,500	27,506	239,209
Lease obligations	3,157	3,201	33,565
Accrued retirement benefits for directors	20	45	222
Asset retirement obligations	60	60	640
Accrued employees' retirement benefits (Note 17)	5,128	4,073	54,528
Deferred tax liabilities (Note 18)	868	356	9,231
Other long-term liabilities	397	1,662	4,220
Total long-term liabilities	32,132	36,906	341,617
Net assets (Note 19):			
Shareholders' equity:			
Common stock:			
Authorized – 257,000,000 shares			
Issued and outstanding: 2013 – 125,490,302 shares	20,896	—	222,164
2012 – 125,490,302 shares	—	20,896	—
Capital surplus	17,573	18,302	186,834
Retained earnings	9,493	7,220	100,930
Less treasury stock, at cost: 4,177,195 shares			
in 2013 and 4,160,433 shares in 2012	(3,926)	(3,922)	(41,748)
Total shareholders' equity (Note 23)	44,037	42,497	468,181
Accumulated other comprehensive loss:			
Net unrealized gain on securities	141	15	1,501
Translation adjustments	(5,004)	(9,485)	(53,201)
Total accumulated other comprehensive loss	(4,862)	(9,469)	(51,700)
Minority interests	262	265	2,785
Total net assets	39,436	33,293	419,266
Total liabilities and net assets	¥ 148,517	¥ 136,130	$ 1,578,966

As of March 31,

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 year ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥ 126,386	¥ 131,803	$ 1,343,676
Cost of sales (Notes 17, 20 and 22)	98,211	104,820	1,044,139
Gross profit	28,174	26,982	299,537
Selling, general and administrative expenses (Notes 12, 17, 20 and 22)	23,549	22,934	250,361
Operating income	4,625	4,048	49,175
Other income (expenses):			
Interest expense	(695)	(688)	(7,397)
Interest and dividend income	35	40	377
Foreign exchange gain (loss)	277	(167)	2,947
Depreciation on idle assets	(248)	(174)	(2,644)
Gain on sales of fixed assets (Note 13)	242	3	2,579
Impairment loss on fixed assets (Note 14)	(88)	(98)	(937)
Impairment loss on other securities (Note 7)	(47)	—	(506)
Loss on natural disaster (Note 15)	—	(290)	—
Additional retirement benefits	—	(61)	—
Other, net	(1)	(64)	(11)
	(526)	(1,502)	(5,592)
Income before income taxes and minority interests	4,099	2,545	43,582
Income taxes (Note 18):			
Current	2,133	2,423	22,680
Deferred	(272)	(320)	(2,893)
Income before minority interests	2,238	442	23,795
Minority interests in income (loss)	34	(6)	369
Net income (Note 23)	¥ 2,272	¥ 436	$ 24,165

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

Consolidated Statements of Comprehensive Income

Sanken Electric Co., Ltd. and Consolidated Subsidiaries

	For the year ended March 31, 2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars) (Note 3)
Income before minority interests	¥ 2,238	¥ 442	$ 23,795
Other comprehensive income (loss):			
Net unrealized gain (loss) on securities	125	(197)	1,337
Translation adjustments	4,514	(47)	47,999
Total other comprehensive income (loss)	4,640	(245)	49,337
Comprehensive income (Note 16)	¥ 6,878	¥ 197	$ 73,132
Breakdown:			
Comprehensive income attributable to shareholders of the Sanken Electric Co., Ltd	¥ 6,879	¥ 192	$ 73,144
Comprehensive income (loss) attributable to minority interests	(1)	4	(11)

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 year ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Shareholders' equity			
Common stock:			
Balance at the beginning of the year	¥ 20,896	¥ 20,896	$ 222,164
Balance at the end of the year	20,896	20,896	222,164
Capital surplus:			
Balance at the beginning of the year	18,302	18,667	194,586
Changes during the year:			
Cash dividends paid (other capital surplus)	(727)	(364)	(7,739)
Disposition of treasury stock	(1)	(1)	(12)
Total changes during the year	(729)	(365)	(7,751)
Balance at the end of the year	17,573	18,302	186,834
Retained earnings:			
Balance at the beginning of the year	7,220	6,834	76,765
Changes during the year:			
Decrease from the change of fiscal year end of consolidated subsidiaries	—	(50)	—
Net income	2,272	436	24,165
Total changes during the year	2,272	386	24,165
Balance at the end of the year	9,493	7,220	100,930
Treasury stock:			
Balance at the beginning of the year	(3,922)	(3,916)	(41,703)
Changes during the year:			
Acquisition of treasury stock	(6)	(8)	(64)
Disposition of treasury stock	1	1	18
Total changes during the year	(4)	(6)	(45)
Balance at the end of the year	(3,926)	(3,922)	(41,748)
Total shareholders' equity:			
Balance at the beginning of the year	42,497	42,483	451,813
Changes during the year:			
Decrease from the change of fiscal year end of consolidated subsidiaries	—	(50)	—
Cash dividends paid (other capital surplus)	(727)	(364)	(7,739)
Net income	2,272	436	24,165
Acquisition of treasury stock	(6)	(8)	(64)
Disposition of treasury stock	0	0	6
Total changes during the year	1,539	14	16,367
Balance at the end of the year	44,037	42,497	468,181

