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Securities Code: 6707
May 31, 2019

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 102ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 102nd 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 20, 2019.

Notice

- 1. Date and Time:** 10:00 a.m., Friday, June 21, 2019
- 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 102nd Fiscal Term (from April 1, 2018 to March 31, 2019)
 2. The Non-Consolidated Financial Statements for the 102nd Fiscal Term (from April 1, 2018 to March 31, 2019)
 - Proposals to be resolved:**
 - Proposal No. 1:** Appropriations of Surplus
 - Proposal No. 2:** Election of Nine Directors
 - Proposal No. 3:** Election of One Audit and Supervisory Board Member
 - Proposal No. 4:** Revision of the Amount of Compensation for Directors and Audit and Supervisory Board Members
 - Proposal No. 5:** Determination of the Amount and Other Details of Performance-Linked Share Compensation for Directors

- 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 (<https://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 27 to 38) 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 20, 2019



- *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 39.

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

Deadline: 5:00 p.m., Thursday, June 20, 2019

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, 2018 to March 31, 2019)

1. Current Status of the Company

(1) Review of Operations

During the first half of the consolidated fiscal year ended March 31, 2019, the global electronics market, where the Company operates, saw an increase in demand for electronic parts used for environmentally friendly vehicles as such vehicles prevailed and safety functions were further enhanced in the market for car-mounted products. Especially, the Company's sales held steady with an increase in the number of electronic parts used in an automobile, in spite of a decrease in the number of automobiles sold. In the market for white goods such as air conditioners, washing machines and refrigerators, the adoption of energy-saving inverters was accelerated in China and other Asian regions. As a result, sales of products for white goods remained favorable despite negative factors such as a slowdown in the overall Chinese economy and production adjustments of air conditioners, including non-inverter air conditioners. Meanwhile, sales of products for industrial machinery progressed steadily in the first half thanks to increased capital investment backed by improved corporate earnings and steps taken to respond to growing fields, but in the second half, market conditions were aggravated by factors such as postponed orders from capital goods export manufacturers in Japan stemming from deteriorating global business sentiments, the economic slowdown in China, and the resulting suppression of capital investment.

Under these circumstances, the Company started the "2018 Mid-term Business Plan." In the fiscal year under review, the first fiscal year of the plan, the Company held up a three-pillared basic policy to stress activities to "Accomplish growth strategy," "Promote work-style reform," and "Enhance financial performance." Under the policy, we focused on measures to promote "Development reform" and expand overseas development bases with a view to strengthening our development capabilities, while pursuing our target of improved performance, and thereby laying the foundations for new growth.

For the specific business results of the consolidated fiscal year, consolidated net sales were ¥173,650 million, a decrease of ¥1,559 million (0.9%) compared to the previous fiscal year or almost the same level as the previous fiscal year. The sales in the semiconductor devices segment progressed steadily in the first half, but stagnated in the second half chiefly due to factors such as the effect of the economic slowdown in China. The Company's withdrawal from sales of unprofitable products in the power systems segment was another negative factor. For income, we recorded consolidated operating profit of ¥10,531 million, a decrease of ¥1,495 million (12.4%) compared to the previous fiscal year. These results were mainly due to higher purchase prices of wafers, increased fixed costs such as increased personnel expenses arising from a newly established development base, and increased depreciation associated with increased capital investment. Consolidated ordinary profit decreased by ¥2,635 million (22.3%) to ¥9,173 million, as well. However, we recorded profit attributable to owners of parent of ¥3,967 million (loss attributable to owners of parent of ¥11,421 million in the previous year), because the large amount of extraordinary losses chiefly consisting of business structure reform cost recorded in the previous fiscal year were absent in the fiscal year under review.

Overview of business by segment is as follows.

Semiconductor Device Business

In this segment, sales of products for white goods such as air conditioners continued to increase in China and other overseas markets, but sales of products for automobiles and industrial machinery decreased due to the impact of the U.S.-China trade frictions and shrinking demand attributable to the economic slowdown in China. As a result, consolidated net sales for this segment were ¥147,211 million, a slight increase of ¥3,374 million (2.3%) as compared to the previous fiscal year. For income, consolidated operating profit was ¥13,025 million, a decrease of ¥1,210 million (8.5%) as compared to the previous fiscal year, due to the impact of lower factory utilization ratios resulting from shrinking demand.

Power Systems

In this segment, sales of power system units to capital goods export manufacturers in Japan were postponed due to the impact of decreased capital investment stemming from the economic slowdown in China. In addition, the Company continued to implement the restructuring initiatives that focused on withdrawal from unprofitable products for the AV and OA markets. As a result, consolidated net sales were ¥26,438 million, a decrease of ¥4,934 million (15.7%) as compared to the previous fiscal year. For income, however, we recorded consolidated operating profit ¥549 million, an increase of ¥74 million (15.8%) as compared to the previous fiscal year, thanks to an improved product mix resulting from the restructuring initiatives.

Consolidated Sales by Segment

Category	101st Term (Year ended March 31, 2018)	Percentage of total	102nd Term (Year ended March 31, 2019)	Percentage of total
Semiconductor Device Business	(millions of yen) 143,836	% 82.1	(millions of yen) 147,211	% 84.8
Power System Business	31,373	17.9	26,438	15.2
Total	175,209	100.0	173,650	100.0

(2) Capital Investment

Capital investment of the current consolidated fiscal year amounted to 19,387 million yen. This mainly consisted of investment for the purpose of strengthening the functions to evaluate the reliability of semiconductor devices at the Company and expanding the semiconductor device production capacity and others of Allegro MicroSystems, Inc.

