

*Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.*



Securities Code: 6707
June 1, 2018

To Those Shareholders with Voting Rights

Takashi Wada
President
Sanken Electric Co., Ltd.
6-3, Kitano 3-chome, Niiza-shi,
Saitama Prefecture

NOTICE OF CONVOCATION OF THE 101ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 101st Ordinary General Meeting of Shareholders. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by mail or via the Internet through either of the methods described on the next page. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m., Thursday, June 21, 2018.

Notice

- 1. Date and Time:** 10:00 a.m., Friday, June 22, 2018
- 2. Place:** The Company's Head Office
6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture

3. Agenda of the Meeting:

- Matters to be reported:**
1. The Business Report, the Consolidated Financial Statements and results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board for the 101st Fiscal Term (from April 1, 2017 to March 31, 2018)
 2. The Non-Consolidated Financial Statements for the 101st Fiscal Term (from April 1, 2017 to March 31, 2018)

Proposals to be resolved:

- Proposal No. 1:** Appropriations of Surplus
Proposal No. 2: Consolidation of the Company's Shares
Proposal No. 3: Election of Eight Directors
Proposal No. 4: Election of One Audit and Supervisory Board Member

- If the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders are amended, the amended items will be disclosed on our website (<http://www.sanken-ele.co.jp/>).
- We provide our shareholders with the CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, the NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS by disclosing them on our website stated above in accordance with laws and regulations and the provisions of the Articles of Incorporation of the Company. Please note that the documents disclosed on our website formed part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Board Members and Accounting Auditor during the preparation of the Audit Reports.

Method for Exercising Your Voting Rights

Voting rights for the General Meeting of Shareholders are valuable rights for the shareholders. Please review the Reference Documents for the General Meeting of Shareholders (Pages 28 to 35) and exercise your voting rights.



- *In case you attend the meeting in person:*

Please present the enclosed Voting Rights Exercise Form to the receptionist.

Please note that proxies who are not shareholders, persons accompanying shareholders, and any other persons with no voting rights are not allowed to enter the place of the General Meeting of Shareholders. For the purpose of resource saving, you are also requested to bring this Notice as a meeting material when you attend the meeting.



- *In case you vote in writing by postal mail:*

Please return the Voting Rights Exercise Form with your vote by postal mail. The completed form must reach us by the deadline as below:

Deadline: 5:00 p.m., Thursday, June 21, 2018



- *In case you vote from your PC or Smartphone:*

When using your Smartphone, you can exercise your voting rights by referring to the enclosed leaflet “Exercise by Smartphones” and then scanning the “QR Code for Log-in to the Website for the Exercise of Voting Rights for Smartphones” noted on the Voting Rights Exercise Form.

(The QR Code is a registered trademark of DENSO WAVE INCORPORATED.)

When using your PC, you can exercise your voting rights by accessing the website for the exercise of voting rights. For details, please refer to the guide on page 36.

(Website address for the exercise of voting rights: <https://www.web54.net>)

Deadline: 5:00 p.m., Thursday, June 21, 2018

If you exercise your voting rights by two different methods, that is, via the Internet as well as by postal mail, the votes via the Internet shall be deemed to be valid. If you exercise your voting rights via the Internet more than once, your final votes shall be deemed to be valid.

For Institutional Investors:

The Electronic Voting Platform for Institutional Investors operated by Investor Communications Japan Inc. is available for Institutional Investors that have applied to use such platform in advance.

BUSINESS REPORT

(from April 1, 2017 to March 31, 2018)

1. Current Status of the Company

(1) Review of Operations

Economic conditions remained on a moderate recovery trend as a whole during the current consolidated fiscal year. The US economy and the European economy continued to recover, and the Chinese government kept policy controls in place to bring China's economy to a soft landing. The Japanese economy continued on a moderate recovery track as well, amid consistently improved corporate earnings. In the electronics industry in which the Company operates, the industrial machinery market remained strong buoyed by a rise in capital investment, and the white goods market also progressed steadily thanks to the development of the energy-saving trend, in spite of sluggish sales in the AV and OA markets. Steady performance was also maintained in the automotive market, mainly due to the progress of electrification and the prevalence of environmentally friendly vehicles. These factors increased demand for power semiconductors globally.

Under these circumstances, the Company maintained a basic policy for the current consolidated fiscal year for realizing growth by stressing activities to "Focus on growing markets" and "Enhance financial performance." Under the policy, we strove to expand sales of new products in the globally growing key strategic markets related to the environment and energy saving. At the same time, the Group has focused on measures to improve our earnings structure drastically by implementing restructuring initiatives such as its withdrawal from the power module business, removal of unprofitable products in the semiconductor devices business, and reduction in fixed expenses at the headquarters.

For the business results of the consolidated fiscal year, consolidated net sales were ¥175,209 million, an increase of ¥16,437 million (10.4%) compared to the previous fiscal year. These results were a consequence of favorable sales of products for white goods and automotive products mainly in overseas markets in the semiconductor devices segment. For income, we recorded consolidated operating profit of ¥12,026 million, an increase of ¥6,096 million (102.8%) compared to the previous fiscal year, mainly due to increased net sales, improved profitability attributable to sales controls of unprofitable products in the power module business, and the exchange rate influence of the weaker yen compared to the previous fiscal year. Consolidated ordinary profit increased by ¥6,781 million (134.9%) to ¥11,808 million. However, we were forced to record a loss attributable to owners of parent of ¥11,421 million (profit attributable to owners of parent of ¥1,739 million in the previous year) due to the recording of extraordinary losses of ¥18,315 million resulting from the restructuring initiatives.

Overview of the Business Segments

Overview of business by segment is as follows. From the current consolidated fiscal year, the former power module business and power systems business are integrated into the power systems business, and reportable segments are changed into two segments, namely, the semiconductor devices segment and power systems segment. The following descriptions of financial performance for each reportable segment in comparison to the previous year are stated according to the segment after the change.

Semiconductor Device Business

In this segment, sales of products for white goods such as air conditioners and washing machines and sales of automotive products continued to increase, and sales of products for industrial machinery also remained favorable. As a result, consolidated net sales for this segment were ¥143,836 million, an increase of ¥14,513 million (11.2%) as compared to the previous fiscal year. For income, consolidated operating profit was ¥14,236 million, an increase of ¥4,985 million (53.9%) as compared to the previous year, resulting from increased net sales.

Power Systems

In this segment, sales of products for the AV and OA markets, including unprofitable adapters for TVs and small printers, decreased due to sales controls. Regarding products for social system, meanwhile, sales of products for mobile phone base stations in the telecommunication market recovered. As a result, consolidated net sales were ¥31,373 million, an increase of ¥1,923 million (6.5%) as compared to the previous fiscal year. For income, we recorded consolidated operating profit of ¥474 million (consolidated operating loss of ¥565 million in the previous fiscal year) due to increased net sales and an improved product mix, resulting in a turnaround to post profit.

Consolidated Sales by Segment

Category	100th Term (Year ended March 31, 2017)	Percentage of total	101st Term (Year ended March 31, 2018)	Percentage of total
Semiconductor Device Business	(millions of yen) 129,322	% 81.5	(millions of yen) 143,836	% 82.1
Power System Business	29,449	18.5	31,373	17.9
Total	158,772	100.0	175,209	100.0

(2) Capital Investment

Capital investment of the current consolidated fiscal year amounted to 16,571 million yen. This mainly consisted of investment for the purpose of expanding the semiconductor device production capacity and others of domestic and overseas subsidiaries such as Allegro MicroSystems, LLC, Ishikawa Sanken Co., Ltd., and Polar Semiconductor, LLC.

(3) Financing

Sanken North America, Inc., a consolidated subsidiary of the Company, issued new shares through a private placement and received a payment of \$291 million (¥32,807 million) from One Equity Partners, effective on October 3, 2017.

(4) Tasks to be addressed

In the “2015 Mid-term Business Plan,” the former medium-term business plan (plan period: April 2015 through March 2018, the “2015 Plan”), the Company achieved favorable results such as the sustainable growth of automotive products at US subsidiaries and significantly increased sales of products for overseas white goods. Nevertheless, negative factors remained, such as delays in launching high-value-added products in strategic markets, opportunity loss from the mismatch between the Company’s production capacity for semiconductor chips and the growing demand for products for white goods with numerous built-in semiconductor chips, sluggish sales of power system products resulting from poor penetration in the new energy market, and delay in cost improvement of existing products. As a result, we failed to achieve the planned targets set in the last year of the 2015 Plan.

