ANNUAL REPORT 2010

For the year ended March 31, 2010

Sanken Electric Co., Ltd.

Profile

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

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

Contents

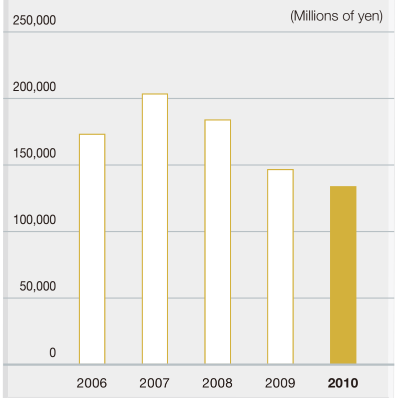
Cautionary Statement

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

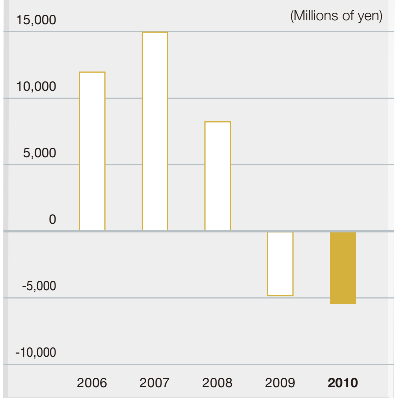
Financial Performance

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007, and 2006

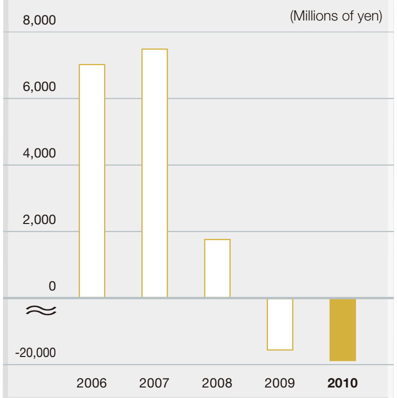
Net Sales
Years ended March 31



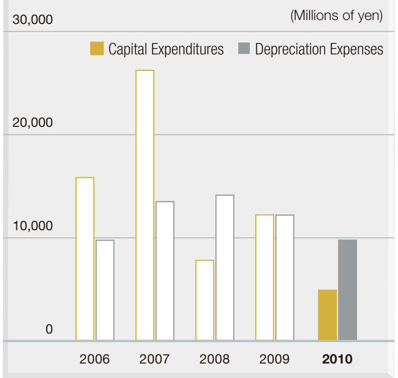
Operating Income (Loss)
Years ended March 31



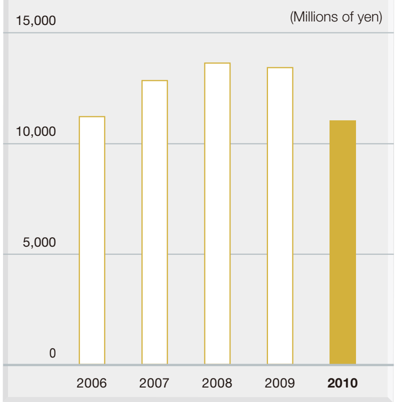
Net Income
Years ended March 31



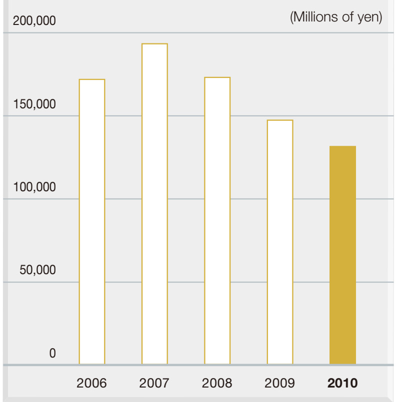
Capital Expenditures/ Depreciation Expenses
Years ended March 31



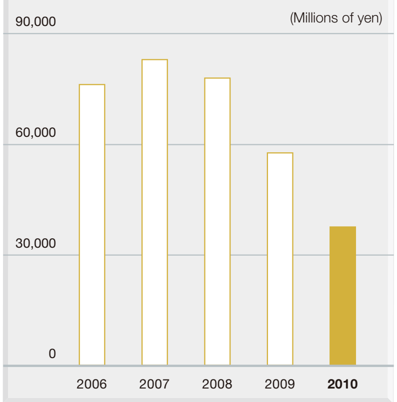
R&D Expenses
Years ended March 31



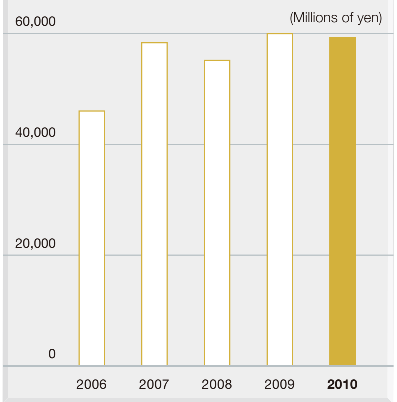
Total Assets
As of March 31



Total Net Assets
As of March 31



Interest-bearing Debt
As of March 31



ROA/ROE
Years ended March 31

Dear Fellow Shareholders

Sadatoshi Iijima, President
Sanken Electric Co., Ltd.

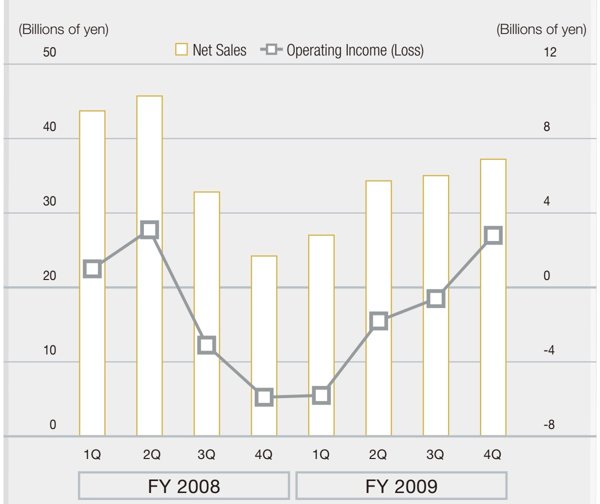
FY 2009 Business Environment and Principal Business Policies

The 12-month period from the autumn of 2008 to the fall of 2009 proved to be a challenging time for the Sanken Group. During the second half of FY 2008 (October 2008 to March 2009), the semiconductor industry, including Sanken, was confronted with conditions that caused the volume of incoming-orders to contract sharply as a result of the global economic recession triggered by the “Lehman Shock.” In addition to these circumstances, the first half of FY 2009 (April to September 2009) brought an abrupt change that might be called Sanken’s own unique “CCFL Shock*.” Consequently, Sanken began FY 2009 under this twin-shock business environment.

As a result of these irregular conditions, in which two significant external factors simultaneously swept over the Company to depress operating performance, Sanken's operating results for the four consecutive quarters from the second half of FY 2008 through the first half of FY 2009 showed an extreme drop that can only be deemed aberrant. For the first quarter of FY 2009, which was unquestionably the weakest period, we reported a large consolidated operating loss of 5.8 billion yen. From the second quarter of FY 2009, there were signs of improvement in the AV/OA and automotive markets, Sanken's specialties, and we began to see the effects from implementation of structural reforms in our CCFL operations. As a result of these and other positive changes, we made steady progress towards eliminating our deficit, reducing the operating losses to 1.9 billion yen and 0.7 billion yen in the second and third quarter respectively, and achieved a return to positive performance in the fourth quarter with an operating income of 2.9 billion yen. During the fourth quarter, I believe the Sanken Group has at last broken away from the irregular circumstances created by the twin shocks.

*CCFL Shock: An expression that describes the conditions under which Sanken's CCFL business deteriorated rapidly and broadly as the Company's CCFL products were faced with i) steep price erosion due to stiff competition from overseas CCFL manufacturers aggressively expanding their market share, ii) a sharp drop in the number of units installed per LCD panel made possible by technical innovation, and iii) accelerated market penetration of LED backlight systems.

Consolidated Net Sales and Operating Income



Key Management Initiatives in FY 2009

Management initiatives for FY 2009, which began during a bleak period defined by the twin shocks of a weak economy and deteriorating CCFL business conditions, centered on management actions aimed at turning adverse conditions around and rallied all of the Company's resources upon ensuring corporate survival. In light of our prior fiscal year operating performance, which resulted in a large deficit, as we began FY 2009 we adopted policies to focus the Company's capabilities on three issues: (1) Fixed cost reduction, (2) focus on cash flow conservation, and (3) structural reforms.