	For the year ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Accumulated other comprehensive loss			
Net unrealized gain on securities:			
Balance at the beginning of the year	¥ 15	¥ 212	$ 164
Changes during the year:			
Net changes in items other than shareholders' equity	125	(197)	1,338
Total changes during the year	125	(197)	1,338
Balance at the end of the year	141	15	1,501
Translation adjustments:			
Balance at the beginning of the year	(9,485)	(9,439)	(100,843)
Changes during the year:			
Net changes in items other than shareholders' equity	4,481	(45)	47,641
Total changes during the year	4,481	(45)	47,641
Balance at the end of the year	(5,004)	(9,485)	(53,201)
Total accumulated other comprehensive loss:			
Balance at the beginning of the year	(9,469)	(9,226)	(100,679)
Changes during the year:			
Net changes in items other than shareholders' equity	4,606	(243)	48,979
Total changes during the year	4,606	(243)	48,979
Balance at the end of the year	(4,862)	(9,469)	(51,700)
Minority interests			
Balance at the beginning of the year	265	263	2,821
Changes during the year:			
Net changes in items other than shareholders' equity	(3)	1	(35)
Total changes during the year	(3)	1	(35)
Balance at the end of the year	262	265	2,785
Total net assets			
Balance at the beginning of the year	33,293	33,520	353,955
Changes during the year:			
Decrease from the change of fiscal year end of consolidated subsidiaries	—	(50)	—
Cash dividends paid (other capital surplus)	(727)	(364)	(7,739)
Net income	2,272	436	24,165
Acquisition of treasury stock	(6)	(8)	(64)
Disposition of treasury stock	0	0	6
Net changes in items other than shareholders' equity	4,603	(241)	48,944
Total changes during the year	6,143	(227)	65,312
Balance at the end of the year	¥ 39,436	¥ 33,293	$ 419,266

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 year ended March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Income before income taxes and minority interests	¥ 4,099	¥ 2,545	$ 43,582
Depreciation and amortization	7,151	8,467	76,030
Impairment losses	88	98	937
Decrease in allowance for doubtful receivables	(13)	(2)	(141)
Increase in provision for retirement benefits for employees	985	1,063	10,482
Interest and dividend income	(35)	(40)	(377)
Interest expense	695	688	7,397
Decrease (increase) in notes and accounts receivable	(652)	1,140	(6,941)
Increase in inventories	(1,406)	(3,999)	(14,955)
Decrease in notes and accounts payable	(3,445)	(1,510)	(36,633)
Other	1,788	(94)	19,013
Subtotal	9,254	8,356	98,393
Interest and dividends received	36	39	389
Interest paid	(673)	(705)	(7,157)
Income taxes paid	(2,279)	(2,345)	(24,230)
Net cash provided by operating activities	6,339	5,345	67,395
Investing activities			
Purchases of property, plant and equipment	(5,921)	(8,358)	(62,950)
Proceeds from sales of property, plant and equipment	200	4	2,130
Purchases of intangible assets	(807)	(251)	(8,579)
Increase in loans receivable	(13)	(19)	(139)
Proceeds from loans receivable	23	13	251
Other	127	(3)	1,352
Net cash used in investing activities	(6,390)	(8,614)	(67,935)
Financing activities			
Increase (decrease) in short-term bank loans	(5,159)	1,387	(54,849)
Decrease in commercial paper	(1,500)	(4,500)	(15,947)
Proceeds from issuance of long-term debt	5,000	7,500	53,157
Repayment of long-term debt	(5,032)	(3,023)	(53,502)
Proceeds from issuance of corporate bond	9,898	—	105,239
Repayment of finance Lease obligations	(1,181)	(476)	(12,563)
Proceeds from sales of treasury stock	0	0	6
Purchase of treasury stock	(6)	(8)	(64)
Cash dividends paid	(725)	(369)	(7,711)
Net cash provided by financing activities	1,294	509	13,764
Effect of exchange rate changes on cash and cash equivalents	969	51	10,311
Net increase (decrease) in cash and cash equivalents	2,213	(2,708)	23,535
Cash and cash equivalents at beginning of the year	9,822	12,756	104,431
Decrease in cash and cash equivalents from change of fiscal year end of consolidated subsidiaries	—	(225)	—
Cash and cash equivalents at end of the year (Note 4)	¥ 12,036	¥ 9,822	$ 127,967

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

Notes to Consolidated Financial Statements

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2013

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.

The accompanying consolidated financial statements for the year ended March 31, 2013 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 goodwill, actuarial differences and capitalized development costs.

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. As of March 31, 2013, the number of consolidated subsidiaries was 30 (29 in 2012). Three 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 differences, if significant in amounts, between the cost and the equity in the underlying net assets at fair value of consolidated subsidiaries at the date acquired are capitalized in the year of acquisition and amortized principally over a five-year period. Sanken North America, Inc., was newly established during the fiscal year ended March 31, 2013 and included in the scope of consolidation.

(c) Securities

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

(d) Inventories

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

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

Property, plant and equipment are recorded at cost. Depreciation at the Company and its subsidiaries is computed principally by the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

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

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

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

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

(f) Allowance for Doubtful Receivables

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

(g) Bond Issuance Costs

Bond issuance costs are charged to income when incurred.

(h) Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries have defined benefit pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Effective April 1, 2013, the Company and the part of its domestic subsidiaries changed the content of their funded defined benefit pension plans to cash balance plan and changed a portion of the existing defined benefit pension plan and lump-sum payment plan to the defined contribution plan and the early payment scheme.

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 of balance sheet date, 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) which are shorter than the average remaining years of service of the employees.

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 10 through 27 years) which are shorter than the average remaining years of service of the employees.