(3) Financing

In order to appropriate funds for some portion of the repayment of loans payable and the redemption of commercial paper, the Company procured 10,000 million yen in total during the current consolidated fiscal year by issuing the 12th Unsecured Bond and the 13th Unsecured Bond.

(4) Tasks to be addressed

The outlook for the overall global economy in the fiscal year ending March 31, 2020 is becoming increasingly uncertain, due to the prolonged U.S.-China trade frictions. However, in the markets for energy-saving and environmentally friendly products, where the Company operates, we expect to see expanding demand for semiconductor devices in the expanding market for white goods, where the adoption of inverters is growing, and in the automotive markets, where sales of environmentally friendly vehicles (mild hybrid vehicles, etc.) is expanding and strengthened safety functions such as advanced driver-assistance systems (ADAS) are being increasingly adopted. With regard to the power systems segment, the markets surrounding the electronics industry is also undergoing major changes. We expect to see expanding demand for power systems associated with the implementation of various measures for building national resilience in Japan and increasing demand for power supply for base stations for small cells arising from the prevalence of 5G communication standards in the telecommunication market. In the fiscal year ending March 31, 2020, the Company will strive to improve performance and enhance financial performance continuously through increased sales and improved profitability by leveraging the aforesaid changes as great opportunities. The Company will also increase corporate value by promoting work-style reform and taking initiatives in SDGs, and thereby will make concerted efforts to expand businesses in order to “realize sustainable growth,” a goal under the mid-term business plan. We greatly appreciate your ongoing support and encouragement.

(5) Business Results and Summary of Assets

Category		Fiscal term ended March 31, 2016 (99th Term)	Fiscal term ended March 31, 2017 (100th Term)	Fiscal term ended March 31, 2018 (101st Term)	Fiscal term ended March 31, 2019 (102nd Term)
Net sales	(millions of yen)	155,919	158,772	175,209	173,650
Operating income	(millions of yen)	6,803	5,930	12,026	10,531
Ordinary income	(millions of yen)	3,791	5,026	11,808	9,173
Profit (loss) attributable to owners of parent	(millions of yen)	171	1,739	(11,421)	3,967
Net income (loss) per share	(yen)	1.41	14.35	(94.24)	163.70
Total assets	(millions of yen)	184,711	182,700	185,359	188,192
Net assets	(millions of yen)	53,959	54,736	72,283	78,541

- Notes: 1. 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.
2. Effective as of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, net income per share for the 102nd fiscal term is calculated on the assumption that the consolidation of shares was carried out at the beginning of the said fiscal term.
3. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the current consolidated fiscal year. Key financial performance indicators, etc. for the previous consolidated fiscal year are therefore stated as figures to which the above accounting standard, etc. has been retrospectively applied.

(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

Please See Status of Principal Subsidiaries (8) on the next page.

(8) Status of Principal Subsidiaries

Name	Common stock	Percentage of equity participation	Principal business	Offices	Location
Ishikawa Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors	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.	100 million yen	100.0%	Manufacture of semiconductors	Head Office	Higashine-shi, Yamagata Prefecture
Kashima Sanken Co., Ltd.	75 million yen	100.0%	Manufacture of semiconductors	Head Office	Kamisu-shi, Ibaraki Prefecture
Fukushima Sanken Co., Ltd.	50 million yen	100.0%	Manufacture and sale of semiconductors	Head Office	Nihonmatsu-shi, Fukushima Prefecture
Sanken Optoproducts Co., Ltd.	90 million yen	100.0%	Manufacture of semiconductors and Power System	Head Office	Shika-machi, Hakui-gun, Ishikawa Prefecture
Dalian Sanken Electric Co., Ltd.	66 million yuan	100.0%	Manufacture of semiconductors; manufacture and sale of Power System	Head Office	Liaoning, China
Allegro Microsystems, Inc.	105 thousand US dollars	67.2%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Allegro MicroSystems, LLC	63 million US dollars	* 67.2%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Polar Semiconductor, LLC	100 million US dollars	* 67.2%	Manufacture of semiconductors	Head Office	Minnesota, U.S.A.
P.T. Sanken Indonesia	96 million US dollars	100.0%	Manufacture and sale of Power System	Head Office	West Java, Indonesia
Sanken L.D. Electric (Jiangyin) Co., Ltd.	36 million yuan	60.0%	Manufacture and sale of Power System	Head Office	Jiangsu, China

Notes: 1. In the current fiscal year, the Company made a contribution in kind to loans receivable for P.T. Sanken Indonesia for the purpose of shoring up the subsidiary's financial performance by eliminating its excess liabilities. As a result, the capital amount (common stock) of P.T. Sanken Indonesia rose to 96 million US dollars.

2. Asterisks (*) indicate indirect ownership through Allegro Microsystems, Inc.

3. No specific wholly owned subsidiary exists as of the end of the current consolidated fiscal year.

(9) Employees

Number of employees	Year-on-year
9,481	-244

Note: The number of employees of the Company (non-consolidated) is 1,085. This is a decrease of 24 employees from the previous year.