Under "fixed cost reduction," we worked to shrink the size of our labor force, cut immediate expenditures such as overtime work and business trips and thoroughly reduce other outlays including testing, research and repair expenses, across all business locations and all divisions. Our goal was to lay the foundation for a business structure that will generate earnings, by lowering fixed costs by approximately 10 billion yen annually.

Through "focus on cash flow conservation", we mobilized the wisdom and ingenuity of our employees to undertake reductions to inventories and investments, and successfully generated about 10 billion yen of cash flow. As a result, we also were able to reduce interest-bearing debts, and proceeded to improve our financial position.

Finally, through the "structural reforms" we reorganized our domestic and overseas CCFL production systems to rapidly revitalizing our CCFL business, implemented a merger of a subsidiary into the parent, transferred and consolidated production lines, and pursued production outsourcing to offshore foundries.

In the CCFL business in particular, by shrinking production capacity from 30 million units per month in the past to 20 million units per month through the elimination and consolidation of production lines and reductions to our labor force, and by booking 9.3 billion yen in asset impairment losses and 1.7 billion yen for inventory write-offs as accounting treatment, we have created an organization capable of avoiding losses even when orders decline.

As a result of these Company-wide efforts, we could score a success in returning to positive operating income in the fourth quarter, and we are highly confident that these achievements have put us on a fast recovery track for future growth.

FY 2010 Strategy

After achieving a turnaround in the fourth quarter of FY 2009, during FY 2010 the Sanken Group will focus on accomplishing a "full revival" as it sets its sights on a quick return to the level of earnings enjoyed by the Group prior to the twin shocks.

Under a policy that emphasizes earnings in our business, in FY 2010 we will put into motion various measures based on the combination of two key directions: "sales expansion" and "cost structure reform."

To "sales expansion," we will work to "stretch" growth by augmenting the expansion achieved as the market recovers with additional growth from our own efforts, based on Sanken's "five new market strategy." Under this strategy we are initiating our own efforts to penetrate into markets that have evolved around two of Sanken's specialties, i) the AV/OA and other consumer electronics markets and ii) automotive markets including the hybrid automobile and electric vehicle markets, and iii) the markets growing with the adaptation of inverters to white goods including air conditioners, washing machines and refrigerators as prompted by the global progress toward eco-friendliness and energy savings, and the markets in new sectors such as iv) LED lighting and v) products for solar power. Since FY 2009 we have been steadily achieving positive results in each of these new markets.

To achieve "cost structure reform," we will go beyond what was done in the CCFL-related structural reform carried out in FY 2009, and in FY 2010 will work to increase our ability to respond quickly to local markets and local standards in the newly developing regions of Asia and the rest of the world, further promote the use of foreign EMS for assembly processes, and enhance production efficiency.

Medium to Long-Term Outlook

Since the "Lehman Shock," the market environment has undergone wrenching changes, and the role of global economic engines has shifted from developed country markets in Europe and the United States to newly developing country markets, including the BRICs. From the standpoint particularly of Sanken's location in Asia, we consider China and India to be markets that will deserve greater attention in the future.

As is widely recognized, both China and India are markets populated with extraordinarily large numbers of people. In both regions income levels are also rising, and while it might be overstating the case a little, families have arrived at a standard of living that enables them to purchase durable consumer goods, and the huge demand in these enormous markets has finally begun to move. Compared with growth rates of just several percent in advanced countries, the future growth rates of demand in China and India will be incommensurably larger, and there may even be a possibility that demand will explode by several hundred percent.

It, however, is important to note that business in newly developing country markets has a set of standards that differ completely from business in advanced country markets, and at Sanken, we judge that we must be sensitive to this "dual set of standards."

The first component of newly developing country set of standard is to respond to a demand for "low prices." Success in these markets requires achieving a low price while maintaining nearly all features of performance and quality. The second component is "speed." An overwhelmingly short cycle from development to market introduction is characteristic of standards in the newly developing country markets. For example, the cycle of one or two years in Japan from development through market introduction was until now considered normal. This development cycle has now been turned into a routine of mere months in China and India. At Sanken, we refer to these two characteristics as the "Asian price" and "Asian speed," and we are focusing on rapidly building an organization and establishing original research and development philosophy that will enable us to respond to these requirements for success.

Although Sanken's level of incoming-orders is expanding steadily at the moment, conditions affecting the global economy are deemed to remain unpredictable. Given this uncertainty, it is fortunate that "awareness for the environment" is gradually gathering force on a global scale, including the newly developing country markets, and with this eco-conscious trend propelling Sanken's business based on its focus on "eco-friendliness and energy savings," the Company's medium-to long-term prospects can be viewed as extremely promising. In the months ahead, the Sanken Group continues to pursue "eco-friendliness and energy savings," and quickly achieve a "full recovery" and accomplish its shift to a renewed growth path.

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

July 2010

Sadatoshi Iijima
President

Ecology & Marketability

"Eco-friendly and energy-saving" – This attribute commands the foremost priority in the strategy of the Sanken Group. The world, regardless of whether in advanced nations or newly emerging countries, now demands various technologies that help protect the environment. It is no exaggeration that even in newly emerging countries, the need for "energy-saving" technologies are mounting to help reduce power consumption and ease severe power transmission and distribution constraints.

In the developed regions, the United States is active in promoting policies established by the Environmental Protection Agency (EPA), the most notable of which is the "ENERGY STAR" program to certify energy-saving electrical equipment including a broad range of eligible products such as home electrical appliances, computers and industrial machinery. Furthering this effort, the "International ENERGY STAR Program", an international environmental labeling system for reducing power consumption by office automation equipment and other products, is also exhibiting global growth. Even in China, a similar program was recently set up to increase energy efficiency, and is gradually moving toward stricter standards.

The Sanken Group is seeking to broaden the presence of its "eco-friendly and energy-saving" technologies in the global market by discerning the need in each country and region around the world, and developing and supplying technologies and products tailored to suit the needs, thereby trying to help solve the world's environmental problems.

Future Focus Areas 1 White Goods Household Appliances Sector

2010 marks the beginning of an era for inverters in Asia

As each country enacts energy efficiency controls and environmental regulations, the demand has risen sharply for products equipped with "inverter" systems that can contribute to energy-savings as well as environmental protection, particularly in the white goods household appliances sector.

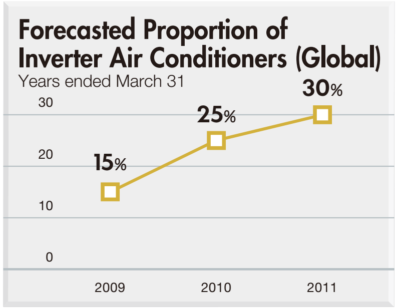
One example is air conditioners. Though air conditioners marketed in Japan normally come with inverters, but most air conditioners sold in the advanced countries of Europe and the United States and in newly emerging countries in Asia until now have not been equipped with inverters. According to Sanken's estimate, in contrast to Japan where about 90% of all air conditioners were equipped with inverters in 2009, the percentage of such units in Korea and China was about 5%.

Aroused by these realities, however, China's government decided to tighten its controls over power consumption beginning with its "2010 Standards", and extends its regulations to encompass the power efficiency of inverter-driven air conditioners. As a result, manufacturers are expected to begin full-scale installation of inverters in home appliances made in China. Unquestionably, 2010 is anticipated to become "the Year One for inverters in Asia."

Sanken aims to cover all white goods household appliances with its IC products

When we try to look deep inside white goods home appliances, air conditioners for example, and look for the devices installed to boost energy efficiency, including the high-voltage compressor motor driver ICs in the exterior unit, the high-voltage fan motor driver ICs in the interior and exterior units, and the power supply module ICs that increase AC-DC conversion efficiency, they are all covered by Sanken Electric's technology.

Sanken's strength lies not only in individual technologies but its unique position as one of a few select manufacturers anywhere in the world that possesses both the "circuit technology" and "IC technology." Based on this exceptional technological capability, the Sanken Group seeks to establish an exclusive position in the global marketplace and secure a certain level of market share in overseas markets in the future including the Asian markets, establish itself as a global corporate group that comprehensively supports energy efficiency improvements for white goods household appliances.



Creation of development and production system focused on demand approximately six times larger than in Japan

In contrast to Japan, where the number of air conditioners manufactured domestically is about 10 million units per year, the size of the market in just two countries – about 20 million units in Korea and approximately 40 million units in China – is roughly six times larger than the market in Japan. Similarly, the markets for washing machines and refrigerators are about eight times larger than the markets in Japan. Sanken Electric's policy is to look closely at these markets and undertake timely expansions of the development and production systems for inverter-use IC products.