(i) Retirement Benefits for Directors

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

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

(j) Foreign Currency Translation

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

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

(k) Derivatives

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

(l) Cash Equivalents

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

(m) Consumption Taxes

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

(n) Consolidated Taxation System

The Company and its domestic consolidated subsidiaries have applied the consolidated taxation system from the fiscal year ended March 31, 2012.

(o) Standards Issued but Not Yet Effective

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

From the perspective of improving financial reporting and in light of global trends, this standard and related guidance have been revised mainly in enhancement of treatments for unrecognized actuarial gain and loss and unrecognized prior service cost, the calculation method of retirement benefit obligation and service cost and their disclosures.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013 except for the modification of the calculation method of retirement benefit obligation and service cost which are effective as of the beginning of the fiscal year ending March 31, 2015. The company is currently evaluating the effects which these modifications will have on its consolidated results of operations and financial position.

2. Accounting Changes

The Company and its domestic consolidated subsidiaries have changed their depreciation method of property, plant and equipment (excluding leased assets) from declining-balance method to straight-line method effective April 1, 2012. In the mid-term management strategy, which covers a three-year period starting from April 1, 2012, the Company and its domestic subsidiaries decided to shift their investment policies to focus on more stable domestic demand, such as automotive electronics markets, and accordingly, their manufacturing system will be operated consistently, resulting in a more consistent utilization than before. Therefore the Company and its domestic subsidiaries believe that this new method is appropriate since it results in a better cost allocation. As a result of this change, depreciation decreased by ¥1,344 million ($14,289 thousand), and operating income, ordinary income and income before income taxes and minority interests increased by ¥1,205 million ($12,821 thousand), ¥1,230 million ($13,079 thousand) and ¥1,227 million ($13,045 thousand) for the year ended March 31, 2013, respectively.

3. 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 ¥94.06 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2013. 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.

4. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and deposits with cash and cash equivalents as of March 31, 2013 and 2012:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	¥ 12,079	¥ 9,901	$ 128,420
Restricted cash	(42)	(78)	(453)
Cash and cash equivalents	¥ 12,036	¥ 9,822	$ 127,967

The following table represents significant non-cash transactions as of March 31, 2013 and 2012:

	As of March 31,		
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
The values of assets and obligations relating to finance lease transactions	¥ 1,274	¥ 3,914	$ 13,544

5. Notes and Accounts Receivable

The retroactively adjusted liability upon transfer of export receivables was ¥183 million ($1,950 thousand) and ¥444 million at March 31, 2013 and 2012, respectively.

6. Financial Instruments

a. Summary of financial instruments

(1) Policy for financial instruments

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

(2) Financial instruments and their risks

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

b. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and difference as of March 31, 2013 and 2012 are as follows. Financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2: Financial instruments for which the fair value is extremely difficult to measure," below)

	As of March 31, 2013					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Assets						
(1) Cash and deposits	¥ 12,079	¥ 12,079	¥ —	$ 128,420	$ 128,420	$ —
(2) Notes and accounts receivable-trade	31,945	31,945	—	339,631	339,631	—
(3) Investment securities Other securities	1,675	1,675	—	17,815	17,815	—
Total	¥ 45,700	¥ 45,700	¥ —	$ 485,868	$ 485,868	$ —

Liabilities						
(1) Notes and accounts payable-trade	¥ 16,235	¥ 16,235	¥ —	$ 172,611	$ 172,611	$ —
(2) Short-term bank loans and current portion of long-term debt	14,805	14,805	—	157,400	157,400	—
(3) Commercial paper	13,000	13,000	—	138,209	138,209	—
(4) Bonds	30,000	30,036	(36)	318,945	319,336	(390)
(5) Long-term debt (except for bonds)	12,500	12,506	(6)	132,893	132,965	(71)
(6) Lease obligations	4,395	4,289	106	46,729	45,600	1,129
Total	¥ 90,936	¥ 90,873	¥ 62	$ 966,790	$ 966,123	$ 666
Derivative transactions (*)	¥ 1,190	¥ 1,190	¥ —	$ 12,654	$ 12,654	$ —

	As of March 31, 2012		
	Carrying amount	Fair value	Difference
		(Millions of yen)	
Assets			
(1) Cash and deposits	¥ 9,901	¥ 9,901	¥ —
(2) Notes and accounts receivable-trade	29,989	29,989	—
(3) Investment securities Other securities	1,528	1,528	—
Total	¥ 41,419	¥ 41,419	¥ —
Liabilities			
(1) Notes and accounts payable-trade	¥ 18,530	¥ 18,530	¥ —
(2) Short-term bank loans and current portion of long-term debt	23,746	23,746	—
(3) Commercial paper	14,500	14,500	—
(4) Bonds	20,000	20,090	(90)
(5) Long-term debt (except for bonds)	7,506	7,506	—
(6) Lease obligations	4,246	4,120	125
Total	¥ 88,529	¥ 88,494	¥ 35
Derivative transactions (*)	¥ (310)	¥ (310)	¥ —

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

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

Assets

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

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

(3) Investment securities

The fair value of equity securities equals quoted market prices, if available. Information on investment securities classified by holding purpose is described in “Note 7. Securities.”

Liabilities

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

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

(4) Bonds

The fair value equals quoted market prices.

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

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

(6) Lease obligations

The fair value of lease obligations is based on the present value of the total amount of payments discounted by the interest rates that would presumably apply to similar lease contract.