(10) Major Creditors

Creditors	Loan Outstanding
Resona Bank, Limited.	5,298 million yen
Development Bank of Japan Inc	5,000 million yen
The Bank of Mitsubishi UFJ, Ltd.	4,224 million yen
The Hachijuni Bank, Ltd.	2,465 million yen
Mizuho Bank, Ltd.	2,359 million yen
Saitama Resona Bank, Limited	2,000 million yen

2. Shares of the Company

(1) Total number of shares authorized to be issued 51,400,000

(2) Total number of shares issued 25,098,060
(The number includes 865,315 shares of treasury stock)

(3) Number of shareholders 10,055

(4) Major shareholders

Name	Capital contribution	
	Number of shares (thousands)	Percentage of Ownership
Japan Trustee Services Bank, Limited (Trust Account)	2,104	8.68%
The Master Trust Bank of Japan, Limited (Trust Account)	1,794	7.40%
Saitama Resona Bank, Limited	1,202	4.96%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,050	4.33%
STATE STREET BANK AND TRUST COMPANY 505253	724	2.98%
CREDIT SUISSE AG, DUBLIN BRANCH PRIME CLIENT ASSET EQUITY ACCOUNT	667	2.75%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	553	2.28%
Japan Trustee Services Bank, Limited (Trust Account 5)	457	1.88%
BBH FOR FIDELITY SELECT PORTFOLIOS: ELECTRONICS PORTFOLIO INTL EQ SUB	448	1.85%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	383	1.58%

Notes: 1. The Company holds 865,315 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.

(5) Other important matters concerning shares

Effective as of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, the total number of shares authorized to be issued changed from 257,000,000 to 51,400,000 and the total number of shares issued changed from 125,490,302 to 25,098,060.

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, Device Business Corporate Headquarters
Director	Yoshihiro Suzuki	Senior Vice President, Euro-Americas Business Strategy Headquarters Chairman of the Board, Allegro Microsystems, Inc.
Director	Kazunori Suzuki	Senior Vice President, Sales Headquarters
Director	Hideo Takani	Senior Corporate Officer, Corporate Administration Headquarters
Director	Shigeru Ito	Senior Corporate Officer, Power System Headquarters
Director	Richard R. Lury	Attorney-at-law; External Director, Hitachi Zosen Corporation
Director	Noriharu Fujita	Certified Public Accountant; Representative, Fujita Noriharu Accounting Firm;
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, 2019.

2. Mr. Shigeru Ito, Director, was newly elected at the 101st Ordinary General Meeting of Shareholders held on June 22, 2018 and assumed his office.
3. Mr. Richard R. Lury and Mr. Noriharu Fujita are External Directors, and Mr. Mikihiko Wada and Mr. Atsushi Minami are External 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. Noriharu Fujita, Director, is qualified as a CPA in Japan and the U.S., 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, each of them has extensive knowledge in finance and accounting.
5. Mr. Takeshi Soroji retired from office as Director upon expiration of his term of office at the conclusion of the 101st Ordinary General Meeting of Shareholders held on June 22, 2018.

6. Corporate Officers of the Company who do not double as Directors as of March 31, 2019:

Position	Name	Assignment
Senior Vice President	Takeshi Soroji	Head, Work Style Reform Promotion Headquarters
Senior Corporate Officer	Hideki Nakamichi	Head, Engineering Headquarters, Device Business Corporate Headquarters
Corporate Officer	Yukiyasu Taniyama	General Manager, Optical Device Business Division, Device Business Corporate Headquarters
Corporate Officer	Kiyonori Orito	Deputy Head, Sales Headquarters and General Manager, Nagoya Sales Division, and General Manager in charge of automotive market
Corporate Officer	Masaki Kanazawa	General Manager, Merchandise Business Division, Device Business Corporate Headquarters
Corporate Officer	Makoto Iwata	General Manager, Management Planning Office, Corporate Administration Headquarters
Corporate Officer	Myungjun Lee	Deputy Head, Engineering Headquarters, Device Business Corporate Headquarters and General Manager in charge of white goods market
Corporate Officer	Tetsuo Bannai	General Manager, Assembly Technology Division, Engineering Headquarters, Device Business Corporate 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 and General Manager in charge of industrial machinery market
Corporate Officer	Masayuki Yanagisawa	General Manager, General Affairs and Human Resources Division, Corporate Administration Headquarters
Corporate Officer	Hiroshi Takahashi	Head, Production Headquarters, Device Business Corporate Headquarters

(2) Outline of liability limitation agreement

The Company has entered into an agreement with External Directors and External 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	9	215 million yen
Audit and Supervisory Board Member	4	51 million yen
Total	13	267 million yen
(of which External Director and External Audit and Supervisory Board Member)	(4)	(27 million yen)

Notes: 1. The number of Directors paid and the amount of compensation paid to Directors include those for one Director who retired during the period under review.

2. Separately from the above, the amount of compensation to the external officers paid by the consolidated subsidiaries of the Company as their officers is 27 million yen.

(4) External 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
External Director Richard R. Lury	Mr. Richard R. Lury concurrently serves as an External Director of Hitachi Zosen Corporation. There is no relationship requiring disclosure between the Company and Hitachi Zosen Corporation.
External Director Noriharu Fujita	Mr. Noriharu Fujita concurrently serves as a representative of Fujita Noriharu Accounting Firm. There is no relationship requiring disclosure between the Company and the firm.
External 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
External Director Richard R. Lury	Mr. Richard R. Lury attended all 10 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.
External Director Noriharu Fujita	Mr. Noriharu Fujita attended all 10 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.
External Audit and Supervisory Board Member Mikihiko Wada	Mr. Mikihiko Wada attended all 10 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 15 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.
External 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. He contributed to these meetings with comments based mainly on his professional perspective as a lawyer. He also attended all 15 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.