In order to capture growth opportunities in the Chinese inverter market in particular, Sanken opened a new office in Shenzhen in October 2009 for sales and technical assistance services and we are covering China's southern region where appliance manufacturers are concentrated. Together with the offices we had already established in Shanghai, Hong Kong and Taiwan, this new office marks the completion of the "Quadrangle sales and technical assistance organization in greater China." Moreover, in the production area, Sanken will try to start wider use of EMS manufacturers in response to Chinese government's policy to "stimulate transplanting into China of more upstream production phase such as manufacturing of components, as opposed to assembly of final products," and our thrust toward realizing both "Asian speed (quick turnaround)" and "Asian pricing (low prices)."

Future Focus Areas 2 Automobile Electronic Components Sector

Automobiles are utilizing more electronics

According to a worldwide automobile sales forecast published from a research institute in Japan, the number of passenger cars sold between 2010 and 2020 is projected to grow by 4% annually, with the combined growth rate forecast for eco-friendly cars in particular, both hybrid and electric vehicles, reaching 17%. Supporting this prediction is a situation in which electric vehicles, presented with a lot of fanfare and sales pitches, are attracting attention at motor shows in many parts of the world.

The Sanken Electric Group has a long history of being a developer and supplier of choice providing ICs and sensors for various controls in line with ever wider adoption of electronic components in gasoline and diesel-fuel internal combustion engines. Given the current prospect that conventional internal combustion models still account for the majority of automobiles on the road, that there will be more applications of electronic components in the conventional model automobiles, and that many of the components used in hybrid automobiles and electric vehicles are similar to those used in conventional model automobiles, we are confident that Sanken Electric's automotive electronics technology is capable of maintaining its long-standing competitive advantage in the future.

It is our assessment that by introducing new products specially designed for hybrid and electric vehicles, Sanken Electric will be able to expand for an extended length of time its business in the automotive electronic components industry, and we believe that now is the start of a period of tremendous growth opportunity for decades to come.

Dedicated team of engineers formed to establish total solutions for hybrid and electric automobiles

Over the years, Sanken Electric has accumulated a wealth of technology, knowledge and experience in automotive electronic components and achieved numerous results. To develop and supply products for future hybrid and electric automobiles, however, we believe we must also combine these results with the technologies and know-how Sanken Electric has cultivated in other sectors, such as packaging technology for high voltage, large current white goods household appliance applications.

With this objective in mind, Sanken Electric formed a "dedicated, full-time team" to undertake the development projects of products for hybrid and electric automobiles. This team will be at the center of our efforts as we seek to combine in-house technologies across divisions and create a cross-sectional body of technologies and know-how that enable us to provide total and integrated solutions for hybrid automobiles and electric vehicles.

Specifically, we plan to follow a three phase roadmap; phase 1 focuses to enhance our existing device technologies, phase 2 to develop DC/DC converters based on new module technologies, and phase 3 to expand into the motor drive controls through the combination with technologies accumulated in our power module division.

Elemental technologies

High voltage process technology
Power device technology
Large current package technology
Noise/heat design technology
Circuit/power supply design technology

Sanken's market results

Power train electrical components
Inverters and motor controls
Power supply units
Battery management (UPS and Chargers)
Vehicle compatibility quality

Formed a "dedicated team" for development of products for hybrid and electric vehicles (HEV/EV)
(Provide total solutions by integrating internal technologies across divisions)

Phase 1	Enhance existing device technologies
Phase 2	Develop DC/DC converters using new modular technologies
Phase 3	Develop products for plug-in hybrid vehicles/electric vehicles by combining with power module circuit technologies

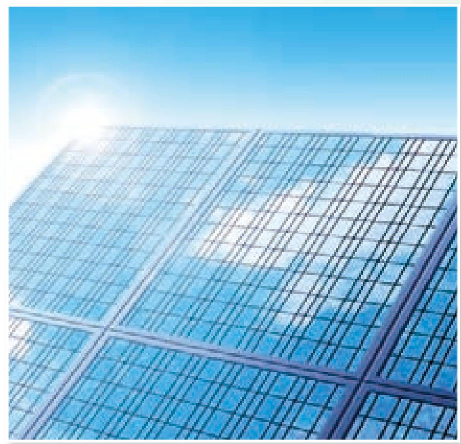
Future Focus Areas 3

Green Energy Sector

Sanken Electric's solar power generation efforts and results

As part of the worldwide effort to protect the environment, the use of green energy – particularly solar power generation - has accelerated globally.

As a result of research and development conducted to enter the equipment business related to solar power generation, the Sanken Group is currently developing and supplying products such as large current bypass diodes for installation in solar panels and power conditioners for output from solar power modules. Solar power generation systems using these component products achieve a conversion efficiency of 95.2% at an output of 10 kW, the highest in the industry.



Solar power

Wind power

Spread of small-scale, decentralized power generation systems and the business opportunities for Sanken Electric

Conventional power generation systems were all large-scale, centralized systems such as thermal power generation plants. With green energy such as solar power and wind power generation gaining wider acceptance in recent years, however, small-scale decentralized power generation systems are in vogue. A major problem for small-scale decentralized green energy generation systems is that the voltage and frequency of the electricity generated can become extremely unstable as a result of weather and wind conditions. Compared with large-scale, centralized systems, the risk of electricity outage, depending on the circumstances, is also far greater.

One example of the products the Sanken Group supplies is an uninterruptible power supply unit with electric power stabilization function, which we have developed and supplied to the wind power generation sector. This product is equipped with a monitor for electric power fluctuations, and transforms the electricity generated by wind power to a "clean" voltage and frequency that can be supplied to an electric power grid.

For illustration, we worked on a wind generator system for isolated islands and developed a new system that uses regeneration energy for back-up and does not rely on fossil fuels or chemicals. While ordinary back-up facility for wind power generation is either batteries or diesel-powered generators to keep the supply of power, this system jointly developed with an electric power company employs a "flywheel" in the main backup device. This acts like a spinning top weighing several dozen kilograms, providing a system that stores energy once driven by a battery at the very beginning and the law of inertia keeps the flywheel spinning at high-speed.

As the number of small-scale decentralized electrical power generation systems expands, the need for power electronics technology is also expected to increase. Because the Sanken Group expects much wider use of its technology and know-how cultivated over the years in this area of business, it will continue to conduct aggressive research and development activities in the coming years.

Domestic and Overseas Locations

Functional Category
- ▲ R&D Facility
- ■ Production Facility
- ◆ Sales Function
- * Coupled with a Technical Support Center

Business Segment
- Semiconductor Business
- Power Module Business
- Power System Business

▲◆
Sanken Power Systems (UK) Limited
Semiconductor Business
Power Module Business

◆
Allegro MicroSystems Europe Limited

▲■◆
Sanken Electric Co., Ltd.
Semiconductor Business
Power Module Business
Power System Business

▲■◆
Sanken L.D. Electric (Jiangyin) Co., Ltd.
Semiconductor Business
Power System Business