Derivative transactions

Contract amounts and estimated fair value are described in “Note 8. Derivatives”

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

	As of March 31,					
	2013 Carrying amount		2012 Carrying amount		**2013** Carrying amount	
	(Millions of yen)				(Thousands of U.S. dollars)	
Unlisted equity securities and others	**¥**	**93**	¥	93	**$**	**995**

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

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

	As of March 31, 2013							
	Within 1 year		Over 1 year within 5 years		Over 5 years within 10 years		Over 10 years	
	(Millions of yen)							
Cash and deposits	**¥**	**12,079**	**¥**	**—**	**¥**	**—**	**¥**	**—**
Notes and accounts receivable-trade		**31,945**		**—**		**—**		**—**
Investment securities								
Other securities with maturities		**—**		**10**		**—**		**—**
Total	**¥**	**44,025**	**¥**	**10**	**¥**	**—**	**¥**	**—**

	As of March 31, 2013							
	Within 1 year		Over 1 year within 5 years		Over 5 years within 10 years		Over 10 years	
	(Thousands of U.S. dollars)							
Cash and deposits	**$**	**128,420**	**$**	**—**	**$**	**—**	**$**	**—**
Notes and accounts receivable-trade		**339,631**		**—**		**—**		**—**
Investment securities								
Other securities with maturities		**—**		**94**		**—**		**—**
Total	**$**	**468,051**	**$**	**94**	**$**	**—**	**$**	**—**

	As of March 31, 2012							
	Within 1 year		Over 1 year within 5 years		Over 5 years within 10 years		Over 10 years	
	(Millions of yen)							
Cash and deposits	¥	9,901	¥	—	¥	—	¥	—
Notes and accounts receivable-trade		29,989		—		—		—
Investment securities								
Other securities with maturities		—		10		—		—
Total	¥	39,891	¥	10	¥	—	¥	—

Note 4: The redemption schedule for bonds and long-term debt with maturities subsequent to the consolidated closing date

	As of March 31, 2013					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
	(Millions of yen)					
Short-term bank loans	¥ 14,805	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	13,000	—	—	—	—	—
Bonds	20,000	—	4,100	5,900	—	—
Long-term debt (except for bonds)	—	2,500	10,000	—	—	—
Lease obligations	1,238	1,151	1,094	801	109	0
Total	¥ 49,043	¥ 3,651	¥ 15,194	¥ 6,701	¥ 109	¥ 0

	As of March 31, 2013					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
	(Thousands of U.S. dollars)					
Short-term bank loans	$157,400	$ —	$ —	$ —	$ —	$ —
Commercial paper	138,209	—	—	—	—	—
Bonds	212,630	—	43,589	62,725	—	—
Long-term debt (except for bonds)	—	26,578	106,315	—	—	—
Lease obligations	13,164	12,240	11,636	8,518	1,160	10
Total	$521,404	$ 38,818	$161,540	$ 71,244	$ 1,160	$ 10

	As of March 31, 2012					
	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
	(Millions of yen)					
Short-term bank loans	¥ 23,746	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	14,500	—	—	—	—	—
Bonds	—	20,000	—	—	—	—
Long-term debt (except for bonds)	—	6	7,500	—	—	—
Lease obligations	1,044	956	863	821	559	0
Total	¥ 39,290	¥ 20,963	¥ 8,363	¥ 821	¥ 559	¥ 0

7. Securities

As of March 31, 2013

(1) Other securities

Marketable securities classified as other securities at March 31, 2013 are summarized as follows:

	As of March 31, 2013					
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Carrying amount	Acquisition cost	Net unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Securities whose carrying amount exceeds their acquisition cost:						
Equity securities	¥ 1,017	¥ 705	¥ 312	$ 10,819	$ 7,497	$ 3,321
Securities whose acquisition cost exceeds their carrying amount:						
Equity securities	658	751	(93)	6,996	7,993	(997)
	¥ 1,675	¥ 1,457	¥ 218	$ 17,815	$ 15,490	$ 2,324

(2) Impairment of other securities

Impairment losses on securities classified as other securities for the year ended March 31, 2013 amounted to ¥47 million ($506 thousand).

As of March 31, 2012

(1) Other securities

Marketable securities classified as other securities at March 31, 2012 are summarized as follows:

	As of March 31, 2012		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying amount exceeds their acquisition cost:			
Equity securities	¥ 470	¥ 259	¥ 211
Securities whose acquisition cost exceeds their carrying amount:			
Equity securities	1,057	1,244	(187)
	¥ 1,528	¥ 1,504	¥ 23

8. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's open derivatives positions at March 31, 2013 and 2012, for which deferral hedge accounting has not been applied:

	2013		2012		2013	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
	(Millions of yen)				(Thousands of U.S. dollars)	
Forward foreign exchange contracts:						
Sell U.S. dollars	**¥ 8,867**	**¥ 1,190**	¥ 7,158	¥ (310)	**$ 94,277**	**$ 12,654**

9. Inventories

Inventories at March 31, 2013 and 2012 were as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	**¥ 11,735**	¥ 11,391	**$ 124,767**
Work in process	**21,090**	18,269	**224,229**
Raw materials and supplies	**11,140**	10,855	**118,445**
	¥ 43,967	¥ 40,516	**$ 467,441**

The book values of inventories were written down to reflect the decline in profitability by ¥570 million ($6,063 thousand) for the year ended March 31, 2013 and ¥554 million for the year ended March 31, 2012. The inventory write-downs were included in "Cost of sales."