4. Accounting Auditors

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

Note: Ernst & Young ShinNihon LLC changed its Japanese name on July 1, 2018 (with no change in its English name).

(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	71 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. The Company paid compensation to the Accounting Auditor in return for various advisory services rendered, etc. other than the auditing & attestation engagement prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act.
4. 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 Legal department 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 external directors. Four Audit and Supervisory Board members, including two external Audit and Supervisory Board members, also attend the Board of Directors meetings. The Board of Directors meetings were held 10 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 external Audit and Supervisory Board members. Audit and Supervisory Board meetings were held 15 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 External 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, 2019)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	103,903	110,625
Cash and deposits	23,564	32,752
Notes and accounts receivable — trade	33,586	34,656
Merchandise and finished goods	14,888	12,061
Work in process	19,633	20,600
Raw materials and supplies	7,539	4,969
Other	4,757	5,644
Allowance for doubtful receivables	(65)	(58)
Non-current assets	84,288	74,734
Total property, plant and equipment	72,604	63,968
Buildings and structures	24,027	20,833
Machinery, equipment and vehicles, net	34,731	30,690
Tools, furniture and fixtures, net	2,042	1,427
Land	6,166	5,712
Lease assets, net	62	503
Construction in progress	5,574	4,800
Intangible assets	4,955	5,114
Software	2,786	2,936
Other	2,169	2,177
Investments and other assets	6,729	5,651
Investment securities	1,093	1,407
Deferred tax assets	1,221	1,302
Net defined benefit asset	18	399
Other	4,637	2,782
Allowance for doubtful receivables	(241)	(242)
Total Assets	188,192	185,359

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	56,409	69,683
Notes and accounts payable - trade	18,075	20,634
Short-term loans payable	12,991	13,339
Current portion of long-term loans payable	646	500
Current portion of bonds	–	15,000
Commercial paper	11,000	7,000
Lease obligations	30	87
Income taxes payable	591	412
Accrued expenses	11,705	11,337
Other	1,368	1,370
Non-current liabilities	53,242	43,392
Bonds payable	35,000	25,000
Long-term loans payable	11,855	11,475
Lease obligations	41	67
Deferred tax liabilities	1,508	1,796
Provision for Directors' retirement benefits	33	25
Net defined benefit liability	2,832	2,632
Other	1,970	2,395
Total Liabilities	109,651	113,076
(Net Assets)		
Shareholders' equity	63,292	59,846
Capital stock	20,896	20,896
Capital surplus	26,214	26,003
Retained earnings	20,204	16,964
Treasury shares	(4,023)	(4,017)
Accumulated other comprehensive income	(5,012)	(4,510)
Valuation difference on available-for-sale securities	45	390
Foreign currency translation adjustment	212	(909)
Remeasurements of defined benefit plans	(5,270)	(3,991)
Non-controlling interests	20,261	16,947
Total Net Assets	78,541	72,283
Total Liabilities and Net Assets	188,192	185,359

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

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2018 to March 31, 2019)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	173,650	175,209
Cost of sales	126,150	126,840
Gross profit	47,499	48,369
Selling, general and administrative expenses	36,968	36,342
Operating income	10,531	12,026
Non-operating income	950	1,463
Interest income	171	80
Dividends income	44	39
Foreign exchange gains	–	719
Subsidy income	139	207
Gains on sale of waste	105	91
Reversal of product compensation expenses	128	–
Miscellaneous income	362	324
Non-operating expenses	2,308	1,681
Interest expenses	610	612
Foreign exchange losses	1,069	–
Product compensation expenses	69	102
Miscellaneous loss	558	967
Ordinary income	9,173	11,808
Extraordinary income	555	655
Gains on sale of non-current assets	258	–
Gain on sale of investment securities	297	–
Gain on abolishment of retirement benefit plan	–	69
Compensation income	–	585
Extraordinary losses	700	18,968
Loss on sales of non-current assets	–	0
Loss on disposition of non-current assets	457	97
Special retirement expenses	122	190
Loss on liquidation of subsidiaries and affiliates	–	364
Impairment loss	119	–
Business restructuring expenses	–	18,315
Income (loss) before income taxes and non-controlling interests	9,028	(6,505)
Income taxes - current	2,226	3,496
Income taxes - deferred	89	470
Profit (loss)	6,712	(10,472)
Profit attributable to non-controlling interests	2,745	948
Profit (loss) attributable to owners of parent	3,967	(11,421)

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

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	75,568	84,066
Cash and deposits	8,410	16,656
Notes receivable	2,601	2,137
Accounts receivable — trade	24,827	26,921
Merchandise and finished goods	9,043	8,060
Work in process	1,573	1,709
Raw materials and supplies	2,163	2,247
Prepaid expenses	625	484
Short-term loans receivable	12,164	15,839
Accounts receivable — other	16,961	13,566
Other	569	1,368
Allowance for doubtful receivables	(3,372)	(4,923)
Fixed assets	50,958	46,010
Tangible fixed assets	6,295	5,234
Buildings	3,307	2,821
Structures	121	116
Machinery and equipment	1,381	877
Autos and trucks	0	0
Tools, furniture and fixtures	703	519
Land	721	721
Lease assets	2	23
Construction in progress	57	155
Intangible assets	2,738	2,897
Software	2,715	2,865
Lease assets	2	4
Other	19	28
Investments and other assets	41,924	37,877
Investment securities	1,080	1,388
Investments in subsidiaries and affiliates	23,306	22,419
Long-term loans receivable	15,499	17,203
Prepaid pension cost	3,603	3,103
Other	822	1,138
Allowance for doubtful receivables	(2,387)	(7,375)
Total Assets	126,527	130,076