■◆
Dalian Sanken Electric Co., Ltd.
Power Module Business

■
Korea Sanken Co., Ltd.
Semiconductor Business

■
Allegro MicroSystems Philippines, Inc.
Semiconductor Business

■
P.T. Sanken Indonesia
Power Module Business
Power System Business

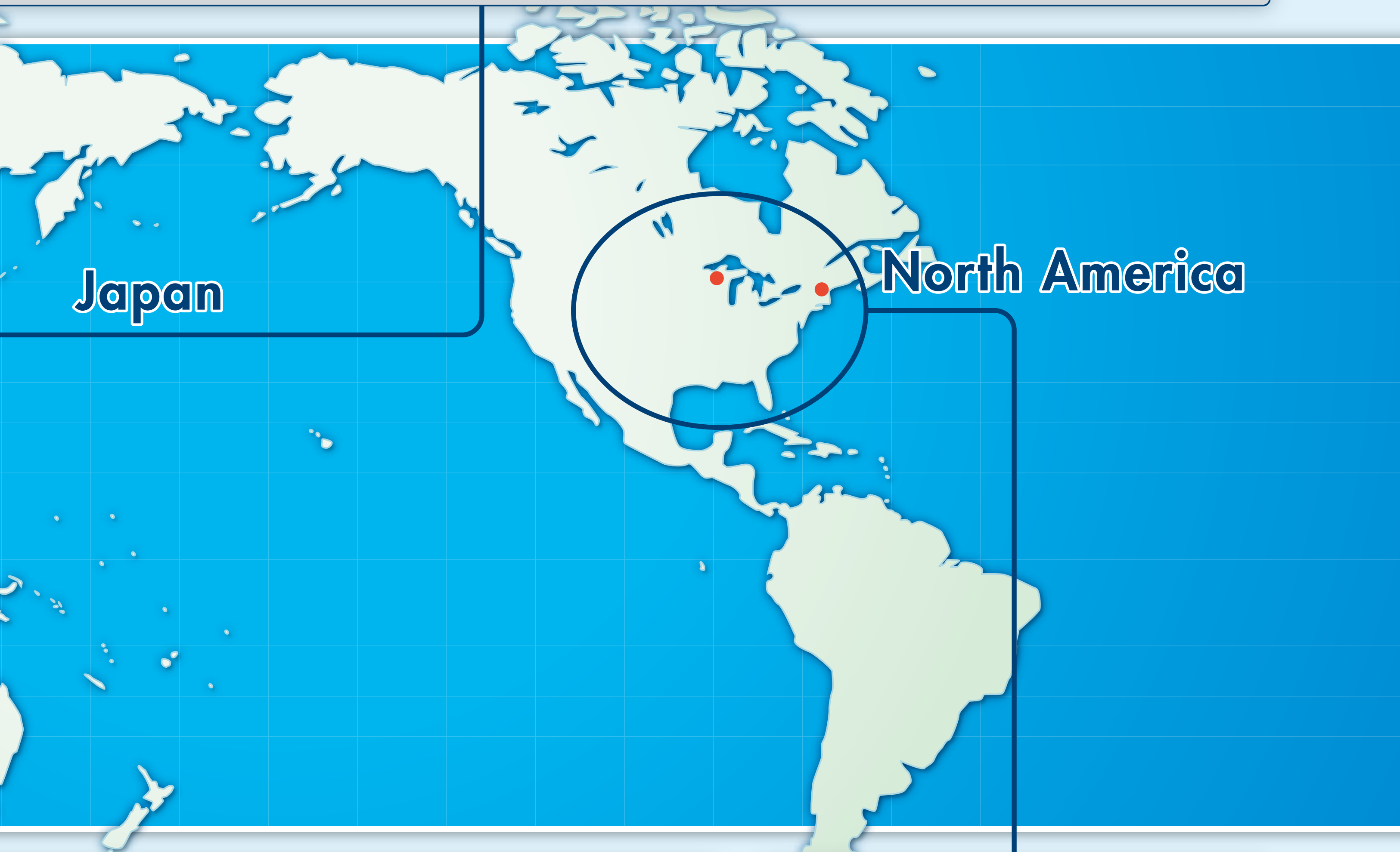
Fukushima Sanken Co., Ltd.
Semiconductor Business

Kashima Sanken Co., Ltd.
Semiconductor Business

Yamagata Sanken Co., Ltd.
Semiconductor Business

Ishikawa Sanken Co., Ltd.
Semiconductor Business

Sanken Optoproducts Co., Ltd.
Semiconductor Business



Sanken Electric
Hong Kong Co., Ltd.

Sanken Electric
Singapore Pte. Ltd.

Sanken Electric
(Malaysia) Sdn. Bhd.

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Sanken Electric Korea Co., Ltd.

Sanken Electric (Shanghai) Co., Ltd.

Sanken Electric (Shanghai) Co., Ltd.
Shenzhen Office

Taiwan Sanken Electric Co., Ltd.

Polar Semiconductor, Inc.
Semiconductor Business

Allegro MicroSystems, Inc.
Semiconductor Business

HOME APPLIANCES

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

AUTOMOBILES

With the increasing use of electronics in automobiles, more than 100 semiconductor devices can now be found in a single automobile, and Sanken Electric welcomes this evolution of automotive electronics. Our devices provide vital functions for a diverse range of automobile electronics, from power train controls such as power steering, automatic transmissions and engines that form the heart of the vehicle, to operation and safety controls such as antilock braking systems and high-intensity discharge lamps and other components including car stereos, power windows and sunroofs.

Developing and Supplying Power Electronics Products to 4 Markets through 3 Business Segments

Pursuing business growth in "Power Electronics" and "Optical Devices," the Sanken Group focuses its efforts on developing and supplying power electronics products to four of the key application markets: home appliances, automobile, office automation and industrial markets.

To help investors and the general public understand our business, however, the Sanken Group presents its financial figures for disclosure purposes in three segments; the Semiconductor Business, the Power Module Business and the Power System Business.

In the fiscal year ended March 2010, the Semiconductor Business, Power Module Business and Power System Business accounted for 70.5%, 18.2% and 11.3% of consolidated net sales, respectively.

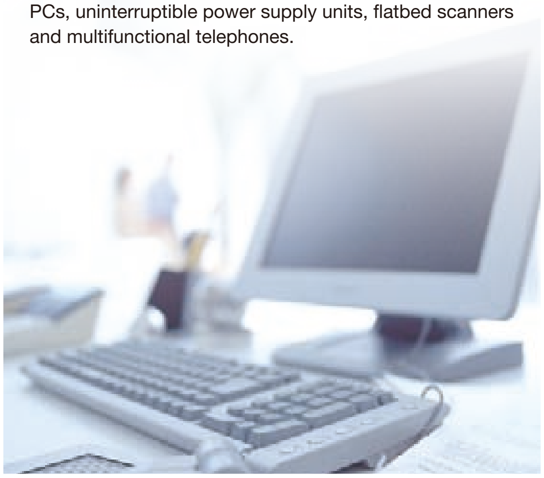
Semiconductor Business

Power Module Business

Power System Business

OFFICE AUTOMATION

Sanken Electric's semiconductor devices such as ICs for motor controls and sensors, as well as its power supply units, are finding many uses in increasingly sophisticated office automation instruments. These devices can be identified in a variety of equipment, including multifunctional printers, fax machines, copiers, notebook PCs, uninterruptible power supply units, flatbed scanners and multifunctional telephones.

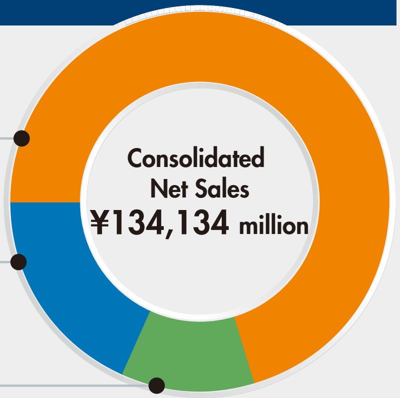


INDUSTRIAL

Sanken Electric is developing and supplying a variety of products in the industrial market. Examples include inverters used for controlling motors that drive fans, pumps, conveyor systems and other equipment in factories and distribution warehouses, light-emitting diodes used in lighting fixtures and large-scale displays found in athletic fields and arenas, high-intensity aircraft warning lights fixed on tall structures such as bridges, smokestacks and high-rise buildings, DC power supplies laid in places like mobile phone base stations, and uninterruptible power supplies installed in data centers and other facilities that require a high-quality, constant and stable supply of power.

Composition of consolidated net sales by business segment

	Main Products	
70.5%	• Power ICs • Hall-effect Sensors • Driver ICs • Transistors • Diodes	• LEDs (Light Emitting Diodes) • CCFLs (Cold Cathode Fluorescent Lamps)
18.2%	• SMPS (Switching Mode Power Supplies) • AC Adapters	• Transformers • Reactors • Modules
11.3%	• UPS (Uninterruptible Power Supplies) • Inverters • DC Power Supplies	• New Energy Resources • High-intensity Aircraft Warning Lights



Review of Operations — Semiconductor Business

Semiconductor Devices

The semiconductor device business lies at the heart of the Sanken Group. Principal products in this core business segment range from ICs and transistors to diodes and Hall-effect sensors. Concentrated in the field known as power electronics, our semiconductor devices are key components in many areas, including audio-visual equipment such as flat panel display (FPD) TVs, home appliances, office automation/lighting and automobiles. The LED lighting sector is also showing growth in recent years, and through our development of products such as multichip LED modules we are creating totally integrated solutions for LED lighting.

Sanken Electric currently is pressing forward a trilateral collaboration arrangement with two of its subsidiaries, Allegro MicroSystems, Inc. and Polar Semiconductor, Inc., to accelerate development speed and provide products that meet the needs of our customers more precisely.