10. Short-Term Borrowings and Long-Term Debt

Short-term bank loans generally represent notes and overdraft. The related weighted average interest rates at March 31, 2013 and 2012 were approximately 0.92% and 0.88%, respectively. The weighted average interest rate applicable to the current portion of long-term debt (excluding lease obligations) was approximately 2.25% at March 31, 2012. The weighted average interest rates applicable to commercial paper at March 31, 2013 and 2012 were approximately 0.29% and 0.28%, respectively. The weighted average interest rates applicable to current portion of lease obligations at March 31, 2013 and 2012 were approximately 1.85% and 1.79%, respectively.

Long-term debt at March 31, 2013 and 2012 is summarized as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Loans payable in yen with a weighted average rate of 0.99% at March 31, 2013 and 1.38% at March 31, 2012	¥ 12,500	¥ 12,531	$ 132,893
1.66% bonds due 2013	20,000	20,000	212,630
1.80% bonds due 2015	4,100	—	43,589
0.60% bonds due 2017	5,900	—	62,725
Lease obligations with a weighted average rate of 1.82% at March 31, 2013 and 1.80% at March 31, 2012	4,395	4,246	46,729
	46,895	36,777	498,569
Less current portion	(1,238)	(6,069)	(13,164)
	¥ 45,657	¥ 30,708	$ 485,404

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.

At March 31, 2013 and 2012, the assets pledged as collateral for short-term bank loans and long-term debts were as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Land	¥ 638	¥ 943	$ 6,785
Buildings	2,672	2,509	28,413
Other assets	8	—	85
	¥ 3,318	¥ 3,453	$ 35,284

At March 31, 2013 and 2012, short-term bank loans and long-term debt secured by collateral were as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Short-term bank loans and current portion of long-term debt	¥ 69	¥ 5,025	$ 739
Long-term debt	5,000	6	53,157
	¥ 5,069	¥ 5,031	$ 53,896

11. Lines of Credit

The Company and certain overseas subsidiaries have committed line-of-credit agreements and have entered into overdraft agreements with certain financial institutions in order to raise operating funds efficiently. The balances of credit available at March 31, 2013 and 2012 are summarized as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Total committed lines of credit and overdraft	¥ 37,521	¥ 38,860	$ 398,907
Outstanding balance	7,169	12,676	76,220
Remaining balance	¥ 30,351	¥ 26,183	$ 322,686

12. Selling, General and Administrative Expenses

The principal components of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 are summarized as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and bonuses	¥ 9,453	¥ 9,252	$ 100,499
Packing and shipping expenses	638	679	6,792
Outside services	1,593	1,725	16,946
Retirement benefit expenses	594	559	6,321
Provision for doubtful receivables	5	11	61
Provision for directors' retirement benefits	5	7	62

13. Gain on Sales of Fixed Assets

Gain on sales of fixed assets for the years ended March 31, 2013 and 2012 primarily resulted from the sales of machinery and equipment in the amounts of ¥242 million ($2,576 thousand) and ¥3 million, respectively.

14. Impairment Loss on Fixed Assets

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

Impairment losses were recognized on the following asset group for the year ended March 31, 2013.

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

The PM business recognized net operating loss for the year ended March 31, 2013 due to a steady decline in sales of consumer products such as TVs, and future cash flows from this business segment cannot be expected. As a result, the PM business recognized impairment losses of ¥88 million ($937 thousand) on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

Impairment losses were recognized on the following asset group for the year ended March 31, 2012.

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

The PM business recognized net operating loss for the year ended March 31, 2012 due to a decrease in sales volume associated with declining demand in TV markets, and future cash flows from this business segment cannot be expected. As a result, the PM business recognized impairment losses of ¥98 million on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

15. Loss on Natural Disaster

Loss on natural disaster for the year ended March 31, 2012 relates to the Great East Japan Earthquake, and consists of the following costs.

	2012
	(Millions of yen)
Fixed costs during the shutdown period of operations	¥ 205
Repair costs	30
Other costs	55
Total	¥ 290

16. Reclassification Adjustments and Tax Effect Relating to Other Comprehensive Income

Reclassification Adjustments and tax effect relating to other comprehensive income for the years ended March 31, 2013 and 2012 are summarized as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Net unrealized gain (loss) on securities			
Change during the year	¥ 147	¥ (333)	$ 1,564
Reclassification adjustments	47	—	506
Amount before tax effect	194	(333)	2,070
Tax effect	(68)	136	(732)
Net unrealized gain (loss) on securities	¥ 125	¥ (197)	$ 1,337
Translation adjustments			
Change during the year	¥ 4,514	¥ (47)	$ 47,999
Translation adjustments	¥ 4,514	¥ (47)	$ 47,999
Total other comprehensive income (loss)	¥ 4,640	¥ (245)	$ 49,337

17. Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2013 and 2012 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation	¥ (26,305)	¥ (28,346)	$ (279,671)
Plan assets at fair value	21,434	18,861	227,885
Unfunded retirement benefit obligation	(4,871)	(9,484)	(51,786)
Unrecognized actuarial loss	2,584	6,492	27,474
Unrecognized prior service cost	(2,841)	(1,070)	(30,206)
Net retirement benefit obligation	(5,127)	(4,062)	(54,518)
Prepaid pension cost	0	10	9
Accrued retirement benefits	¥ (5,128)	¥ (4,073)	$ (54,528)

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,519	¥ 1,388	$ 16,149
Interest cost	479	574	5,093
Expected return on plan assets	(57)	(37)	(613)
Amortization of actuarial loss	969	945	10,302
Amortization of prior service cost	(176)	(189)	(1,875)
Total	¥ 2,733	¥ 2,680	$ 29,057

For the years ended March 31, 2013 and 2012, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥406 million ($4,319 thousand) and ¥365 million, respectively.