Considering the abovementioned level of progress of the 2015 Plan and challenging financial conditions, the Company decided to carry out a drastic restructuring of its business in the current consolidated fiscal year, the last year of the 2015 Plan. This restructuring of business aimed to realize enhanced corporate value in the medium- to long-term by facilitating improvements in the corporate culture and accelerating the promotion of growth strategies. Specifically, we implemented measures such as withdrawal from the power modules business, withdrawal from non-strategic markets in the semiconductor devices business and disposal of related inventories, reduction in fixed expenses by rationalizing the number of employees at the Head Office, and acceleration of the growth strategies in US subsidiaries that hold important positions in the consolidated business results. Extraordinary losses arose as a result of the restructuring of business, eventually forcing us to record net loss for the current year. However, operating income and ordinary income significantly increased as compared to the previous fiscal year, backed by increased sales and the effects of restructuring. ROE (return on equity) calculated by excluding extraordinary losses attributable to the restructuring increased to over 10%, which we count as an improvement in financial conditions. Thus, results from the restructuring have appeared in the first year of implementation. We believe that the restructuring was an indispensable managerial measure for the profit structure reform and will lead to the realization of our growth strategies in the future.

Under these circumstances, the Company Group drew up the “2018 Mid-term Business Plan” (the “2018 Plan”) to realize further growth, and launched the 2018 Plan on April 1 of this year. The 2018 Plan sets the long-term objective of becoming “a highly profitable company that maintains growth through unique technologies, human resources, and organizations,” and organizes the businesses into the three business sectors of “power semiconductors,” “power management,” and “power electronics.” As long-term management goals, we will aim to achieve net sales of ¥330 billion and an operating income ratio of 15% or more after ten years. The numerical goals of the final year of the 2018 Plan, the first steps toward achieving the above goals after ten years, were set as net sales of ¥200 billion and an operating income ratio of 10%.

In order to achieve these goals, the Company Group will take the following initiatives.

- 1) In implementing the growth strategies in the 2018 Plan, we will position digital power supply ICs, Evs, and modules and next-generation sensors as newly driving forces and areas of focus. In addition, we will shift to a business unit structure for each product with the aim of strengthening our product development

capabilities and shortening development speed. We will also assign a responsible person for each market in order to horizontally cross the above-mentioned organizational structure. Through these efforts, we will establish a system with clearly defined responsibilities on a product-and-market matrix.

- 2) Allegro MicroSystems, Inc., a US subsidiary that plays a leading role in our business in Europe and North America, will strive to increase sales of products such as speed sensors, voltaic sensors, linear sensors, and motor control ICs in the industrial machinery and consumer product market in addition to the existing automotive market. The subsidiary will also accelerate the development of next-generation sensors with the aim of contributing to the consolidated business results in an early stage.
- 3) In the semiconductor devices segment of the Company on a non-consolidated basis, we will focus on markets such as white goods, automotive and industrial machinery, and consumer products.
 - * In the white goods market, the growing adoption of inverters and DC focused on energy savings, noise-reduction and space saving is expected to accelerate, while the automotive market is expected to see progress in electrification, improved safety, and high efficiency. In the industrial machinery and consumer product market, the market for digital power supply ICs with built-in telecommunication functions or extreme-efficiency performance is expected to rapidly grow. We will focus on the development of products for these markets and increase sales by entering new applications and expanding sales of our existing products.
 - * As a measure to strengthen development capabilities, we will recruit excellent design engineers from the world, establish and develop design centers globally as bases where these engineers work, and accelerate the speed of new technology development. Through these initiatives, we will launch competitive new products in the markets in a timely manner and thereby support the implementation of the above market strategies.
- 4) For the power systems segment, we will focus on growing markets such as industrial machinery, consumer products, and products for overseas sales, while endeavoring to increase sales in the market for automotive products.
 - * In the industrial machinery and consumer product markets, we will increase sales of UPS (uninterruptible power supply units) for outdoor installation type in IoT, an area now focused on the downsizing and decentralization of power supply units, and promote the provision of ESS (energy storage systems) to VPPs (virtual power plants) in the liberalizing market for electricity. Through these initiatives, we will aim to increase sales.
 - * With regard to overseas development, we will endeavor to increase sales by meeting the demand for stable power supplies generated by the increased rate of electrification in the ASEAN region, while responding to the needs of telecommunication infrastructure development. We will also expand sales of VVVF inverters for motor control in China, where energy-saving regulations are becoming stricter, and promote sales of UPS in cooperation with Indonesian companies while facilitating the overseas production and sales of in-vehicle boards. Through these initiatives, we will accelerate global development of the power systems segment as a whole.
- 5) We will establish the “Sanken Power-electronics Platform” (SPP) as a development concept common to both the semiconductor devices segment and the power systems segment. Under this concept, we will promote the reduction of man-hours spent on development through modularization and standardization, the advance selection and adoption of cost-efficient materials as common components, and the communization, automation, and flexible production of production lines. Through these initiatives, we will realize shortened development periods and reduced costs.

By implementing these measures, we will strive to improve business results and strengthen financial conditions through increased sales and improved profitability. In addition, we will endeavor to strengthen control by making maximum use of our internal information systems and focus on maintaining an optimal inventory balance. Furthermore, we have positioned work style reform as an important theme in the 2018 Plan and established a “Work Style Reform Promotion Headquarters” as a nucleus of activities across the company. We will henceforth promote three reforms, namely, “operational reforms” to improve productivity in daily operations, “system reforms” to achieve more flexible workplaces and working hours, and “mindset reforms” to better enable every employee to achieve results amidst these environmental changes. Through these steps, the Company Group will make concerted efforts throughout the Company Group toward becoming “a highly profitable company that maintains growth through unique technologies, human resources, and organizations” as a basic policy set under the 2018 Plan.

We greatly appreciate your ongoing support and encouragement.

(5) Business Results and Summary of Assets

Category		Fiscal term ended March 31, 2015 (98th Term)	Fiscal term ended March 31, 2016 (99th Term)	Fiscal term ended March 31, 2017 (100th Term)	Fiscal term ended March 31, 2018 (101st Term)
Net sales	(millions of yen)	160,724	155,919	158,772	175,209
Operating income	(millions of yen)	11,199	6,803	5,930	12,026
Ordinary income	(millions of yen)	10,334	3,791	5,026	11,808
Profit (loss) attributable to owners of parent	(millions of yen)	7,942	171	1,739	(11,421)
Net income (loss) per share	(yen)	65.50	1.41	14.35	(94.24)
Total assets	(millions of yen)	193,267	184,711	182,700	185,675
Net assets	(millions of yen)	63,021	53,959	54,736	72,283

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

(6) Principal Business of the Company

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

Segment	Products
Semiconductors	Power Modules, Power ICs, Control ICs, Hall-sensor, Transistors, Diodes, LEDs, LED lighting
Power Systems	Uninterruptible power supplies, General purpose inverters, DC power supplies, High-intensity airway beacon, Storage system, Power conditioner, Switching mode power supplies, Transformers

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

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

(ii) Subsidiaries

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

Notes: Sanken North America, Inc. changed its trade name to Allegro Microsystems, Inc. effective on April 2, 2018.

(8) Status of Principal Subsidiaries

Name	Common stock	Percentage of equity participation	Principal business
Ishikawa Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors
Yamagata Sanken Co., Ltd.	100 million yen	100.0%	Manufacture of semiconductors
Kashima Sanken Co., Ltd.	75 million yen	100.0%	Manufacture of semiconductors
Fukushima Sanken Co., Ltd.	50 million yen	100.0%	Manufacture and sale of semiconductors
Sanken Optoproducts Co., Ltd.	90 million yen	100.0%	Manufacture of semiconductors and Power System
Dalian Sanken Electric Co., Ltd.	66 million yuan	100.0%	Manufacture of semiconductors; manufacture and sale of Power System
Sanken North America, Inc.	105 thousand US dollars	67.2%	Development, manufacture, and sale of semiconductors
Allegro MicroSystems, LLC	63 million US dollars	* 67.2%	Development, manufacture, and sale of semiconductors
Polar Semiconductor, LLC	100 million US dollars	* 67.2%	Manufacture of semiconductors
P.T. Sanken Indonesia	21 million US dollars	100.0%	Manufacture and sale of Power System
Korea Sanken Co., Ltd.	759 million won	100.0%	Manufacture and sale of semiconductors
Sanken L.D. Electric (Jiangyin) Co., Ltd.	36 million yuan	60.0%	Manufacture and sale of Power System

- Notes: 1. Sanken North America, Inc. issued new shares through a private placement subscribed by One Equity Partners effective on October 3, 2017. As a result, the percentage of equity participation in Sanken North America, Inc. became 67.2%, and Sanken North America Inc. has a capital of US\$105 thousand.
2. Allegro MicroSystems, LLC and Polar Semiconductor, LLC are both wholly owned subsidiaries of Sanken North America, Inc., a subsidiary of the Company.
3. Asterisks (*) indicate indirect ownership through Sanken North America, Inc.
4. No specific wholly owned subsidiary exists as of the end of the current consolidated fiscal year.