Market Conditions

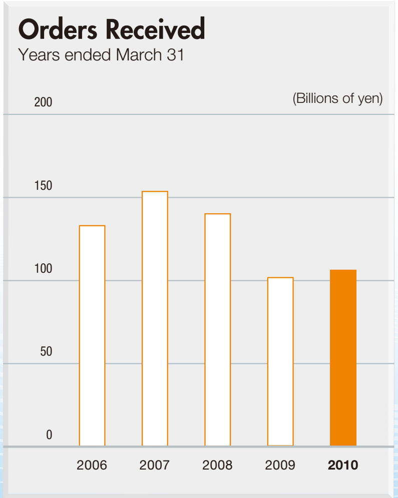
All of the semiconductor device markets for FPD-TVs, white goods household appliances, office automation / lighting and automotives are expected to show advances in product development and sophistication to realize a higher level of "eco-friendly and energy-saving" properties, two concepts the Sanken Group has identified as key for its future.

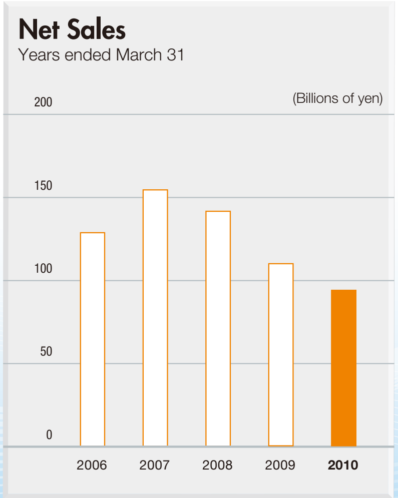
In the FPD-TV market, new environmental standards have been established by various national authorities including the U.S. Environmental Protection Agency, and many global corporations are now working to incorporate into their products the latest requirements of the agency's "ENERGY STAR" program.

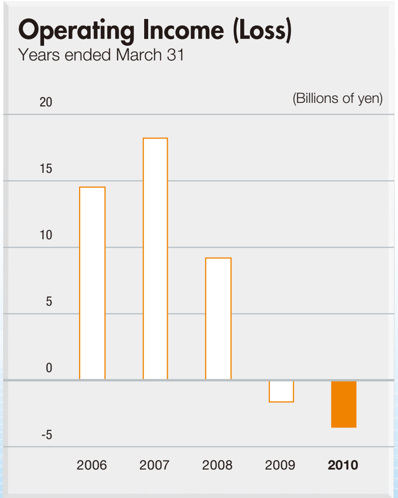
In the white goods household appliance market, the global shift to greater energy efficiency through the use of inverters is gaining momentum alongside a move toward tougher environmental regulations. While this can be most clearly seen in home air conditioners, which consume large amounts of electricity, the trend is also expected to spread to the entire white goods household appliances market. As China, in particular, included inverter-equipped air conditioners in its list of products eligible for purchase subsidies, inverter-driven air conditioners are expected to spread rapidly.

In the automotive market, the use of electronic components, even in non-engine related capacities, is growing quickly in order to realize higher levels of "safety," "comfort," and "drivability." In addition, as wider market acceptance of vehicles such as hybrid and electric automobiles continues, the demand growth for automotive electronics is expected to accelerate in the future.

In the LED lighting market, the active introduction of LED alternatives by both the public and private sectors for







applications such as office lighting and street lamps is clearly spreading, to take advantage of low power consumption and significantly longer useful life, and this market is forecast to expand briskly in the coming years.

Although the fallout from the global recession triggered by the financial crisis in September 2008 produced an extremely adverse business climate in 2009, since the beginning of 2010, the overall environment in the semiconductor devices business has nearly returned to the conditions that prevailed prior to the financial turmoil. The market is expected to trace a medium-to long-term expansionary trend.

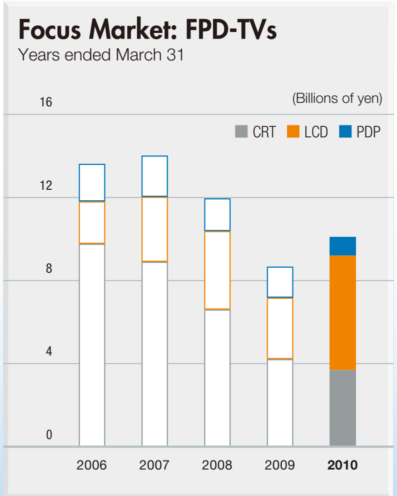
Fiscal 2009 Results

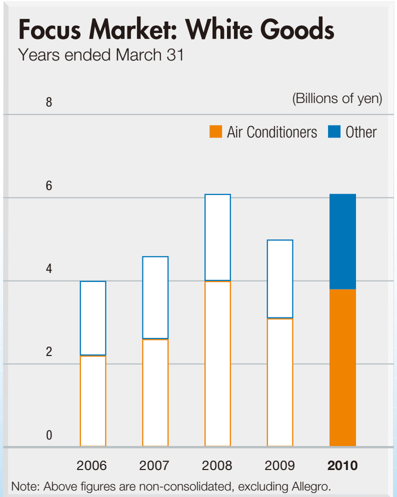
After falling abruptly in September 2008 and reaching a low point in January 2009, the monthly value of orders received in our semiconductor devices business rebounded rapidly, and by about August 2009 had nearly recovered to the volume of orders prior to the Lehman Shock.

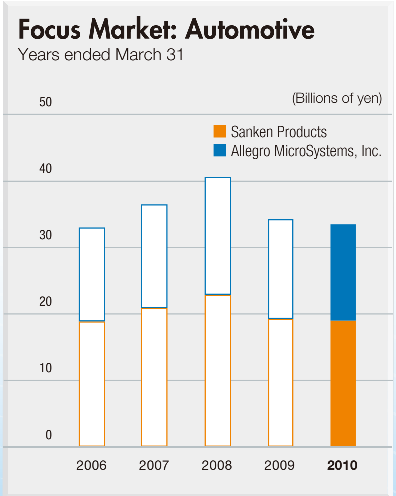
Given these circumstances, net sales for FPD-TVs begin to recover early in the first half and continued to expand, accompanied by steady growth in market share, followed by a rebound in the market for white goods household appliances. Orders for automotive products increased and net sales recovered during the second half.

As a result, factory production shifted into full-scale operations. Allegro MicroSystems, Inc. enjoyed strong demand for its automotive

Ishikawa Sanken Co., Ltd.







Review of Operations — Semiconductor Business

sensors and reached the highest level of production in its history, while Polar Semiconductor, Inc. also set a new record for production volume as wafer demand from both the Company and Allegro MicroSystems, Inc. expanded rapidly, and by the second half of the year Sanken Electric had achieved a return to profitability in this segment, which was a top management priority.

As a result, consolidated net sales in the semiconductor device business recovered to ¥80,928 million, or down 0.6% from the previous year. From an earnings perspective we accomplished a return to profitability from the second quarter on, but the large first quarter operating loss took most of the profits and the Company reported only a small level of operating income. Net sales from the device portion accounted for 85.6% of the total semiconductor business segment for the current year.

Prospects for the Future

Sanken Electric believes that it is in the business domains of power electronics and optical devices, that Sanken can offer differentiated, unique and advanced technologies, and has positioned its semiconductor device business at the Group's core to continue to pursue growth in the future.

Sanken Electric assessed that the product attribute of "eco-friendly and energy-saving" will become the key concept for each of our four primary application areas, FPD-TVs, white goods home appliances, automobiles and LED

Yamagata Sanken Co., Ltd.

Polar Semiconductor, Inc.

lighting. To take advantage of this trend, Sanken Electric will accelerate penetration into new markets and offer innovative products by pursuing the concepts of "totally integrated solutions" and "eco-friendly and energy-saving," in product development and design.

To realize these objectives, Sanken Electric has created a number of cross-functional organizational units and has begun aggressive efforts to develop as quickly as possible new technologies aligned for strategically and critically important markets and release as early to the markets. Specifically, we have established three new organizations: the "HV/EV Project" to devise new products for the hybrid and electric vehicles market, the "AHVD* Project" to construct Sanken Electric's proprietary high voltage process and develop drivers for various applications using this new process, and the "LED Lighting Solutions Business Group," which will develop comprehensive solutions for LED lighting.