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

	2013		2012	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	**1.5%**	**4.0% – 6.0%**	1.5% – 2.0%	4.0% – 7.0%
Expected rates of return on plan assets	**0.0%**	**4.0% – 9.0%**	0.0%	4.0% – 9.5%

(Additional Information)

The Company and its domestic subsidiaries had applied a discount rate of 2.0% for the year ended March 31, 2011, however, as a result of reconsidering the discount rate at March 31, 2012, the Company and certain domestic subsidiaries revised discount rates to 1.5% for the year ended March 31, 2012 because the variation in the discount rate associated with lower market interest rates had a significant effect on the amount of projected benefit obligation.

Effective April 1, 2013, the Company and certain domestic subsidiaries changed the content of their funded defined benefit pension plans to cash balance plan. In connection with this change, the Company and these domestic subsidiaries have adopted "Accounting Treatment for Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1 issued on January 31, 2002) and "Practical Solution on Accounting Treatment for Transfer between Retirement Benefit Plans" (ASBJ Practical Issues Task Force (PITF) No.2 issued on March 29, 2002). Consequently, the projected benefit obligation decreased by ¥1,930 million ($20,518 thousand) and the same amount of prior service cost was incurred.

18. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 37.8% and 40.4% for the years ended March 31, 2013 and 2012, respectively.

The reconciliation between the effective tax rates reflected in the consolidated statements of operations and effective statutory tax rate for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Effective statutory tax rate	**37.8%**	40.4%
Effect of:		
Non – deductible expenses for income tax purposes	**8.1**	2.0
Non – taxable dividend income	**(14.7)**	(12.1)
Inhabitants' per capita taxes	**0.7**	0.8
Foreign tax rate difference	**30.7**	(28.1)
Changes in valuation allowance	**(15.6)**	79.6
Other, net	**(1.6)**	(0.0)
Effective tax rates	**45.4%**	82.6%

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective for fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.4% to 37.8% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and from 40.4% to 35.4% for temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. The effect of the announced reduction of the effective statutory tax rate was not material as of and for the year ended March 31, 2012.

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Net operating loss carryforwards	¥ 14,842	¥ 14,102	$ 157,793
Accrued retirement benefits	1,803	1,512	19,172
Inventories	2,180	2,050	23,181
Accrued bonuses	666	553	7,083
Net unrealized holding gain	527	362	5,610
Tax credit carryforwards	1,035	2,118	11,007
Impairment losses	824	1,384	8,761
Other	1,881	1,474	20,001
Gross deferred tax assets	23,760	23,560	252,611
Valuation allowance	(21,562)	(22,033)	(229,240)
Total deferred tax assets	2,198	1,527	23,371
Deferred tax liabilities:			
Fixed assets	(1,306)	(1,106)	(13,889)
Reserve for special depreciation	(28)	(56)	(299)
Net unrealized gains on securities	(77)	(8)	(822)
Other	(247)	(143)	(2,631)
Total deferred tax liabilities	(1,659)	(1,315)	(17,643)
Net deferred tax assets	¥ 538	¥ 211	$ 5,728

Note: Net deferred tax assets as of March 31, 2013 and 2012 are reflected in the following accounts in the consolidated balance sheet:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Current assets - deferred tax assets	¥ 1,210	¥ 391	$ 12,869
Investments and other assets - deferred tax assets	196	176	2,090
Current liabilities - deferred tax liabilities	(0)	(0)	(0)
Long-term liabilities - deferred tax liabilities	(868)	(356)	(9,231)

19. Shareholders' Equity

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

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

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

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

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

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

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

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

At the annual shareholders' meeting held on June 21, 2013, the shareholders resolved cash dividends amounting to ¥727 million ($7,739 thousand) by using capital surplus. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013 and are recognized in the period in which they are resolved.

At the annual shareholders' meeting held on June 22, 2012, the shareholders resolved cash dividends amounting to ¥363 million by using capital surplus.

20. Research and Development Expenses

Research and development expenses for the years ended March 31, 2013 and 2012 were ¥12,023 million ($127,830 thousand) and ¥11,532 million, respectively.

21. 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, 2013 and 2012, 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:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs	¥ 58	¥ 354	$ 617
Accumulated depreciation	37	304	399
Accumulated impairment losses	0	0	0
Net book value	¥ 20	¥ 49	$ 218

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, 2013 and 2012 and future minimum lease payments subsequent to March 31, 2013 and 2012 are summarized as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Lease expenses	¥ 89	¥ 107	$ 948
Future minimum lease payments:			
Within 1 year	¥ 11	¥ 33	$ 126
Over 1 year	8	16	91
	¥ 20	¥ 50	$ 218

Future minimum lease payments subsequent to March 31, 2013 and 2012 for noncancellable operating leases are as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Due in 1 year or less	¥ 450	¥ 378	$ 4,788
Due after 1 year	2,033	1,711	21,619
	¥ 2,483	¥ 2,090	$ 26,407

22. Segment Information

a. Outline of reportable segments

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

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

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

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

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

As discussed in “Note 2. Accounting Changes”, the Company and its domestic consolidated subsidiaries changed their depreciation method. As a result of this change, segment profit of Semiconductor Device Business and Power System Business increased by ¥1,158 million ($12,318 thousand) and ¥28 million ($306 thousand), segment loss of CCFL Business, Power Module Business and Adjustments reduced by ¥6 million ($74 thousand), ¥7 million ($76 thousand) and ¥4 million ($46 thousand) for the year ended March 31, 2013, respectively.