(9) Employees

Number of employees	Year-on-year
9,725	-45

Note: The number of employees of the Company (non-consolidated) is 1,109. This is a decrease of 116 employees from the previous year. The decrease was mainly attributable to implementation of the special early separation program as a part of an overall restructuring program.

(10) Major Creditors

Creditors	Loan Outstanding
Resona Bank, Limited.	5,169 million yen
Development Bank of Japan Inc	5,000 million yen
Mizuho Bank, Ltd.	3,219 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,094 million yen
The Hachijuni Bank, Ltd.	2,318 million yen
Saitama Resona Bank, Limited	2,000 million yen

2. Shares of the Company

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

(2) Total number of shares issued 125,490,302
(The number includes 4,315,618 shares of treasury stock)

(3) Number of shareholders 9,716

(4) Major shareholders

Name	Capital contribution	
	Number of shares (thousands)	Percentage of Ownership
The Master Trust Bank of Japan, Limited (Trust Account)	10,168	8.39%
Japan Trustee Services Bank, Limited (Trust Account)	7,677	6.33%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	7,306	6.02%
Saitama Resona Bank, Limited	6,011	4.96%
STATE STREET BANK AND TRUST COMPANY 505253	4,491	3.70%
GOVERNMENT OF NORWAY	3,101	2.55%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	2,706	2.23%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,396	1.97%
Goldman Sachs International	2,294	1.89%
Japan Trustee Services Bank, Limited (Trust Account 5)	2,233	1.84%

Notes: 1. The Company holds 4,315,618 shares of treasury shares that are excluded from the major shareholders listed above.

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

3. Officers of the Company

(1) Directors and Audit and Supervisory Board Members

Position	Name	Assignment or significant concurrent office
Director, President	Takashi Wada	
Director	Masao Hoshino	Executive Vice President, Engineering Headquarters
Director	Yoshihiro Suzuki	Senior Vice President and General Manager, Global Business Strategy Office Chairman of the Board, Sanken North America, Inc.
Director	Kazunori Suzuki	Senior Vice President, Sales Headquarters
Director	Takeshi Soroji	Senior Corporate Officer, Production Headquarters
Director	Hideo Takani	Senior Corporate Officer, Corporate Administration Headquarters
Director	Richard R. Lury	Attorney-at-law; Outside Director, Hitachi Zosen Corporation
Director	Noriharu Fujita	Certified Public Accountant; Representative, Fujita Noriharu Accounting Firm; Independent Non-Executive Director, CITIC Limited
Standing Audit and Supervisory Board Member (Full-time)	Akira Ota	
Audit and Supervisory Board Member (Full-time)	Noboru Suzuki	
Audit and Supervisory Board Member	Mikihiko Wada	
Audit and Supervisory Board Member	Atsushi Minami	Attorney-at-law; Partner, Minami Patent & Law Office

Notes: 1. The above describes the facts as of March 31, 2018.

2. Mr. Atsushi Minami, Audit and Supervisory Board Member, was newly elected at the 100th Ordinary General Meeting of Shareholders held on June 23, 2017 and assumed his office.
3. Messrs. Richard R. Lury and Noriharu Fujita are Outside Directors, and Messrs. Mikihiko Wada and Atsushi Minami are Outside Audit and Supervisory Board Members. The Company has appointed each of them as an independent officer unlikely to have conflicts of interest with general shareholders and has filed a notification to that effect with the Tokyo Stock Exchange.
4. Mr. Akira Ota, Audit and Supervisory Board Member, has long experience working at accounting and financial divisions of the Company and Mr. Mikihiko Wada, Audit and Supervisory Board Member, has long experience working at a financial institution. Accordingly, they have extensive knowledge in finance and accounting.
5. Mr. Jin Takeda retired from office as an Audit and Supervisory Board Member upon expiration of his term of office at the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 23, 2017.

6. Corporate Officers of the Company who do not double as Directors as of March 31, 2018:

Position	Name	Assignment
Corporate Officer	Yukiyasu Taniyama	General Manager, LED Division, Production Headquarters
Corporate Officer	Kiyoshi Murakami	Deputy Head, Corporate Administration Headquarters and General Manager, General Affairs and Human Resources Division, Corporate Administration Headquarters
Corporate Officer	Shigeru Ito	Head, Power System Headquarters
Corporate Officer	Kiyonori Orito	Deputy Head, Sales Headquarters and General Manager, Nagoya Sales Division
Corporate Officer	Hideki Nakamichi	Deputy Head, Engineering Headquarters and General Manager, Device Marketing Division (in charge of business development)
Corporate Officer	Masaki Kanazawa	General Manager, Device Products Strategy Office, Engineering Headquarters
Corporate Officer	Makoto Iwata	General Manager, Device Production Division, Production Headquarters
Corporate Officer	Myungjun Lee	Deputy Head, Engineering Headquarters
Corporate Officer	Yasunobu Murano	General Manager, Finance and Investor Relations Division, Corporate Administration Headquarters
Corporate Officer	Tetsuo Bannai	General Manager, Manufacturing Technology Division, Production Headquarters
Corporate Officer	Sumio Anzai	General Manager, Power Marketing Division, Power System Headquarters
Corporate Officer	Satoshi Yoshida	General Manager, Eastern Japan Sales Division, Sales Headquarters

(2) Outline of liability limitation agreement

The Company has entered into an agreement with Outside Directors and Outside Audit and Supervisory Board Members to limit their liability for damages arising from negligence of duties pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum liability amount under the agreement is as set forth by laws and regulations.

(3) Compensation paid to Directors and Audit and Supervisory Board Members

Category	Number of persons paid	Amount of compensation
Director	8	200 million yen
Audit and Supervisory Board Member	5	50 million yen
Total	13	251 million yen
(of which Outside Director and Outside Audit and Supervisory Board Member)	(5)	(25 million yen)

Notes: 1. The number of Audit and Supervisory Board Members paid and the amount of compensation paid to Audit and Supervisory Board Members include those for one Audit and Supervisory Board Member who retired during the period under review.

2. Separately from the above, the amount of compensation to the outside officers paid by the consolidated subsidiaries of the Company as their officers is 40 million yen.

(4) Outside Officers

1) Relationship between the Company and other companies of which significant offices are concurrently held

Name	Significant concurrent office and the relationship with the Company
Outside Director Richard R. Lury	Mr. Richard R. Lury concurrently serves as an Outside Director of Hitachi Zosen Corporation. There is no relationship requiring disclosure between the Company and Hitachi Zosen Corporation.
Outside Director Noriharu Fujita	Mr. Noriharu Fujita concurrently serves as an Independent Non-Executive Director, CITIC Limited. There is no relationship requiring disclosure between the Company and CITIC Limited. In addition, Mr. Noriharu Fujita serves as a representative of Fujita Noriharu Accounting Firm. There are no relationship requiring disclosure between the Company and the firm.
Outside Audit and Supervisory Board Member Atsushi Minami	Mr. Atsushi Minami is an attorney-at-law who serves as a partner at Minami Patent & Law Office. There is no relationship requiring disclosure between the Company and Minami Patent & Law Office.

2) Major activities

Name	Major activities
Outside Director Richard R. Lury	Mr. Richard R. Lury attended all 12 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based mainly on his experience and knowledge in international corporate legal affairs.
Outside Director Noriharu Fujita	Mr. Noriharu Fujita attended all 12 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based mainly on his long years of experience in practice as a certified public accountant and extensive experience in international fields.
Outside Audit and Supervisory Board Member Mikihiko Wada	Mr. Mikihiko Wada attended all 12 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based mainly on the extensive knowledge and experience he has accumulated over his many years as a corporate executive. He also attended all 16 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings chiefly with exchanges of views on audit findings and with consultations on important matters regarding audits.
Outside Audit and Supervisory Board Member Atsushi Minami	Mr. Atsushi Minami attended all 10 meetings of the Board of Directors held during the period under review after he was newly elected as an Audit and Supervisory Board Member at the 100th Ordinary General Meeting of Shareholders held on June 23, 2017. He contributed to these meetings with comments based mainly on his professional perspective as a lawyer. He also attended 10 out of 11 meetings of the Audit and Supervisory Board held during the period under review after the General Meeting. He contributed to these meetings chiefly with exchanges of views on audit findings and with consultations on important matters regarding audits.