On the other hand, we formed a profitable, highly efficient production system by carrying out structural reforms throughout the entire Sanken Electric Group. For device front-end processes, we consolidated domestic wafer production by terminating the Niiza Plant and moving its processes to Yamagata Sanken Co., Ltd., and streamlined overseas production by closing Allegro MicroSystems' Worcester fabrication plant and transferring wafer production to Polar Semiconductor. As net sales rose from the second quarter and fully recovered to the level enjoyed prior to the Lehman Shock, the Group's plants shifted to full-scale operations and we subsequently decided to resume capital investment projects, placed on hold for a period, in order to respond to the rapid future growth of incoming orders. Finally, we started wider use of overseas electronic manufacturing services (EMS) and compiled a unified assembly strategy across all our business lines with the goal of implementing consolidation of our assembly plants.

* AHVD: Advanced High Voltage Devices

CCFLs

Cold cathode fluorescent lamps (CCFLs) are vital components used as light sources for LCD backlights in LCD televisions, notebook PCs and other products. Amid the growing demand for brighter and more efficient products, the Sanken Group is further differentiating itself from its competitors by developing cutting-edge fourth-generation CCFLs.

Fiscal 2009 Results

In the CCFL business, sales quantities and prices plunged as panel manufacturers increased the volume of orders placed with subsidiary companies. When combined with the widening use of LED backlights to notebook PCs and large-panel LCD TVs, drops in quantities and prices continued to produce extremely difficult business conditions.

In order to respond to this situation, Sanken Electric Group lowered the monthly production volume of its CCFL manufacturing lines by half, and strove to improve profitability with measures such as transferring workers to its semiconductor device and LED production lines and reducing the number of workers for this business by two-thirds.

As a result of these factors, consolidated net sales in the CCFL business for the current fiscal year fell to ¥13,610 million, a 53.3% reduction compared to the previous year, and we posted an operating loss for the year. Net sales from our CCFL business accounted for 14.4% of our entire semiconductor business for the year.

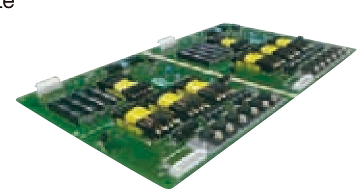
Review of Operations — Power Module Business

Power modules bring together our superior semiconductor and power supply technologies. The sector covers a wide range of products from power supply boards for LCD TVs and other FPD-TVs and switching mode power supplies found in computers and OA/FA equipment to products such as AC adapters for PCs.

Fiscal 2009 Results

In the switching mode power supply market for consumer electronics, the main focus of the power module (PM) business, Sanken Electric increased its market share for FPD-TV oriented products and achieved steady net sale growth throughout the year. Sales of products for office automation equipment, on the other hand, were affected by the reduced level of IT investment by corporations in general, and declined from the level seen in the previous year.

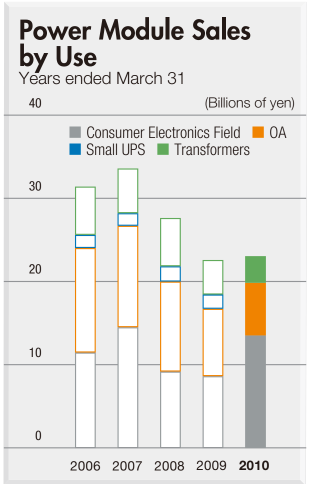
As a result of these factors, consolidated net sales of the PM business for the current fiscal year rose to ¥24,376 million, a 8.1% increase compared to the previous year. From an earnings perspective, results continued to improve and we reduced the size of the operating loss.

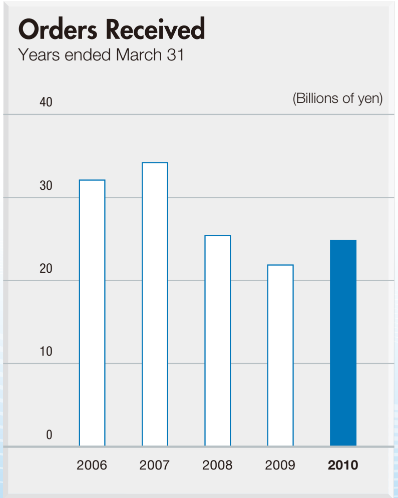


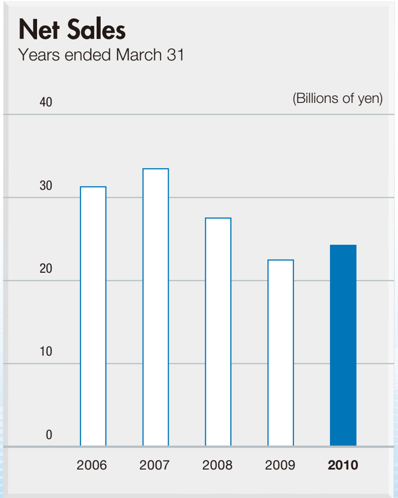
Prospects for the Future

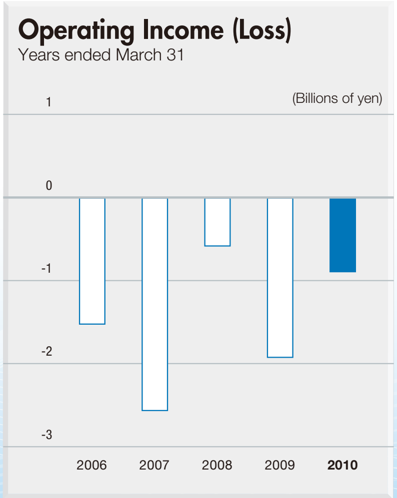
In the PM business, we worked to strengthen the Group's overall capabilities by increasing operating efficiency through the consolidation of production to P.T. Sanken Indonesia, and by creating a low-cost, stable procurement system through tightening supply chain management with measures such as localization and diversification of materials suppliers.

From a technological development perspective, Sanken Electric is working to accelerate development of ultra-thin power supplies for FPD-TVs that reflect our concept of thin, small, lightweight and highly-efficient products, while also supplying environmentally-designed products that exceed the standards of the U.S. Environmental Protection Agency's "ENERGY STAR" program. We also will strive to use our unique circuit and packaging technology to quickly commercialize our "module power supplies."









Review of Operations — Power System Business

The power system business is the root of our “excellence in manufacturing” tradition. Our products, such as large DC power supplies, high-intensity aircraft warning lights (“strobes”) and uninterruptible power supplies, along with general-purpose inverters to control motors, have earned trust and a reputation for excellence while serving in critical areas of social infrastructure where power interruptions are unacceptable, such as in telecommunications systems, dams, transformer substations and highway tunnels.

Fiscal 2009 Results

In the power system (PS) business, domestic sales overall grew steadily, driven by factors such as sales of DC power supply systems for mobile phone base stations, which remained positive from the beginning of the year, and an increase from the third quarter in orders for uninterruptible power supplies for public infrastructure. Sales in China, on the other hand, were delayed until the second quarter because of the slowdown in the market’s growth as a result of the global recession, but signs of a recovery trend emerged from the third quarter and orders received for high voltage inverters developed and marketed by our subsidiary, Sanken L.D. Electric (Jiangyin) Co., Ltd., increased.

As a result of these factors, consolidated net sales in the PS business for the current fiscal year grew to ¥15,219 million, a 9.3% increase compared to the previous year, and operating income was also higher.

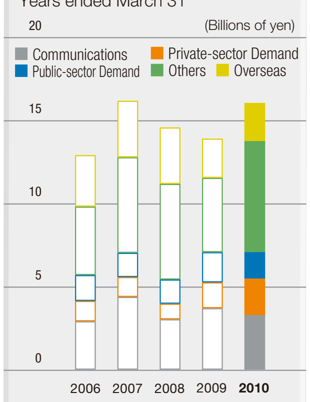
Prospects for the Future

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

At the same time, Sanken Electric will identify its next growth markets in the green energy sector, including solar power generation and wind power, and will enter and begin cultivating these new markets. During the current fiscal year, we successfully improved sales results for power conditioners designed for solar power generation systems and our uninterruptible power supply with an electric power stabilizer for wind power generation systems. In the future, we will leverage these applications to broaden the potentials of power electronics technology applied in small-scale, decentralized electric power generation systems.