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

As of and for the year ended March 31, 2013	Reportable segments: Semiconductor Devices Business	CCFL Business	Power Module Business	Power System Business	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales:							
(1) Sales to customers ...	¥ 95,692	¥ 880	¥ 14,295	¥ 15,517	¥ 126,386	¥ —	¥ 126,386
(2) Intersegment sales and transfers	1,253	—	881	0	2,135	(2,135)	—
Total sales	96,946	880	15,176	15,517	128,521	(2,135)	126,386
Segment income (loss) ...	¥ 7,990	¥ (1,316)	¥ (1,038)	¥ 1,078	¥ 6,714	¥ (2,089)	¥ 4,625
Segment assets...........	¥ 108,329	¥ 3,753	¥ 14,714	¥ 10,046	¥ 136,843	¥ 11,673	¥ 148,517
Others:							
Depreciation and amortization	6,667	72	65	92	6,898	253	7,151
Impairment losses	—	—	88	—	88	—	88
Increase in property, plant, equipment and intangible assets ...	7,951	15	143	89	8,200	808	9,008

As of and for the year ended March 31, 2013	Reportable segments: Semiconductor Devices Business	CCFL Business	Power Module Business	Power System Business	Total	Adjustments	Consolidated
	(Thousands of U.S. dollars)						
Sales:							
(1) Sales to customers ...	$1,017,360	$ 9,364	$ 151,981	$ 164,969	$1,343,676	$ —	$1,343,676
(2) Intersegment sales and transfers	13,328	—	9,368	9	22,705	(22,705)	—
Total sales	1,030,689	9,364	161,350	164,978	1,366,382	(22,705)	1,343,676
Segment income (loss) ...	$ 84,952	$ (13,997)	$ (11,036)	$ 11,470	$ 71,388	$ (22,212)	$ 49,175
Segment assets...........	$1,151,702	$ 39,908	$ 156,435	$ 106,808	$1,454,855	$ 124,110	$1,578,966
Others:							
Depreciation and amortization	70,887	766	698	983	73,336	2,693	76,030
Impairment losses	—	—	937	—	937	—	937
Increase in property, plant, equipment and intangible assets ...	84,531	168	1,528	953	87,181	8,594	95,776

Notes:
1. Adjustments for segment income (loss) of ¥(2,089) million ($(22,212) thousand) include corporate expenses. They are mainly general and administrative expenses, which are not allocable to the reportable segments.
2. Adjustments for segment assets of ¥11,673 million ($124,110 thousand) include corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly surplus operating capital (cash and deposits), long-term investments (investment securities) and assets related to administrative departments of the Company.
3. Adjustments for depreciation and amortization of ¥253 million ($2,693 thousand) are mainly administrative expenses.
4. Adjustments for increase in property, plant, equipment and intangible assets of ¥808 million ($8,594 thousand) are assets related to administrative departments of the Company.

As of and for the year ended March 31, 2012	Reportable segments: Semiconductor Devices Business	CCFL Business	Power Module Business	Power System Business	Total	Adjustments	Consolidated
	(Millions of yen)						
Sales:							
(1) Sales to customers	¥ 95,295	¥ 1,966	¥ 18,022	¥ 16,518	¥ 131,803	¥ —	¥ 131,803
(2) Intersegment sales and transfers	1,403	—	531	0	1,935	(1,935)	—
Total sales	96,698	1,966	18,554	16,519	133,738	(1,935)	131,803
Segment income (loss)	¥ 6,827	¥ (1,575)	¥ (1,034)	¥ 1,782	¥ 6,000	¥ (1,951)	¥ 4,048
Segment assets	¥ 94,402	¥ 5,728	¥ 14,667	¥ 9,017	¥ 123,817	¥ 12,312	¥ 136,130
Others:							
Depreciation and amortization	7,870	96	69	144	8,181	285	8,467
Impairment losses	—	—	98	—	98	—	98
Increase in property, plant, equipment and intangible assets	12,341	56	138	85	12,621	264	12,885

Notes:

1. Adjustments for segment income (loss) of ¥(1,951) million include corporate expenses. They are mainly general and administrative expenses, which are not allocable to the reportable segments.
2. Adjustments for segment assets of ¥12,312 million include corporate assets, which are not allocable to the reportable segments. The corporate assets are mainly surplus operating capital (cash and deposits), long-term investments (investment securities) and assets related to administrative departments of the Company.
3. Adjustments for depreciation and amortization of ¥285 million are mainly administrative expenses.
4. Adjustments for increase in property, plant, equipment and intangible assets of ¥264 million are assets related to administrative departments of the Company.

d. Related information

Information about geographical area

As of and for the year ended March 31, 2013

(1) Sales

Japan	Asia	North America	Europe	Others	Total
(Millions of yen)					
¥ 60,562	¥ 41,293	¥ 13,689	¥ 10,839	¥ 1	¥ 126,386
(Thousands of U.S. dollars)					
$ 643,869	$ 439,014	$ 145,538	$ 115,235	$ 19	$ 1,343,676

(2) Property, plant and equipment

Japan	North America	Asia	Others	Total
(Millions of yen)				
¥ 26,811	¥ 19,287	¥ 4,493	¥ 352	¥ 50,945
(Thousands of U.S. dollars)				
$ 285,046	$ 205,057	$ 47,772	$ 3,746	$ 541,622