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	46,288	54,972
Notes payable	2,149	2,522
Accounts payable — trade	14,542	15,639
Short-term bank loans	15,092	11,039
Current portion of bonds	—	15,000
Commercial paper	11,000	7,000
Lease obligations	6	21
Accounts payable — other	421	706
Accrued expenses	2,529	2,780
Accrued income taxes	161	34
Advances received	19	65
Deposits received	113	110
Other	252	51
Long-term liabilities	43,921	34,183
Bonds payable	35,000	25,000
Long-term bank loans	8,000	8,000
Lease obligations	4	10
Deferred tax liabilities	520	611
Other	397	561
Total Liabilities	90,209	89,156
(Net Assets)		
Shareholders' equity	36,271	40,532
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	9,190	13,445
Other retained earnings	9,190	13,445
Reserve for advanced depreciation of fixed assets	36	37
Retained earnings carried forward	9,154	13,407
Treasury stock	(4,023)	(4,017)
Valuation and translation adjustments	45	387
Unrealized gain on securities	45	387
Total Net Assets	36,317	40,920
Total Liabilities and Net Assets	126,527	130,076

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

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2018 to March 31, 2019)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	110,288	110,905
Cost of sales	102,889	99,907
Gross profit	7,399	10,997
Selling, general and administrative expenses	9,342	10,513
Operating income (loss)	(1,943)	484
Other income	1,395	33,274
Interest income	378	244
Dividends income	782	32,468
Foreign exchange gains	–	444
Miscellaneous income	233	116
Other expenses	2,490	1,101
Interest expenses	530	535
Foreign exchange losses	698	–
Product compensation expenses	69	102
Provision of allowance for doubtful accounts for subsidiaries and affiliates	905	161
Miscellaneous losses	286	302
Ordinary income (loss)	(3,038)	32,656
Extraordinary income	294	–
Gain on sales of investment securities	294	–
Extraordinary loss	762	20,625
Loss on disposition of fixed assets	422	21
Loss on liquidation of subsidiaries and affiliates	–	343
Impairment loss	340	–
Business restructuring expenses	–	20,260
Income (loss) before income taxes	(3,506)	12,031
Income taxes	(36)	(15)
Deferred income taxes	57	424
Net income (loss)	(3,528)	11,621

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

INDEPENDENT AUDITORS' REPORT

May 17, 2019

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

Atsuko Tanabe, 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 102nd fiscal term from April 1, 2018 to March 31, 2019.

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 17, 2019

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

Atsuko Tanabe, 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 102nd fiscal term from April 1, 2018 to March 31, 2019.

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 102nd fiscal term from April 1, 2018 to March 31, 2019, 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, 2019.

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 27, 2019

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)
External Audit and Supervisory Board Member

Atsushi Minami (Seal)
External 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 ¥15.00 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 realize objectives of the mid-term business plan such as development investment and capital investment for the future.

Year-end dividend

(1)	Allotment of property dividend to shareholders and the total amount	15.00 yen per share of common stock Total amount: 363,491,175 yen
(2)	Effective date of distribution of surplus	June 24, 2019

<Reference>

- * Effective as of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share.
- * The Company already paid the interim dividend of ¥3.00 per share with the record date of September 30, 2018, a date before the share consolidation. When converted into the amount after the share consolidation, the annual dividend for the current fiscal year will be equivalent to ¥30.00 per share, including the interim dividend of ¥15.00 per share and the year-end dividend of ¥15.00 per share.

Proposal No. 2: Election of Nine Directors

All eight directors will complete their respective terms of office at the conclusion of this meeting. Accordingly, in order to further strengthen the supervisory function of the Board of Directors as well as our corporate governance, we shall propose an increase in the number of External Directors by one (1). Therefore, we shall propose the election of nine 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	Takashi Wada (September 3, 1954)	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)	10,100
<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 has been implemented reforms on technology development operations that are to become the keystones of our growth strategy after the structural reforms. He also took a leadership in setting up the Work Style Reform Promotion Headquarters and has been committed to the transformation of our corporate culture through operational reforms, system reforms, human resource development, and organizational development.</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>			