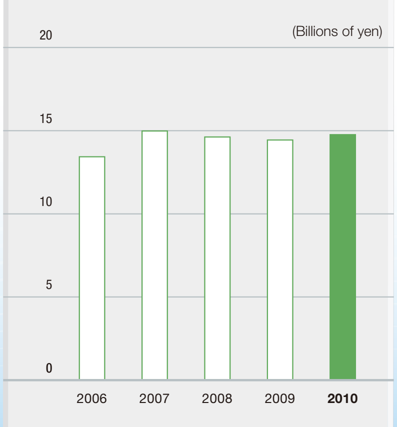
Power System Sales by Use

Years ended March 31



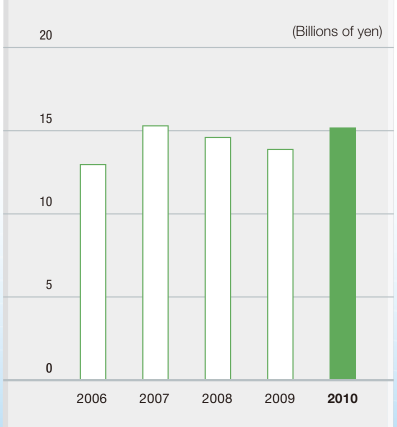
Orders Received

Years ended March 31



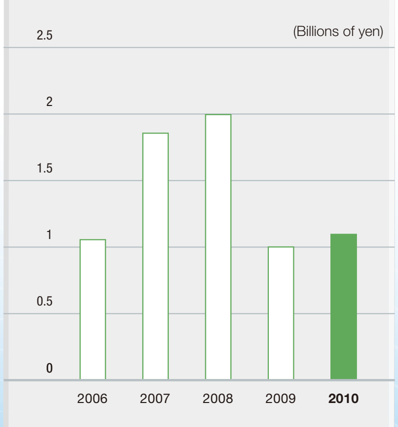
Net Sales

Years ended March 31



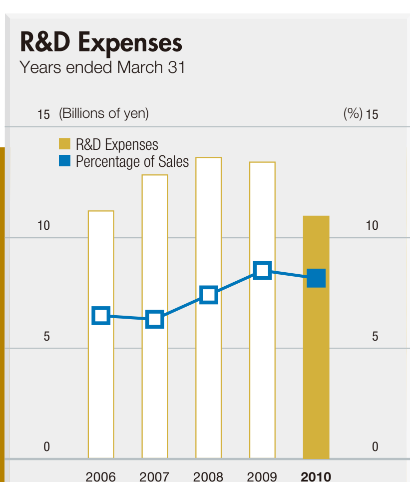
Operating Income

Years ended March 31



R&D and Intellectual Property

As one of the world's leading companies engaged in the semiconductor business for power conversion and power management, the Sanken Group has always been sensitive to the ever-growing trend in the world requiring less resource-consuming method of business, and asking for more "eco-friendly and energy-saving" new products. In addition, there nowadays appears to be one more challenge that the Sanken Group must focus to resolve; to come up with a new series of products that are best suited, price-wise and performance-wise, for the practical needs of the consumer markets in the emerging economies of the world. The Technology Headquarters, charged with R&D for the entire Sanken Group, will continue to keep a close eye on changes in market trends and to try to develop distinctively "eco-friendly and energy-saving" products.



R&D Policy

The Sanken Group aspires to realize its business philosophy for achieving "Leadership through Innovative Power and Optical Solutions" as it proclaimed in its Mid-term Management Plan. In line with this fundamental strategic direction in our mind, we aim to accomplish intermediate goals such as capturing dominant global market share in many of our product categories. In this regard, we focus our R&D work on i) the two key fields of our competitive strength, power semiconductors and optical devices, and ii) the distinctive feature of our ability to offer "totally integrated solutions" covering every aspect of power conversion and power management. We plan to concentrate our management resources in these two areas in order to secure and advance our competitive edge in the global marketplace.

Key R&D Themes and the Strengths of the Sanken Group

In response to the world's growing awareness for the preservation of the global environment, the Sanken Group is presently focusing its R&D work on the two key themes of "eco-friendly" and "energy-saving" products. To achieve more "eco-friendly" products, we are working hard to develop advanced power conversion and power management technology capable of delivering improved efficiency during operation of electric and electronic equipment. In the area of "energy-saving" products, we are pursuing ultra-low-power-consumption technology to reduce the power lost during standby mode of many of the present-day multi-functional electronics products.

The Sanken Group possesses a comprehensive array of power-related elemental technologies used, for example, in the development and manufacture of semiconductor devices, the circuit design and assembly of power supply boards, and the design and manufacture of high-frequency transformers. This combination of attributes gives us a unique position on the global stage, allowing us to pursue cutting-edge "eco-friendly and energy-saving" products in semiconductors and power supply boards.

Major R&D Achievements in Fiscal 2009

Fiscal 2009 marked an important milestone in cementing the reputation of the Sanken Group capable of delivering "eco-friendly and energy-saving" products.

Sanken Electric started to offer new products incorporating new technologies that reduce drastically the power consumption of LCD TVs. These new products replaces the conventional approach, in which the primary-side power supply circuitry and the inverter are separate, with a newly unified system providing substantially better efficiency. This was made possible by our effort to provide totally integrated solutions covering both circuit technology and IC technology. In addition, a newly developed IC reduces standby power consumption to only a fraction of the previous level. By some estimates, around 25% of power consumption in a typical household is

R&D and Intellectual Property

accounted for by electric and electronic equipment in standby mode. Thus, if this standby mode power loss could be reduced to mere 5%, one-fifth of the previous level, for example, total household power consumption would be cut by a full 20%.

In addition to high efficiency and low power consumption, our efforts to achieve "eco-friendly and energy-saving" products also encompass such goals as smaller dimensions, lighter weight, less material requirements, reduced number of components, and common platforms and standardization.

For instance, our LC5200 series LED driver ICs have high voltage tolerance that eliminates the need for a step-down circuit, thereby reducing the number of driving components and enabling a more compact design. Our MGD623 series IGBTs for induction heating (IH) stove tops feature a compact package with a heat-sink requirement approximately 40% smaller than conventional devices. Our SLA2600M lamp driving ICs for front projectors reduce the number of discrete components in the driving circuit by about half, with approximately 30% less footprint. Our SPI-6631M driver IC for three-phase brushless DC motors integrates in a single chip the pre-drive circuit and output device, thereby shrinking the mounting area by more than half. Finally, our SI-7321M unipolar driver IC for two-phase stepping motors has a multichip configuration but is made compatible with existing automated mounting machines, to realize maximum returns from standardization.

R&D Organization

Sanken Electric's R&D organization is structured on the concept of "Trilateral Collaboration," comprised of Sanken Electric and two of its US subsidiaries, an IC design specialist for sensors and motor drivers, Allegro MicroSystems, Inc., and Polar Semiconductor, Inc., which operates a design center focusing on new circuit development. This global collaboration efficiently creates new technologies by taking advantage of the mutually complementary activities of the development engineers.

Additionally, Sanken Electric, the parent itself, has created an organization aimed to accelerate the development of new products that accurately address our customers' latest requirements. At the heart of the new product development cycle is the Device Marketing Division, which forms the foundation for ensuring that our development efforts do not overlook any apparent and potential requirements of our customers. The Strategic Product Decision-Making Council, composed of personnel from the Device Marketing Division as well as the Sales Headquarters and Technology Headquarters, meets regularly to discuss road maps on new product development to accurately reflect changing customer needs and emerging "seed" technologies. This system ensures that decision-making is performed on a company-wide basis, based on the collective knowledge of experts in various organizations of the Company. The Technology Headquarters keeps two development hubs, one for each of our core development areas. The Device Technology Development Center and the Power Technology Development Center each aim to realize strategic products and to speed up our development efforts in a variety of business fields. For example, the Power Technology Development Center has personnel with various back-ground such as power supply boards, development and design of power supply ICs and UPS systems, etc.

This arrangement aims to achieve synergies in technologies and know-how covered by the broad theme of "power" electronics, to turn this broad-ranged knowledge and these experiences into module and system products, thereby creating higher added value.

From April 2010 we introduced a number of new units to the organization that will enable us to address key themes even more flexibly and rapidly: projects under the direct authority of the Technology Headquarters. Thus far two projects have been launched. One is the "HV/EV Project," which will focus on the accelerated development of new products for use in hybrid vehicles and electric vehicles, a segment of the automotive market that is expected to grow rapidly in the coming years. The second is the "AHVD Project," which will develop driver ICs of various types by applying high-voltage semiconductor fabrication processes unique to Sanken Electric. These two projects have been put under the direct authority of the Technology Headquarters to encourage collaborative R&D work spanning the various departments within the Technology Headquarters.

Collaboration with the Manufacturing Headquarters

At Sanken Electric we believe a modular and system-based approach to products is the key to achieving our goal of providing total solutions to customers. An extremely important factor in turning this philosophy into reality throughout our businesses is finding ways to make our products more efficiently and less costly, in order to win the stiff competition in the global marketplace.