4. Accounting Auditors

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

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

Classification	Amount paid
1) Compensation paid or payable to the Accounting Auditor concerning the audit services for the year under review	70 million yen
2) The total amount of money and property interests paid or payable to the Accounting Auditor for the Company and subsidiaries	70 million yen

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

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

3. Reasons for the agreement by the Audit and Supervisory Board on compensation paid to the Accounting Auditor
The Audit and Supervisory Board conducted a required examination to determine whether or not the contents of the Accounting Auditor's auditing plans, status of the performance of duties of the accounting audit, basis for calculating the estimated compensation, etc. were appropriate, and thereupon decided to agree on compensation, etc. as set forth in Article 399, Paragraph 1 of the Companies Act, in accordance with the "Practical Guidance for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

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

If the Audit and Supervisory Board has judged that it will be necessary to dismiss or forego reappointment of an Accounting Auditor, such as in cases when the execution of duties by an Accounting Auditor is adversely affected, the Audit and Supervisory Board shall determine the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders, and thereupon the Board of Directors shall submit the proposal to the General Meeting of Shareholders.

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, such Accounting Auditor shall be dismissed subject to the unanimous approval at the Audit and Supervisory Board. In this case, one of the Audit and Supervisory Board members designated by the Audit and Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for the dismissal to the first shareholders' meeting to be convened after the dismissal.

5. System for Ensuring Appropriate Conduct of Operations and Outline of the Status of Implementation of the System

(I) System for Ensuring Appropriate Conduct of Operations

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

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

- 1) The Board of Directors deliberates material business execution, supervises the execution of duties by each director, and checks legality, in accordance with "Regulations of the Board of Directors."
- 2) The Company establishes and implements a "Management Philosophy," "Code of Conduct," and "Sanken Conduct Guideline." The Company also ensures that the executives and employees comply with laws, regulations and the Articles of Incorporation, by familiarizing them with the compliance mindset and the importance of compliance and by implementing ongoing educational training activities, both arranged by Representative Directors.
- 3) The internal audit department audits the performance of duties in the Company and each of the group companies and ensures the effectiveness of the compliance system by making the most of a whistle-blowing protocol.
- 4) To appropriately respond to the internal control report system (hereinafter referred to as "J-SOX") under the Financial Instruments and Exchange Act, the Company has established a person in charge of J-SOX at its internal audit department and secures the reliability of financial information by undertaking a company-wide review of the control systems and measures to improve the systems on an ongoing basis.
- 5) The Company has no relationship with antisocial forces. The Company usually endeavors to establish close relationships and cooperation systems with external organizations such as police agencies and lawyers. Should the Company be subject to an undue claim, it will adopt a resolute stand and decisively refuse it.

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

The Minutes of the Board of Directors and other documents and records on important meetings, as well as the results of decision-making and other records on business execution, shall be appropriately stored and managed in accordance with laws, regulations, and various internal rules.

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

- 1) Risks associated with key investments or new businesses are discussed from various viewpoints and determined deliberatively at the Board of Directors, Management Committee, and other important meetings.
- 2) The internal audit department recognizes and analyzes risks in the course of business for the Company and group companies through internal audits. The Crisis Management Committee implements unified, cross-sectional, and group-wide risk management.

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

- 1) The Board of Directors formulates the mid-term management plan and annual budget, and checks the progress of business execution based on the report on the progress of achievement, while the Management Committee is responsible for monthly performance management.
- 2) The Management Committee discusses basic and material matters among the items on the agenda to be resolved at the Board of Directors and the business operations to be executed by the Representative Directors. It also performs business promptly and flexibly using the corporate officer system.
- 3) The Company develops "the Fundamental Standards for Organization and Authorities," "the Regulations on the Division of Duties," etc. to clarify the responsibilities and authorities of each department. The Company also conducts efficient decision-making and business execution through efforts for the appropriate division of duties and cooperation among organizations.

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

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

(6) Matters regarding employees appointed for the support of Audit and Supervisory Board members when so requested by Audit and Supervisory Board members

- 1) Staff of the General Affairs Division will assist the deskwork of the Secretariat's Office of Audit and Supervisory Board.
- 2) When the Audit and Supervisory Board members so request, the appointment and other personnel affairs of exclusive staff for the support of the Audit and Supervisory Board members shall be determined through consultation among the directors and Audit and Supervisory Board members.
- 3) Such exclusive staff shall comply with instructions from each Audit and Supervisory Board member to ensure their independence from directors and the effectiveness of the instructions from the Audit and Supervisory Board members.

(7) System for reporting to Audit and Supervisory Board members

- 1) Standing Audit and Supervisory Board members attend the Management Committee meetings, inspect and receive principal documents, thereby obtain information on the businesses of the Company and group companies, and report the contents of such information to the Audit and Supervisory Board.
- 2) Each of the directors, internal audit department, and the Accounting Auditor meet with the Audit and Supervisory Board members regularly to report the management situations of the Company and group companies and audit results.
- 3) If officers or employees find any fact or event which is likely to cause material damage to the Company or any of the group companies or discover any illegal actions in the course of business operations, such officers or employees must report the matter to the Audit and Supervisory Board members.
- 4) The internal audit department reports the results of internal audits, the status of implementation of the whistle-blowing protocol, and the contents of whistle-blowing to the Audit and Supervisory Board members.
- 5) Regulations on the whistle-blowing protocol are stipulated to ensure that a whistle-blower will not be subjected to any disadvantageous treatment because of the said whistle-blowing.

(8) Policy for handling expenses and liabilities incurred from the execution of duties by Audit and Supervisory Board members

If, with respect to any expenses to be incurred when Audit and Supervisory Board members perform their duties, the Audit and Supervisory Board members request the Company to pay them in advance, repay them, or otherwise, the Company shall promptly process the expenses unless they are judged to be unnecessary.

(9) Other system for ensuring effective auditing by the Audit and Supervisory Board members

The Audit and Supervisory Board draws up the auditing standards, audit plans, and audit policies. Each Audit and Supervisory Board member conducts audits properly based on his own expertise and experience. An efficient and highly effective audit system is realized through these efforts.

(II) Outline of the Status of Implementation of the System for Ensuring Appropriate Conduct of Operations

(1) Status of efforts for compliance

The internal audit department decides themes and conducts internal audits of the Company. Group companies regularly implement internal audits of overall administration systems as well. The planning, progress, and results of these internal audits are regularly reported to the Audit and Supervisory Board members. With respect to the internal control report system (hereinafter referred to as “J-SOX”) under the Financial Instruments and Exchange Act, a person in charge of J-SOX at the internal audit department continuously implements company-wide reviews and improvements in efforts to ensure the reliability of financial information. The Company regularly implements educational training activities on the contents of the “Sanken Conduct Guideline,” the Company’s basic manual for compliance, and strives to thoroughly spread the compliance mindset. Further, the Company has developed and manages a whistle-blowing protocol, and the implementation status and contents of whistle-blowing are regularly reported to the Audit and Supervisory Board members. The officers and employees always pay due attention with respect to the Company’s responses to antisocial forces, while the Company continuously exchanges related information with external organizations such as police agencies and relevant bodies to develop ongoing cooperation systems.

(2) Status of efforts for managing risks of loss

The Company has established the Crisis Management Committee as an organization to supervise risk. The Crisis Management Committee meetings were held twice for the year under review to endeavor to realize, analyze, and respond to risk, while the Company implemented training for a disaster.

If any fact or event which is likely to cause material damage to the Company or any of the group companies is found or any illegal actions in the course of business operations is discovered through the implementation of internal audits and the whistle-blowing protocol, the contents of whistle-blowing are reported to the Audit and Supervisory Board members each time, and advice and corrections are decided on a case-by-case basis.