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
2	Masao Hoshino (January 23, 1959)	<p>April 1981: Entered the Company</p> <p>April 2002: General Manager, Integrated Circuit Development Division, Semiconductor Headquarters</p> <p>April 2006: General Manager, Advanced Technology Development Division, Engineering Headquarters</p> <p>June 2007: Corporate Officer</p> <p>April 2009: Head, Engineering Headquarters</p> <p>June 2009: Director and Senior Corporate Officer</p> <p>June 2012: Director and Senior Vice President</p> <p>June 2016: Director and Executive Vice President (to the present)</p> <p>April 2018: Head, Device Business Corporate Headquarters (to the present)</p>	2,500
<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. Since 2018, he has administered all aspects of the semiconductor device business from technology to manufacturing as the Head of the Device Business Corporate Headquarters. 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>			
3	Yoshihiro Suzuki (October 10, 1958)	<p>April 1982: Entered the Company</p> <p>October 1998: Allegro Group Leader, Production Division, Semiconductor Headquarters</p> <p>May 2001: Vice President and Director, Allegro Microsystems, Inc. (Currently, Allegro MicroSystems, LLC)</p> <p>April 2005: General Manager, Management Planning Division, Administration Headquarters</p> <p>April 2006: General Manager, Global Business Strategy Office</p> <p>June 2006: Corporate Officer</p> <p>June 2011: Senior Corporate Officer</p> <p>March 2013: Director and CEO, Sanken North America, Inc. (Currently, Allegro Microsystems, Inc.)</p> <p>June 2013: Director and Senior Corporate Officer</p> <p>June 2015: Director and Senior Vice President (to the present)</p> <p>July 2017: Chairman of the Board, Sanken North America, Inc. (to the present)</p> <p>April 2018: Head, Euro-Americas Business Strategy Headquarters (to the present)</p>	9,500
<p>- Reasons for the appointment as a candidate for Director</p> <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. since 2001. 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>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
4	<p>Kazunori Suzuki (September 17, 1957)</p>	<p>April 1981: Entered the Company</p> <p>August 1996: First Sales Section Manager, First Sales Department, First Semiconductor Sales Division, Semiconductor Headquarters</p> <p>May 2002: President and Director of Sanken Power Systems (UK) Limited</p> <p>April 2007: General Manager, Overseas Sales Division, Sales Headquarters</p> <p>June 2008: Corporate Officer</p> <p>April 2012: Head, Sales Headquarters (to the present)</p> <p>June 2012: Director and Senior Corporate Officer</p> <p>June 2016: Director and Senior Vice President (to the present)</p>	3,400
		<p>- Reasons for the appointment as a candidate for Director</p> <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 in 2012, he has administered the Company's global sales strategy, including that for power systems business sector and has achieved successful results, especially in the expansion of sales in the overseas markets focusing on that for the white goods. 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>	
5	<p>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>	1,600
		<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>	

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
6	Shigeru Ito (February 21, 1964)	<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> <p>June 2018: Director and Senior Corporate Officer (to the present)</p>	1,800
<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. He has also been committed to structural reforms in the unit product business and achieved successful results in ensuring the profitability of those products and in numerous other endeavors. 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>			
7	Richard R. Lury (January 21, 1948) <External Director> <Independent Officer> Term of office as an External Director: Five years as of the closing of this meeting	<p>May 1974: Admitted to the bar of the State of New York</p> <p>September 1989: Partner, Kelley Drye & Warren LLP (retired from the entity in January 2015)</p> <p>June 2003: Admitted to the bar of the State of New Jersey</p> <p>March 2013: External Director, Sanken North America, Inc. (Currently, Allegro Microsystems, Inc.) (to the present)</p> <p>June 2014: External Director of the Company (to the present)</p> <p>June 2016: External Director, Hitachi Zosen Corporation (to the present)</p>	—
<p>- Reasons for the appointment as a candidate for External 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.</p> <p>He has served as a member of the Nomination Committee and the Compensation Committee since November 2018 and made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. 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 External Director of principal U.S. subsidiaries of the Company. We therefore anticipate that he will appropriately perform his duties as an External Director. 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
8	<p style="text-align: center;">Noriharu Fujita (September 26, 1950)</p> <p><External Director> <Independent Officer></p> <p>Term of office as an External Director: Three 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 June 2016: External Director of the Company (to the present) August 2018: External Director, Allegro Microsystems, Inc. (to the present)</p>	-

- Reasons for the appointment as a candidate for External Director

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 an audit corporation engaged as 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 for companies expanding their businesses overseas. Furthermore, as almost six 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.

He has served as a member of the Nomination Committee and the chairperson of the Compensation Committee since November 2018 and made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. In addition, he is expected to make similar contributions to the management of the corporate group, as he has held office as an External Director of a principal U.S. subsidiary of the Company from the current fiscal year. 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 External Director. Thus, the Company selected him as a candidate for Director.

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
9	<p>Emiko Higashi (November 6, 1958)</p> <p><External Director> <Newly appointed></p>	<p>February 1988: Director, Wasserstein Perella & Co., Inc. May 1994: Managing Director, Investment Banking, Merrill Lynch & Co. April 2000: CEO, Gilo Ventures, LLC January 2003: Managing Director, Tomon Partners, LLC (to the present) November 2010: External Director of KLA-Tencor Corporation (Currently, KLA Corporation) (to the present) October 2014: External Director of InvenSense Inc. June 2016: External Director of MetLife Insurance K.K. (to the present) June 2016: External Director of Takeda Pharmaceutical Company Limited (to the present) May 2017: External Director of Rambus Inc. (to the present)</p>	-
<p>- Reasons for the appointment as a candidate for External Director</p> <p>Ms. Higashi served in investment banks in the U.S. for a long period and has abundant knowledge and experience in international corporate finance. Since founding Tomon Partners, LLC in 2003, she has been engaged in a business of her own related to corporate finance and corporate governance for many years. She has also assumed office as an External Director for listed semiconductor-related companies in the U.S. and is knowledgeable about the global semiconductor industry. We believe that her business experience in corporate finance and corporate governance, along with knowledge of the global semiconductor industry, will enhance the overall functions of the Board of Directors and contribute to ensuring the adequacy of the Company's business operations in general. We therefore anticipate that she will appropriately perform her duties as an External Director. Thus, the Company selected her as a candidate for Director.</p>			

- Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.
2. The abovementioned item "No. of the Company shares held" represents the number of shares after the one-for-five share consolidation of the Company's common stock effective as of October 1, 2018.
3. Matters concerning a notification with respect to INDEPENDENT OFFICERS:
- 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. As Ms. Emiko Higashi also satisfies the requirements of an independent officer prescribed by the Tokyo Stock Exchange, the Company plans to appoint her as an additional independent officer if her election is approved.
4. Matters concerning the candidates for External Director:
- 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, and also plans to enter into an agreement with Ms. Emiko Higashi to limit her liabilities as set forth above.