As of and for the year ended March 31, 2012

(1) Sales

Japan		Asia		North America		Europe		Others		Total	
(Millions of yen)											
¥	61,976	¥	45,906	¥	12,613	¥	11,304	¥	1	¥	131,803

(2) Property, plant and equipment

Japan		North America		Asia		Others		Total	
(Millions of yen)									
¥	27,499	¥	16,357	¥	3,104	¥	340	¥	47,301

23. Amounts per Share

Amounts per share as of and for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012	2013
	(Yen)		(U.S. dollars)
Net income – basic	¥ 18.73	¥ 3.60	$ 0.19
Net assets	322.92	272.21	3.43

Diluted net income per share for the years ended March 31, 2013 and 2012 are not disclosed as there were no dilutive shares.

Net income per share was calculated on the following basis:

	2013	2012	2013
	(Millions of yen, except number of shares)		(Thousands of U.S. dollars, except number of shares)
Net income	¥ 2,272	¥ 436	$ 24,165
Amounts not available to shareholders of common stock	—	—	—
Net income attributable to shareholders of common stock	2,272	436	24,165
Average number of shares outstanding during the year (Thousands of shares)	121,323	121,342	—

Net assets per share were calculated on the following basis:

	2013	2012	2013
	(Millions of yen, except number of shares)		(Thousands of U.S. dollars, except number of shares)
Net assets	¥ 39,436	¥ 33,293	$ 419,266
Amounts deducted from net assets:	262	265	2,785
Stock acquisition rights	—	—	—
Minority interests	(262)	(265)	(2,785)
Net assets attributable to shareholders	39,174	33,027	416,481
Number of shares outstanding at the end of the year (Thousands of shares)	121,313	121,329	—

24. Significant Subsequent Events

The Company decided to issue unsecured straight corporate bonds on June 7, 2013 based on the terms and conditions of the issuance resolved at a meeting of the Board of Directors held on March 26, 2013. The bonds were issued on June 17, 2013. Details are as follows:

7th series of unsecured straight bonds

1. Total issue amount: ¥10,000 million ($106,315 thousand)
2. Issue price: ¥100 ($1.06) per face value of ¥100 ($1.06)
3. Interest rate: 1.81% per annum
4. Payment date: June 17, 2013
5. Maturity date: June 17, 2016
6. Use of proceeds: To be appropriated as funds to repay commercial paper

Independent Auditor's Report

The Board of Directors
Sanken Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Sanken Electric Co., Ltd. and consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter
We draw attention to Note 2 to the consolidated financial statements, which describes Sanken Electric Co., Ltd. and its domestic consolidated subsidiaries have changed their depreciation method of property, plant and equipment (excluding leased assets) from declining-balance method to straight-line method effective April 1,2012.

Our opinion is not qualified in respect of this matter.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 21, 2013
Tokyo, Japan

Board of Directors

As of June 21, 2013

Directors and Auditors

Director, President	Sadatoshi Iijima
Directors	Takashi Wada Masao Hoshino Akira Ota Kazunori Suzuki Yoshihiro Suzuki
Standing Statutory Auditor	Tatsuo Okino
Statutory Auditors	Hideki Kagaya Mikihiko Wada Hitoshi Takeda

Corporate Officers

Executive Vice President	Takashi Wada
Senior Vice Presidents	Masao Hoshino Akira Ota
Senior Corporate Officers	Kinji Kudo Mitsuo Ueki Yoshihiro Suzuki Kouichi Shimura Kazunori Suzuki
Corporate Officers	Masahiro Sasaki Youkou Suzuki Yukiyasu Taniyama Kiyoshi Murakami Shigeru Ito Hiroyuki Ouchi Takeshi Soroji Kiyonori Orito Hideki Nakamichi

Investor Information

As of March 31, 2013

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	10,427
Common stock	Authorized : 257,000,000 shares Issued : 125,490,302 shares
Shareholders	15,542

Distribution by type of shareholders		
	Financial Institutions	34.61%
	Individuals	32.26%
	Foreigners	23.25%
	Other	9.88%
Distribution by number of shares owned		
	1,000,000 or more	41.54%
	100,000 or more	23.84%
	10,000 or more	13.29%
	Less than 10,000	21.33%

Principal Shareholders

Shareholders	Number of shares held (in thousands)	Percentage of voting rights
The Master Trust Bank of Japan,Ltd. (Trust Account)	11,516	9.17%
Japan Trustee Services Bank, Ltd. (Trust Account)	7,101	5.65%
Saitama Resona Bank, Limited	6,011	4.79%
The Chase Manhattan Bank N.A. London Secs Lending Omnibus Account	3,112	2.48%
Juniper	3,045	2.42%
Evergreen	2,732	2.17%
International Rectifier Corporation	2,500	1.99%
Northern Trust Co. (AVFC) Sub A/C British Clients	2,231	1.77%
Cedar	1,796	1.43%
The Hachijuni Bank, Ltd.	1,556	1.24%

Note : The Company holds 4,177,195 (3.32%) 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
The 5th unsecured bonds	December 14, 2012	4,100,000,000
The 6th unsecured bonds	March 25, 2013	5,900,000,000

Sanken Electric Co., Ltd.
3-6-3, Kitano, Niiza-shi, Saitama-ken 352-8666, Japan
Tel : 81-48-472-1111
Fax: 81-48-471-6249
http://www.sanken-ele.co.jp/en/

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