(3) Status of efforts for ensuring the appropriateness and efficiency of the execution of duties

The Board of Directors consists of eight directors, including two outside director. Four Audit and Supervisory Board members, including two outside Audit and Supervisory Board members, also attend the Board of Directors meetings. The Board of Directors meetings were held 12 times during the year under review to deliberate proposals, supervise the status of business execution, and actively exchange opinions. We therefore believe that the effectiveness of decision-making and supervision is ensured.

(4) Status of efforts for the appropriateness of business within the group

The Company sends its officers and employees to group companies to follow up on the Company's management policy, determine material business-related issues, and promote efficient management. The Company stipulates and implements matters to be discussed in advance between each group company and a department in charge at the Company.

(5) Status of efforts for ensuring the effectiveness of audits by the Audit and Supervisory Board members

The Audit and Supervisory Board comprises four Audit and Supervisory Board members, including two outside Audit and Supervisory Board members. Audit and Supervisory Board meetings were held 16 times during the year under review to carry out discussions and adopt resolutions after reports on important matters related to audits were received. Further, the Audit and Supervisory Board members regularly meet the President and internal audit department, as well as the Accounting Auditor, to exchange opinions mainly on the development and implementation status of compliance and internal control.

6. Basic Policy on Control of the Company

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

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

However, the management of the Company and the Company Group requires a wide range of know-how and ample experience in technical subjects, including proprietary manufacturing technologies for wafer fabrication and semiconductor device assembly, as well as the integration of power supply systems with optical devices based on leading-edge circuit technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to management. Persons to control decision-making over financial and business policies of the Company require this understanding in order to appropriately judge the shareholder value to be realized in the future, and could potentially significantly damage the Company's corporate value and the common interests of the shareholders without it.

In addition, there is a possibility that some Large Purchases, such as to persons related to the Company conducting transactions at high prices, could substantially impair the common interests of the shareholders. In such cases, in order for the Company to appropriately receive the judgment of the shareholders regarding the relative merits and demerits of a given large-scale purchase, the Company will both request the supply of required information from the entity attempting to engage in the large-scale purchase and will also strive to ensure there is an appropriate amount of time for the disclosure of such information and deliberation on it by shareholders. Regarding the extents that are permitted by laws and regulations such as the Financial Instruments and Exchange Act, we believe that appropriate measures should be taken (Hereinafter referred to as the "Basic Policy").

(2) Measures Taken to Realize the Basic Policy and Increase Corporate Value

The Company has acted in accordance with its Management Philosophy, which states that the Company should endeavor to create and innovate technologies in its core business of semiconductors, expand global business based on proprietary technologies, and ensure a firm management base in order to maximize corporate value through timely response to social expectations for the company and long-lasting harmony with the environment. Furthermore, as a medium- to long-term management strategy, the Company has developed a medium-term management plan covering a three-year period that the entire Group has worked toward.

Also, the Company is involved in efforts to gain an appropriate evaluation of its corporate value by deepening understanding through closer dialogues with various stakeholders regarding its position as a proprietary power semiconductor manufacturer as well as its management policies and plans meant to maximize use of this position.

In order to strengthen corporate governance, the company has strengthened the supervisory function of the Board of Directors by electing independent Outside Directors and by developing a flexible system for operational execution and enhanced management functions by adopting a Corporate Officer system. In addition, in order to realize a management system able to promptly respond to changes in the management environment, and to clarify the management responsibility of the Directors for the corresponding fiscal year, the Company's term of office for Directors is one year.

The Board of Directors believes that these measures improve the Company's corporate value and decrease the likelihood that a Large Purchase will significantly harm the common interests of the shareholders. Accordingly, these efforts are deemed to be in compliance with the Basic Policy, and are in the common interests of the shareholders.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	111,833	112,415
Cash and deposits	32,752	22,548
Notes and accounts receivable — trade	34,656	33,867
Merchandise and finished goods	12,061	18,227
Work in process	20,600	24,019
Raw materials and supplies	4,969	8,918
Deferred tax assets	1,207	2,080
Other	5,644	3,051
Allowance for doubtful receivables	(58)	(299)
Non-current assets	73,842	70,284
Total property, plant and equipment	63,968	60,204
Buildings and structures	20,833	21,643
Machinery, equipment and vehicles, net	30,690	27,341
Tools, furniture and fixtures, net	1,427	1,024
Land	5,712	5,004
Lease assets, net	503	447
Construction in progress	4,800	4,743
Intangible assets	5,114	5,355
Software	2,936	3,298
Other	2,177	2,057
Investments and other assets	4,759	4,725
Investment securities	1,407	1,457
Deferred tax assets	411	204
Net defined benefit asset	399	—
Other	2,782	3,304
Allowance for doubtful receivables	(242)	(242)
Total Assets	185,675	182,700

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

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
Current liabilities	69,978	75,967
Notes and accounts payable - trade	20,634	18,391
Short-term loans payable	13,339	23,151
Current portion of long-term loans payable	500	7,500
Current portion of bonds	15,000	-
Commercial paper	7,000	15,000
Lease obligations	87	220
Income taxes payable	412	492
Deferred tax liabilities	294	-
Accrued expenses	11,337	9,441
Other	1,370	1,770
Non-current liabilities	43,414	51,995
Bonds payable	25,000	40,000
Long-term loans payable	11,475	5,000
Lease obligations	67	156
Deferred tax liabilities	1,818	2,178
Net defined benefit liability	2,632	2,627
Provision for Directors' retirement benefits	25	25
Other	2,395	2,009
Total Liabilities	113,392	127,963
(Net Assets)		
Shareholders' equity	59,846	56,371
Capital stock	20,896	20,896
Capital surplus	26,003	10,301
Retained earnings	16,964	29,176
Treasury shares	(4,017)	(4,003)
Accumulated other comprehensive income	(4,510)	(1,970)
Valuation difference on available-for-sale securities	390	425
Foreign currency translation adjustment	(909)	754
Remeasurements of defined benefit plans	(3,991)	(3,150)
Non-controlling interests	16,947	335
Total Net Assets	72,283	54,736
Total Liabilities and Net Assets	185,675	182,700

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

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2017 to March 31, 2018)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	175,209	158,772
Cost of sales	126,840	117,869
Gross profit	48,369	40,902
Selling, general and administrative expenses	36,342	34,972
Operating income	12,026	5,930
Non-operating income	1,463	698
Interest income	80	26
Dividends income	39	36
Foreign exchange gains	719	–
Subsidy income	207	162
Gains on sale of waste	91	84
Miscellaneous income	324	387
Non-operating expenses	1,681	1,601
Interest expenses	612	716
Foreign exchange losses	–	14
Product compensation expenses	102	83
Miscellaneous loss	967	787
Ordinary income	11,808	5,026
Extraordinary income	655	0
Gains on sale of non-current assets	–	0
Gain on abolishment of retirement benefit plan	69	–
Compensation income	585	–
Extraordinary losses	18,968	444
Loss on sales of non-current assets	0	4
Loss on disposition of non-current assets	97	440
Special retirement expenses	190	–
Loss on liquidation of subsidiaries and affiliates	364	–
Business restructuring expenses	18,315	–
Income (loss) before income taxes and non-controlling interests	(6,505)	4,582
Income taxes - current	3,496	4,062
Income taxes - deferred	470	(1,196)
Profit (loss)	(10,472)	1,716
Profit (loss) attributable to non-controlling interests	948	(22)
Profit (loss) attributable to owners of parent	(11,421)	1,739

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

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	84,586	88,815
Cash and deposits	16,656	4,552
Notes receivable	2,137	2,129
Accounts receivable — trade	26,921	28,509
Merchandise and finished goods	8,060	12,405
Work in process	1,709	2,144
Raw materials and supplies	2,247	5,131
Prepaid expenses	484	376
Deferred tax assets	519	687
Short-term loans receivable	15,839	15,914
Accounts receivable — other	13,566	20,631
Other	1,368	112
Allowance for doubtful receivables	(4,923)	(3,780)
Fixed assets	46,010	50,800
Tangible fixed assets	5,234	4,737
Buildings	2,821	2,669
Structures	116	123
Machinery and equipment	877	837
Autos and trucks	0	0
Tools, furniture and fixtures	519	218
Land	721	721
Lease assets	23	78
Construction in progress	155	89
Intangible assets	2,897	3,243
Software	2,865	3,199
Lease assets	4	6
Other	28	38
Investments and other assets	37,877	42,818
Investment securities	1,388	1,438
Investments in subsidiaries and affiliates	22,419	25,988
Long-term loans receivable	17,203	13,795
Prepaid pension cost	3,103	2,256
Other	1,138	1,101
Allowance for doubtful receivables	(7,375)	(1,761)
Total Assets	130,596	139,616