Proposal No. 3:

Election of One Audit and Supervisory Board Member

Mr. Mikihiko Wada, 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
Hideki Hirano (August 30, 1954) <External Audit and Supervisory Board Member> <Newly appointed>	April 1978: Entered Saitama Bank Ltd. April 2008: Managing Executive Officer and General Manager of Saitama Corporate Banking Division, Saitama Resona Bank, Limited October 2009: Managing Executive Officer in charge of Compliance Division, Loan Planning Division and Risk Management Division, Saitama Resona Bank, Limited (retired in June 2010) June 2010: Representative Director and President of Resona Credit Collection Co., Ltd. (retired in September 2011) April 2012: Representative Director and President of Resona Guarantee Co., Ltd. (retired in March 2015) October 2014: External Director of Daizo Corporation (to the present) June 2015: External Director of Sanyo Engineering & Construction Inc. (to the present)	—

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

Mr. Hideki Hirano has deep knowledge in finance and accounting based on his background in the banking business. In addition, we believe that his years of experience as a corporate manager will allow him to carry out the audit work from the viewpoint of management if he is appointed as an External Audit and Supervisory Board Member. We therefore anticipate that he will appropriately perform his duties as an External Audit and Supervisory Board Member.

- Notes: 1. No conflicts of interest exist between the Company and the above candidate.
2. Matters concerning a notification with respect to INDEPENDENT OFFICER:
- As Mr. Hideki Hirano satisfies the requirements of an independent officer prescribed by the Tokyo Stock Exchange, the Company plans to newly appoint him as an independent officer if his election is approved.
3. Matters concerning the candidate for External Audit and Supervisory Board Member:
- If this Proposal is approved as proposed, the Company plans to enter into an agreement with Mr. Hideki Hirano to limit his 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.
 - Mr. Hideki Hirano will retire from his office as External Director of Sanyo Engineering & Construction Inc. upon expiration of his term of office at the conclusion of that company's 72nd ordinary general meeting of shareholders to be held on June 21, 2019.

Proposal No. 4:

Revision of the Amount of Compensation for Directors and Audit and Supervisory Board Members

The current compensation for Directors and Audit and Supervisory Board Members in the amounts of 25 million yen or less per month for Directors and 5 million yen or less per month for Audit and Supervisory Board Members was approved at the 89th Ordinary General Meeting of Shareholders held on June 23, 2006, and the amounts so determined have remained unchanged up to the present date. Several factors have arisen within the Company including the increase in the number of External Directors by one to further strengthen the supervisory function of the Board of Directors and corporate governance, the increased responsibilities and expanded roles anticipated of Directors, as well as changes in economic circumstances. Taking these factors into account, in order to enable flexible compensation policy more closely connected with business performance, we propose that the current provision of a monthly amount be revised to the provision of a yearly amount, and that the amount of compensation for Directors be revised to 500 million yen or less per year (including 200 million yen or less per year for External Directors). We also propose that the amount of compensation for Audit and Supervisory Board Members be revised to 80 million yen or less per year, in consideration of changes in economic circumstances and other factors.

There are currently eight Directors (including two External Directors) and four Audit and Supervisory Board Members. If Proposal No. 2 (Election of Nine Directors) is approved as proposed, we will have nine Directors (including three External Directors).

Proposal No. 5:

Determination of the Amount and Other Details of Performance-Linked Share Compensation for Directors

1. Reasons for the proposal and reasons why the proposed compensation plan is reasonable

The compensation for the Company's Directors consists of basic compensation and bonuses. In this Proposal, meanwhile, we propose to introduce a new performance-linked share compensation plan (hereinafter referred to as the "Plan") for the Company's Directors (excluding External Directors, hereinafter the same shall apply). We also request that shareholders entrust the Board of Directors with the decisions on the details of the compensation plan within the scope set out in 2. below.

The Plan aims to increase the Directors' awareness of their responsibility to contribute to the improvement of medium- to long-term performance and the increased corporate value of the Company, by further clarifying the link between Directors' compensation and the value of the shares of the Company and by having the Directors share the gains and risks resulting from share price changes with the Company's shareholders. Therefore, we believe that the above compensation plan is appropriate.

Under the Plan in this Proposal, the Company shall compensate the Directors in office in the three fiscal years between the fiscal year ending March 31, 2020 and the fiscal year ending March 31, 2022 (hereinafter referred to as the "Applicable Period") with a new performance-linked share compensation that is separate from the Directors' compensation within the maximum amount requested for approval in Proposal No. 4 (500 million yen or less per year (including 200 million yen or less per year for External Directors)).

If Proposal No. 2 on the "Election of Nine Directors" is approved as proposed, the number of Directors eligible for the Plan shall be six, excluding three External Directors.

2. Amount and other details of compensation under the Plan

(1) Outline of the Plan

The Plan is a share compensation plan whereby a trust to be set using funds contributed by the Company (hereinafter referred to as the "Trust") shall acquire the shares of the Company, and the number of shares of the Company corresponding to the number of points to be awarded to each Director by the Company shall be delivered to each Director through the Trust.