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

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
Current liabilities	54,972	62,804
Notes payable	2,522	2,180
Accounts payable — trade	15,639	15,027
Short-term bank loans	11,039	26,096
Current portion of bonds	15,000	—
Commercial paper	7,000	15,000
Lease obligations	21	144
Accounts payable — other	706	824
Accrued expenses	2,780	2,760
Accrued income taxes	34	136
Advances received	65	68
Deposits received	110	67
Other	51	497
Long-term liabilities	34,703	46,676
Bonds payable	25,000	40,000
Long-term bank loans	8,000	5,000
Lease obligations	10	32
Deferred tax liabilities	1,131	889
Other	561	753
Total Liabilities	89,675	109,480
(Net Assets)		
Shareholders' equity	40,532	29,713
Common stock	20,896	20,896
Capital surplus	10,207	10,207
Capital reserve	5,225	5,225
Other capital surplus	4,982	4,982
Retained earnings	13,445	2,612
Other retained earnings	13,445	2,612
Reserve for advanced depreciation of fixed assets	37	39
Retained earnings carried forward	13,407	2,572
Treasury stock	(4,017)	(4,003)
Valuation and translation adjustments	387	422
Unrealized gain on securities	387	422
Total Net Assets	40,920	30,136
Total Liabilities and Net Assets	130,596	139,616

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

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2017 to March 31, 2018)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	110,905	102,824
Cost of sales	99,907	94,597
Gross profit	10,997	8,226
Selling, general and administrative expenses	10,513	10,674
Operating income (loss)	484	(2,448)
Other income	33,274	7,017
Interest income	244	182
Dividends income	32,468	6,669
Foreign exchange gains	444	–
Miscellaneous income	116	165
Other expenses	1,101	1,963
Interest expenses	535	655
Foreign exchange losses	–	367
Product compensation expenses	102	83
Provision of allowance for doubtful accounts for subsidiaries and affiliates	161	569
Miscellaneous losses	302	286
Ordinary income	32,656	2,606
Extraordinary loss	20,625	76
Loss on disposition of fixed assets	21	76
Loss on liquidation of subsidiaries and affiliates	343	–
Business restructuring expenses	20,260	–
Income before income taxes	12,031	2,530
Income taxes	(15)	6
Deferred income taxes	424	(0)
Net income	11,621	2,524

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

INDEPENDENT AUDITORS' REPORT

May 18, 2018

The Board of Directors
Sanken Electric Co., Ltd.

Ernst & Young ShinNihon LLC

Hidehito Uchida, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Masaya Kiyomoto, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Pursuant to Article 444, Paragraph 4 of Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements of the Company for the 101st fiscal term from April 1, 2017 to March 31, 2018.

Responsibility of the Company's management regarding the consolidated financial statements

The responsibility of the Company's management is to prepare and properly present the consolidated financial statements in accordance with the accounting standards generally accepted in Japan. This includes the development and implementation of internal controls that the Company's management considers necessary for the preparation and proper presentation of consolidated financial statements that contain no material misstatements due to fraud or error.

Responsibility of the Auditor

Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we prepare an audit plan and conduct an audit based on the plan in order to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatements.

When auditing, we perform audit procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. We decide to select and apply audit procedures based on our assessment of the risks of material misstatements in the consolidated financial statements resulting from fraud or errors. Though the audit does not aim to express an opinion on the effectiveness of internal control, we, when assessing risks, examine internal control associated with the preparation and fair presentation of the consolidated financial statements, in order to plan appropriate audit procedures according to the situations at hand. Our audit includes assessments of the accounting policies used and significant estimates made by management, as well as an evaluation of the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence constituting a basis for expressing our opinion.

Audit opinion

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

Conflict of interest

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

INDEPENDENT AUDITORS' REPORT

May 18, 2018

The Board of Directors
Sanken Electric Co., Ltd.

Ernst & Young ShinNihon LLC

Hidehito Uchida, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Masaya Kiyomoto, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements, and the supplementary schedules of the Company for the 101st fiscal term from April 1, 2017 to March 31, 2018.

Responsibility of the Company's management regarding the consolidated financial statements

The responsibility of the Company's management is to prepare and properly present the non-consolidated financial statements and the supplementary schedules in accordance with the accounting standards generally accepted in Japan. This includes the development and implementation of internal controls that the Company's management considers necessary for the preparation and proper presentation of non-consolidated financial statements and supplementary schedules that contain no material misstatements due to fraud or error.

Responsibility of the Auditor

Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we prepare an audit plan and conduct the audit based on the plan in order to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatements.

When auditing, we perform audit procedures to obtain audit evidence supporting the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. We decide to select and apply audit procedures based on our assessment of the risks of material misstatements in the non-consolidated financial statements and the supplementary schedules resulting from fraud or errors. Though the audit does not aim to express an opinion on the effectiveness of internal control, we, when assessing risks, examine internal control associated with the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules, in order to plan appropriate audit procedures according to the situations at hand. Our audit includes assessments of the accounting policies used and significant estimates made by management, as well as an evaluation of the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that we have obtained sufficient and appropriate audit evidence constituting a basis for expressing our opinion.

Audit opinion

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

Conflict of interest

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

AUDIT REPORT

The Audit and Supervisory Board, following review and deliberations on the reports made by each Audit and Supervisory Board Member concerning the methods and results of the audit of execution of duties by Directors of the Board for the 101st fiscal term from April 1, 2017 to March 31, 2018, prepared this Audit Report and hereby submits it as follows:

1. Summary of Auditing Methods by Audit and Supervisory Board Members and Audit and Supervisory Board

- (1) The Audit and Supervisory Board established the auditing policies and division of duties, received reports and explanations regarding the status of audits and the results thereof from each Audit and Supervisory Board Member, as well as reports and explanations regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit and Supervisory Board Members determined by the Audit and Supervisory Board and the auditing policies and division of duties, each Audit and Supervisory Board Member made efforts to collect information and established auditing circumstances through communication with internal audit staff and other employees, and conducted audit in accordance with the following procedures.
 - 1) Each Audit and Supervisory Board Member attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees and requested explanations as necessary. Each Audit and Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at its head office and each office. In addition, each Audit and Supervisory Board Member received from subsidiaries their business reports and conducted on-site examinations as necessary through communication and information sharing with their Directors and others.
 - 2) With respect to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the Directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as specified in the business reports and the establishment of the system necessary to ensure proper business operations of the company group, which consists of joint stock company and its consolidated subsidiaries, as set forth in Items 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act, as well as the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Audit and Supervisory Board Member regularly received reports from directors and employees on the status of the establishment and operations thereof, requested explanations as necessary, and expressed his opinions.
 - 3) Based on discussion of the Board of Directors, the Audit and Supervisory Board Members reviewed the details of the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.
 - 4) Each Audit and Supervisory Board Member monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Board Member also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements) for the year ended on March 31, 2018.

2. Results of Audit

(1) Results of audit of business report

- 1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company;
- 3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the content of business reports description on such internal control and the execution of duties by Directors; and
- 4) There are no matters requiring additional mention regarding the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.

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

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

(3) Results of audit of consolidated financial statements

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

May 29, 2018

The Audit and Supervisory Board of Sanken Electric Co., Ltd.

Akira Ota (Seal)
Standing Audit and Supervisory Board Member
(Full-time)

Noboru Suzuki (Seal)
Audit and Supervisory Board Member (Full-time)

Mikihiko Wada (Seal)
Outside Audit and Supervisory Board Member

Atsushi Minami (Seal)
Outside Audit and Supervisory Board Member

REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and references

Proposal No. 1:

Appropriations of Surplus

The Company places returning earnings to shareholders as one of the most important corporate policies, and is committed to ensure a steady and stable stream of dividends by enhancing profitability through aggressive business development and improving financial performance, while securing internal reserves necessary to strengthen an overall management foundation.

We propose to pay the year-end dividend for the current fiscal year of ¥3.00 per share in comprehensive consideration of financial results for the current fiscal year, the status of net assets on a non-consolidated basis that would constitute the source of dividends, and the securement of funds to execute a growth strategy for realizing objectives of the new mid-term business plan such as development investment and capital investment for the future. As a result, the annual dividend for the current fiscal year will be ¥6.00 per share, including the interim dividend of 3.00 per share already paid.

Year-end dividend

(1)	Allotment of property dividend to shareholders and the total amount	3.00 yen per share of common stock Total amount: 363,524,052 yen
(2)	Effective date of distribution of surplus	June 25, 2018

Proposal No. 2: Consolidation of the Company's Shares

1. Reason for share consolidation

All domestic stock exchanges of Japan have announced the Action Plan for Consolidating Trading Units and aim to uniformly adopt the share trading unit of 100 shares with regard to the common stocks of all domestic listed companies by October 1, 2018.

The Company also respects this intent as a listed company on the Tokyo Stock Exchange (TSE), and has decided by resolution of the Board of Directors' meeting held on May 8, 2018 to change its share trading unit from 1,000 shares to 100 shares, subject to the approval of this proposal as originally proposed at this meeting. In addition, a share consolidation will be executed to adjust the amount of investment units to a level that stock exchanges consider appropriate (¥50,000 or more and less than ¥500,000).

2. Consolidation ratio

We shall propose to consolidate shares of the Company's common stock at a ratio of one-for-five consolidation.

When fractions of less than one share are generated as a result of the share consolidation, such fractions will be disposed of collectively, and the proceeds from the disposal will be distributed to the shareholder concerned in accordance with the ratio of fractions pursuant to provisions of the Companies Act.

3. Effective date of the share consolidation

October 1, 2018

4. Total number of shares authorized to be issued as of the effective date

51,400,000 shares

5. Other

We shall propose that other procedural matters required be entrusted to the Board of Directors.

<Reference>

If this proposal is approved as originally proposed, the Articles of Incorporation of the Company will be partially amended as follows.

(The underlined indicates the amended part.)

Current Articles of Incorporation	Proposed Amendments
<p>CHAPTER II SHARES</p> <p>(Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>257,000,000</u>.</p> <p>(Number of Shares Constituting One Unit) Article 8. The number of shares of the Company constituting one unit shall be <u>1,000</u>.</p>	<p>CHAPTER II SHARES</p> <p>(Total Number of Shares Authorized to be Issued) Article 6. The total number of shares authorized to be issued by the Company shall be <u>51,400,000</u>.</p> <p>(Number of Shares Constituting One Unit) Article 8. The number of shares of the Company constituting one unit shall be <u>100</u>.</p>

Proposal No. 3: Election of Eight Directors

All eight directors will complete their respective terms of office at the conclusion of this meeting. Accordingly, we shall propose the election of eight directors.

The table below lists the nominees for those positions.

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	<p>Takashi Wada (September 3, 1954)</p>	<p>April 1979: Entered the Company April 2007: General Manager, Production Division, Production Headquarters June 2007: Corporate Officer April 2009: Head, Production Headquarters June 2009: Director and Senior Vice President June 2012: Director and Executive Vice President April 2015: President and Representative Director (to the present)</p>	43,000
		<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Takashi Wada has played the role of an engine for the production division of the Company for a long period and has concentrated on the structural reform of the production subsidiaries. He has been engaged in the management of the Company as a Director since June 2009. Since becoming the President in April 2015, in addition to focusing on promising business areas, he has worked to improve the company's financial position.</p> <p>Under these circumstances, in FY2017, he began drastic measures to improve profitability and strengthen our financial position as part of our business structural reforms, and is also actively implementing measures to strengthen our product development capabilities. In addition, he formulated the 2018 Medium-Term Management Plan, which aims to achieve medium-to long-term growth for our corporate group, and is committed to its implementation.</p> <p>We therefore anticipate that his abundant experience and deep insight in corporate management will continue to be indispensable for the management of the Company and eventually for the growth strategy of our corporate group. Thus, the Company selected him as a candidate for Director.</p>	
2	<p>Masao Hoshino (January 23, 1959)</p>	<p>April 1981: Entered the Company April 2002: General Manager, Integrated Circuit Development Division, Semiconductor Headquarters April 2006: General Manager, Advanced Technology Development Division, Engineering Headquarters June 2007: Corporate Officer April 2009: Head, Engineering Headquarters June 2009: Director and Senior Corporate Officer June 2012: Director and Senior Vice President June 2016: Director and Executive Vice President (to the present) April 2018: Head, Device Business Corporate Headquarters (to the present)</p>	12,000
		<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Masao Hoshino has been engaged in the development of semiconductor devices for a long period and has made significant contributions to the Company in the development of products. He has assumed an important responsibility as the head of the technology development division since 2009 and administered the Company's technology development operations for a long time. We therefore anticipate that his experience and knowledge will continuously be indispensable for the management of the Company in its effort to appropriately meet the further growing demand for power devices in the future. Thus, the Company selected him as a candidate for Director.</p>	

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
3	Yoshihiro Suzuki (October 10, 1958)	April 1982: Entered the Company	47,000
		October 1998: Allegro Group Leader, Production Division, Semiconductor Headquarters	
May 2001: Vice President and Director, Allegro Microsystems, Inc.			
April 2005: General Manager, Management Planning Division, Administration Headquarters			
April 2006: General Manager, Global Business Strategy Office			
June 2006: Corporate Officer			
June 2011: Senior Corporate Officer			
March 2013: Director and CEO, Sanken North America, Inc. (Currently, Allegro Microsystems, Inc.)			
June 2013: Director and Senior Corporate Officer			
June 2015: Director and Senior Vice President (to the present)			
July 2017: Chairman of the Board, Sanken North America, Inc. (Currently, Allegro Microsystems, Inc.) (to the present)			
April 2018: Head, Euro-Americas Business Strategy Headquarters (to the present)			
- Reasons for the appointment as a candidate for Director			
<p>Mr. Yoshihiro Suzuki has played a leading role in the overseas business of the Company for a long period and has been engaged in the management of Allegro Microsystems, Inc. He has promoted U.S. business, an important segment for the Group companies, since March 2013 as a corporate manager of Sanken North America Inc. (Currently, Allegro Microsystems, Inc.), a U.S. Headquarters subsidiary. Currently, Allegro Microsystems, Inc. is advancing a growth strategy to further expand the business scale and strengthen development capabilities, and Mr. Yoshihiro Suzuki plays an important role in that regard. We therefore anticipate that his experience and knowledge gained therefrom will continue to be indispensable for the management of the Company. Thus, the Company selected him as a candidate for Director.</p>			
4	Kazunori Suzuki (September 17, 1957)	April 1981: Entered the Company	15,000
		August 1996: First Sales Section Manager, First Sales Department, First Semiconductor Sales Division, Semiconductor Headquarters	
May 2002: President and Director of Sanken Power Systems (UK) Limited			
April 2007: General Manager, Overseas Sales Division, Sales Headquarters			
June 2008: Corporate Officer			
April 2012: Head, Sales Headquarters (to the present)			
June 2012: Director and Senior Corporate Officer			
June 2016: Director and Senior Vice President (to the present)			
- Reasons for the appointment as a candidate for Director			
<p>Mr. Kazunori Suzuki has been engaged in the sales of semiconductor devices for a long period and has made significant contributions to the Company in the promotion of sales strategy. Since becoming Head of the Sales Headquarters 2012, he has administered the Company's global sales strategy and achieved successful results, especially in the expansion of sales overseas. We therefore anticipate that his experience and knowledge will continue to be indispensable for the management of the Company. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
5	<p style="text-align: center;">Hideo Takani (September 27, 1958)</p>	<p>April 1982: Entered the Company</p> <p>April 2007: General Manager, Intellectual Property and Legal Affairs Division, Administration Headquarters</p> <p>April 2010: General Manager, IR Office and General Manager, Intellectual Property and Legal Affairs Office, Administration Headquarters</p> <p>October 2011: General Manager, Management Planning Office and General Manager, Intellectual Property and Legal Affairs Office, Administration Headquarters</p> <p>June 2014: Corporate Officer</p> <p>April 2016: Head, Administration Headquarters (to the present)</p> <p>June 2016: Director and Senior Corporate Officer (to the present)</p>	8,000
		<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Hideo Takani has been engaged in the administration division for a long period and is experienced in wide-ranging fields of operation, including legal affairs, intellectual property, IR, administration of overseas offices, and management planning. In April 2016 he assumed office as the Head of Administration Headquarters. We therefore anticipate that his abundant experience and deep knowledge in business administration of the Group will continue to be indispensable for the management of the Company. Thus, the Company selected him as a candidate for Director.</p>	
6	<p style="text-align: center;">Shigeru Ito (February 21, 1964) <Newly appointed></p>	<p>April 1986: Entered the Company</p> <p>April 2006: Technical Manager, PS Division, Engineering Headquarters</p> <p>April 2007: General Manager, PS Division, Engineering Headquarters</p> <p>June 2009: Corporate Officer (to the present)</p> <p>April 2015: General Manager, Power Marketing Division, Power System Headquarters</p> <p>April 2017: Head, Power System Headquarters (to the present)</p>	4,000
		<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Shigeru Ito has been engaged in the development of power system products for a long period and has played a leading role in the power systems business sector. He has assumed an important responsibility as the Head of Power System Headquarters since 2017 and has played the role of an engine for the business. We therefore anticipate that his experience and knowledge will be indispensable for further expansion of the power systems business sector. Thus, the Company selected him as a candidate for Director.</p>	