Directors shall, in principle, receive the shares of the Company when they retire from their respective positions.

1) Directors eligible for the Plan	* Directors (excluding External Directors) of the Company
2) Applicable Period	* Three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022
3) Maximum amount of money to be contributed by the Company for funds to acquire the shares of the Company that the Company is required to deliver to Directors in 1) above during the Applicable Period in 2) above.	* Total amount of 270 million yen
4) Methods for acquiring the shares of the Company	* By disposing of treasury shares, or acquiring the shares of the Company through stock markets (including after-hours trading)
5) Maximum total number of points to be granted to Directors	* 90,000 points per fiscal year
6) Standard for granting points	* Granting points according to the position, the degree to which the performance objectives have been achieved, and other factors * Indicators to evaluate the degree to which the performance objectives have been achieved for the current fiscal year shall be consolidated operating income, ROE, etc.
7) Time of delivery of the shares of the Company to Directors in 1) above	* At the time of retirement, in principle

(2) Maximum amount of money to be contributed by the Company

The initial trust period of the Trust shall be approximately three years. The Company shall contribute money in a maximum amount of 270 million yen in total as compensation for Directors in office in the Applicable Period, for use as funds with which to acquire the shares of the Company that the Company is required to deliver to Directors under the Plan over the Applicable Period, and set up the Trust by designating Directors who meet certain requirements as beneficiaries. Under the Plan the Company shall acquire the shares of the Company through the disposal of treasury shares or acquisition from the stock markets (including after-hours trading) using money funds contributed by the Company.

Note: The money actually entrusted to the Trust by the Company shall be the total amount of necessary expenses, such as the trust compensation and compensation for a trust administrator, in addition to the funds to be used to acquire the shares of the Company as mentioned above.

Upon the expiration of the Applicable Period, the period may be extended for a period of up to the five fiscal years as determined each time by the Board of Directors of the Company. In accordance therewith, the Company may extend the trust period of the Plan (including the substantive extension of trust period by transferring the trust assets of the Trust to a trust to be established by the Company for the same purposes as the Trust, hereinafter the same shall apply) and continue the Plan. In such a case, the Company shall make an additional contribution of money to the Trust in an amount up to the maximum limit calculated by multiplying the number of fiscal years in the extended Applicable Period by 90 million yen, as funds with which to additionally acquire the shares of the Company that the Company is required to deliver to Directors under the Plan during the extended Applicable Period, and thus the Company shall continue to grant points and deliver the shares of the Company as mentioned in (3) below.

In addition, even if the Company chooses not to extend the Applicable Period as mentioned above, and thereby discontinues the Plan, when any Director to whom the Company has already granted points is still in office, the Company may extend the period of the Trust up to the time the Director retires and the Trust completes the delivery of the shares of the Company.

(3) Method for calculating the number of shares of the Company to be delivered to Directors and their maximum limit

1) Method for granting points to Directors, etc.

The Company shall grant each Director points corresponding to his or her position, the degree to which he or she has achieved the performance objectives, and other factors, upon the date of the granting of points stipulated in the Share Delivery Regulations during the trust period, in accordance with the Share Delivery Regulations to be determined by the Board of Directors of the Company.

However, the total number of points to be granted to Directors by the Company shall not exceed 90,000 points per fiscal year.

In the current fiscal year, the Compensation Committee of the Company shall determine the medium- to long-term performance objectives such as the consolidated operating income and ROE and grant points within the range of 0% through 150% according to the positions and the degree to which the performance objectives have been achieved, in accordance with the provisions of the Share Delivery Regulations.

2) Delivery of the shares of the Company corresponding to points granted

Directors shall receive the delivery of the shares of the Company corresponding to the number of points granted in 1) above, according to the procedures mentioned in 3) below.

One point shall be converted to one share of the Company; provided, however, that upon the occurrence of any event in which it is deemed reasonable to adjust the number of the shares of the Company to be delivered, such as a share split or share consolidation, the conversion of points to shares shall be reasonably adjusted according to the ratio of such split or consolidation, etc.

3) Delivery of the shares of the Company to Directors

With regard to the delivery of the shares of the Company to each Director as mentioned in 2) above, the Trust shall deliver the shares of the Company after each Director takes the predetermined procedures to fix a beneficiary upon retirement, in principle.

However, as for a certain percentage of the shares of the Company, the Trust may take delivery in cash in lieu of the shares of the Company after the Trust sells the shares of the Company for conversion into money, in order to withhold at the source funds with which to pay taxes such as the withholding income tax. If, in addition, the shares of the Company in the Trust are purchased through an accepted tender offer, or are otherwise converted into money, the Trust may take delivery in cash in lieu of the shares of the Company.

(4) Exercise of voting rights

Voting rights represented by the shares of the Company held in the Trust shall not be exercised under any circumstances, without exception, in accordance with the instruction from a trust administrator appointed independently of the Company and the Company's Directors. Adopting this approach is a means of ensuring neutrality for the management of the Company with respect to the exercise of the voting rights represented by the shares of the Company held in the Trust.

(5) Treatment of dividends

Dividends from the shares of the Company held in the Trust shall be received by the Trust and shall be appropriated for the acquisition of the shares of the Company and the payment of trust fees, etc. for the trustee of the Trust.

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)
Stock Transfer Agency Business Planning Dept., 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