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
7	<p>Richard R. Lury (January 21, 1948) <Outside Director> <Independent Officer></p> <p>Term of office as an Outside Director: Four years as of the closing of this meeting</p>	<p>May 1974: Admitted to the bar of the State of New York September 1989: Partner, Kelley Drye & Warren LLP (retired from the entity in January 2015) June 2003: Admitted to the bar of the State of New Jersey March 2013: Outside Director, Sanken North America, Inc. (Currently, Allegro Microsystems, Inc.) (to the present) June 2014: Outside Director of the Company (to the present) June 2016: Outside Director, Hitachi Zosen Corporation (to the present)</p>	-
	<p>- Reasons for the appointment as a candidate for Outside Director</p> <p>Mr. Richard R. Lury has served as a partner of a law firm in the United States for a long period and has experience and expertise in international corporate legal affairs. We anticipate that he will give valuable advice and opinions from the viewpoint of promoting global management. As he is also expected to supervise management from an objective perspective as an attorney-at-law, we believe that he will help to significantly strengthen the supervisory function of the Board of Directors of the Company. In addition, he is expected to make similar contributions to the management of the corporate group, as he has formerly held and currently holds offices as an Outside Director of principal U.S. subsidiaries of the Company. We therefore anticipate that he will appropriately perform his duties as an Outside Director. Thus, the Company selected him as a candidate for Director.</p>		
8	<p>Noriharu Fujita (September 26, 1950) <Outside Director> <Independent Officer></p> <p>Term of office as an Outside Director: Two years as of the closing of this meeting</p>	<p>September 1975: Entered Ito Accounting Firm May 1980: Obtained MBA from The University of Illinois at Urbana-Champaign July 1980: Entered ICI Japan Ltd. January 1989: Senior Manager, Ernst & Young, LLP Chicago Office October 1997: Partner, Ernst & Young, LLP New York Office (retired from the entity in June 2007) September 2008: Executive Partner, Ernst & Young ShinNihon LLC October 2008: JBS Global Services Leader, Ernst & Young ShinNihon LLC (retired from the entity in June 2013) July 2013: Representative, Fujita Noriharu Accounting Firm (to the present) August 2015: Independent Non-Executive Director, CITIC Limited (to the present) June 2016: Outside Director of the Company (to the present)</p>	-
	<p>- Reasons for the appointment as a candidate for Outside Director</p> <p>Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experiences as a partner in a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, he was not directly involved in the auditing of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting. Furthermore, as almost five years have passed since his retirement from the above audit corporation, we believe that he can maintain an independent standpoint and supervise the Company's management from an objective viewpoint. While the Group has been promoting growth strategy over the mid- to long-term, he has made significant contributions to ensuring the appropriateness of overall business execution and strengthening supervisory functions. We therefore anticipate that he will appropriately perform his duties as an Outside Director. Thus, the Company selected him as a candidate for Director.</p>		

- Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.
2. Matters concerning a candidate for Outside Director:
- The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Messrs. Richard R. Lury and Noriharu Fujita as independent officers of the Company. If their re-election is approved, the Company plans to continue to appoint them as independent officers.
 - The Company has entered into agreements with Messrs. Richard R. Lury and Noriharu Fujita to limit their liabilities for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act. If this Proposal is approved as proposed, the Company plans to continue the same agreements with Messrs. Richard R. Lury and Noriharu Fujita.

Proposal No. 4:

Election of One Audit and Supervisory Board Member

Mr. Noboru Suzuki, Audit and Supervisory Board Member, will complete his term of office at the conclusion of this meeting. Accordingly, we shall propose the election of one Audit and Supervisory Board Member.

The Audit and Supervisory Board has approved the submission of this proposal.

The candidate for Audit and Supervisory Board Member is as follows:

Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
Noboru Suzuki (February 27, 1959)	April 1981: Entered the Company April 2011: Assistant to General Manager, General Affairs and Human Resources Division, Corporate Administration Headquarters October 2011: General Manager, CSR Office, Corporate Administration Headquarters April 2014: Assigned to Corporate Administration Headquarters June 2014: Audit and Supervisory Board Member (to the present)	5,000

- Reasons for the appointment as a candidate for Audit and Supervisory Board Member

Mr. Noboru Suzuki has been engaged in the corporate administration division for a long period and is experienced in fields of operation, including human resources and labor, internal audit, and CSR. In June 2014 he assumed office as Audit and Supervisory Board Member, and has steadily performed his duties in that office. We anticipate that he will fully apply his experience and knowledge in the auditing of the Company. Thus, the Company selected him as a candidate for Audit and Supervisory Board Member.

Note: No conflicts of interest exist between the Company and Mr. Noboru Suzuki.

A GUIDE FOR THE EXERCISE OF YOUR VOTING RIGHTS VIA THE INTERNET

When exercising your voting rights via the Internet, please review the following points. Votes via the Internet are accepted until 5:00 p.m. of the day before the date of the Ordinary General Meeting of Shareholders. Please submit your votes well in advance before this time.

1. Shareholders using Smartphones

- ◆ You can exercise your voting rights on the website for the exercise of voting rights for smartphones without entering the code for the exercise of voting rights and the temporary password, by scanning the “QR Code for Log-in to the Website for the Exercise of Voting Rights for Smartphones” noted on the enclosed Voting Rights Exercise Form. If you wish to change any vote you have exercised, you will be required to scan the QR code again and enter the code for the exercise of voting rights and the temporary password noted on the Voting Rights Exercise Form.

2. Shareholders using personal computers

- ◆ Exercise of voting rights using your personal computer is only possible by accessing the website designated by the Company for the purpose of exercising voting rights.

Website for the exercise of voting rights: <https://www.web54.net>

- ◆ When exercising your voting rights via the Internet, please enter the code for the exercise of voting rights and the temporary password on the Voting Rights Exercise Form, and register your approval or disapproval for each proposal by following the instructions on the screen.
- ◆ If you exercise your voting rights by two different methods, that is, via the Internet as well as by mailing, the votes via the Internet shall be deemed to be valid. If you exercise your voting rights via the Internet more than once, your final votes shall be deemed to be valid.
- ◆ Any fees payable to Internet providers and telecommunication carriers (including access charges) incurred through access to the website for the exercise of voting rights will be borne by the shareholders.
- ◆ Matters to note concerning exercise of the temporary password and the code for the exercise of voting rights:
 - The code for the exercise of voting rights on the Voting Rights Exercise Form is effective only for this Ordinary General Meeting of Shareholders.
 - A temporary password is sensitive information and means to verify if the person voting is a genuine shareholder. Please maintain this password as strictly confidential in the same manner as a registered seal or a personal identification number.
 - If you enter your temporary password erroneously more than a certain number times, our system will disable your access rights with the temporary password. Please follow the instructions on the screen if you wish to have a temporary password reissued.

3. Help desk for guidance on operating your personal computer and others

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

Transfer Agent Web Support, Sumitomo Mitsui Trust Bank, Limited.
Phone: 0120-652-031 (9:00 a.m. ~ 9:00 p.m.)

For other inquiries, please contact the following:

- i) Shareholders who have accounts at securities companies
Please contact your securities companies.
- ii) Shareholders who have no accounts at securities companies (who have shares at special accounts)
Transfer Agent Business Center, Sumitomo Mitsui Trust Bank, Limited.
Phone: 0120-782-031 (9:00 a.m. ~ 5:00 p.m., weekdays)

LOCATION OF ORDINARY GENERAL MEETING OF SHAREHOLDERS

Place: Sanken Electric Co., Ltd., Head Office
6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture
Phone: +81-48-472-1111
Access: 15-minute walk from Shiki Station (South Exit), Tobu-Tojo Line