With this in mind, Sanken Electric has put in place a framework that unifies our work in developing new products and creating manufacturing technologies. In 2007 the Production Engineering Division was established within the Production Headquarters which is in charge of mass production of products. This new division is active in the development of manufacturing technologies, production line design, production equipment construction, and maximum production efficiency. Staff from the Technology Headquarters, which handles product R&D, work together with the Production Engineering Division staff from the initial stages of new product development, deploying development engineers to the actual production plants to help create an optimized mass production system. In short, by involving Technology Headquarters personnel in all phases of the mass production preparation process, from developing manufacturing technologies and building equipment in-house to the selection of materials and parts for procurement, Sanken Electric can realize the most efficient mass production system in a short period of time. This approach results in very significant cost reductions.

CSR Initiatives

1 CSR Policies and Promotion System

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

Fundamental CSR Policies

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

Challenges to overcome

In order to fulfill the obligations expected under Corporate Social Responsibility, Sanken Electric and the Sanken Group will attempt to devise solutions for each of the "economic," "environmental," and "social" aspects of CSR.

Economic Challenges: quality control; customer satisfaction; risk management and information security; a national-security-oriented management of export supply chains

Environmental Challenges: development of energy-saving products; reduction of greenhouse-effect gas (CO_2) emissions; reduction of environmentally-hazardous substances

Social Challenges: employee health concerns and workplace safety; work-life balance; compliance; information disclosure; contribution to local communities

The CSR Committee

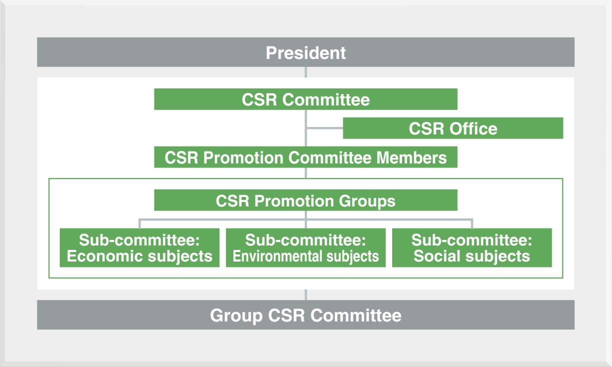
To promote its Corporate Social Responsibility activities, the Company established the CSR Committee in October 2009, to educate the entire Company on the importance of CSR philosophy and related initiatives, and to monitor the progress of CSR practices.

- Basic Directions of the CSR Committee -

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

The CSR Committee is an organization attached to the President, the membership of which consists of the heads of Headquarters. The Committee monitors the CSR efforts conducted in the Group companies as well.

CSR Organization Overview



2 Corporate Governance

To increase the Company's corporate value and fulfill its social responsibilities (CSR), Sanken Electric aims to enhance its system of corporate governance to ensure the appropriate formulation of its business objectives and implementation of initiatives to achieve those objectives.

Basic Approach to Corporate Governance

Sanken Electric is striding forward to enhance the speed and appropriateness of strategic decision-making by the Board of Directors and strengthen the board's supervisory role in order to boost efficiency, improve transparency and maintain soundness of management. At the same time, the Company adopts a corporate officer system in order to build a structure for more flexible business execution, and to strengthen its ability to manage tactical operations.

Additionally, we made efforts to upgrade our corporate governance system through shortening the term of office of directors from two years to one year, with the aim to ensure that the Board of Directors is more responsive to changes in the business environment and to clarify that the performance of the duties of the Board of Directors is evaluated each year corresponding to the Company's fiscal period. The Company also improved its governance and its ability to communicate with various stakeholders by creation of an office for each of CSR and IR (Investor Relations).

Corporate Governance Structure

The Company, a global business operator, believes that it must select "a corporate governance system that is best suited for the current unique nature of the Company," taking into consideration such factors as the need to open wide channels of communication with various stakeholders including overseas investors. With this basic framework in mind, the Company adopted the Statutory Auditor System, in which the six-member Board of Directors and the four-member Board of Statutory Auditors, including two Outside Statutory Auditors, are established as the Company's corporate organs.

Furthermore, the adoption of the Corporate Officer System has enabled the Company to effectively separate business execution from strategic decision-making and supervisory functions. This system is also designed to facilitate rapid responses to changes in the business environment. As of the end of March 2010 Sanken Electric has 16 Corporate Officers.

Internal Audits, Audits by Statutory Audits, and Financial Audits

The Statutory Auditors sit on the Board of Statutory Auditors, and meet to set audit policies and audit plans, and to decide other matters as prescribed by law, as well as to share audit information among Statutory Auditors. In accordance with the division of duties determined by the Board of Statutory Auditors, the Statutory Auditors attend Board of Directors' meetings, management committee meetings and other important meetings, as well as inspect important documents. The findings of their audits are reported to the Board of Statutory Auditors. The Statutory Auditors also meet regularly for discussions with directors, the head of the CSR Office and the Accounting Auditors to improve the efficacy of audits performed.

As for the clerical affairs of the Office of the Board of Statutory Auditors, staff members from the General Affairs section usually provide assistance and full-time staff members are assigned as necessary, and the selection of the full-time staff is decided by joint consultation between the Board of Directors and the Board of Statutory Auditors.

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

Internal Control System and Compliance System

The Company compiled the Sanken Conduct Guidelines, which is a practicable form of the code of conduct based on the Company's Management Philosophy. The Company also strives to construct and operate a highly effective system for internal control through such efforts as organizational adjustments, the introduction of a new framework of operations and the enactment of rules and regulations, in order to ensure compliance to laws and regulations by both management and employees, to improve the efficiency of operations, and to keep the reliability of financial reports.

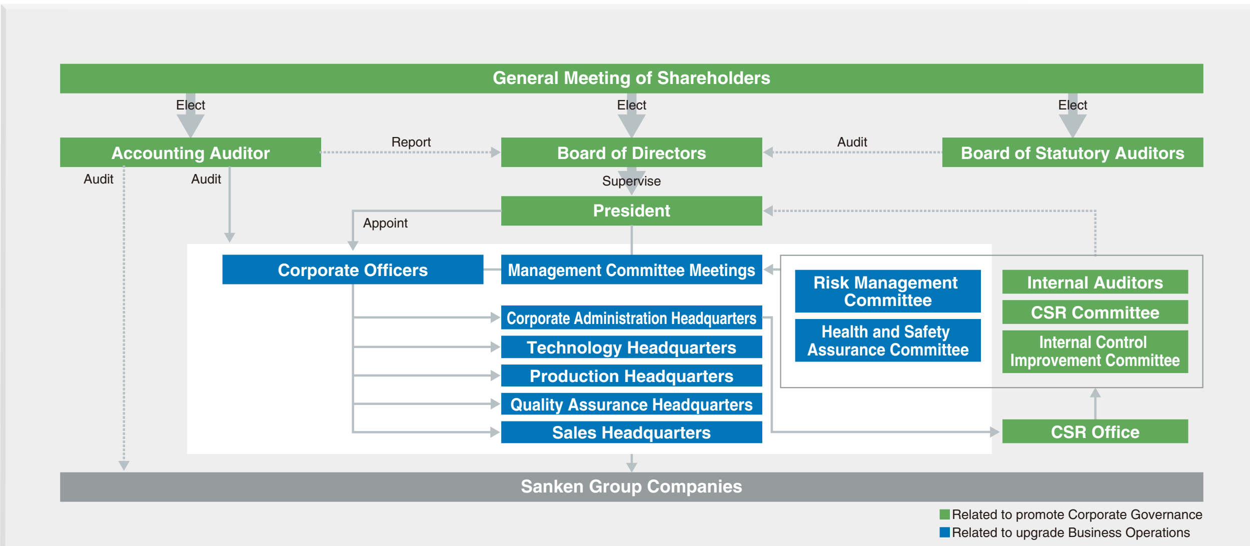
The Company sends, as necessary, its Corporate Officers to its Group companies as directors in order to facilitate close communication of the Group's strategies, to get involved actively in the important operational decision-making , and to try to implement effective management processes in general.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

Risk Management System and Related Activities

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

Disclosure System

The General Affairs section continuously collects, confirms and examines information on material decision-making and material facts, and makes timely disclosures without delay after authorization by the decision-making body or occurrence of the relevant facts in accordance with applicable laws and regulations. The IR Office, meanwhile, actively provides corporate information (including financial results) to shareholders, investors, analysts, the media and other parties, carries out public relations activities, operates the Company's website and holds financial result presentation sessions.



3 Environmental Initiatives

Sanken and its Group companies placed as a critical part of our CSR activities the basic philosophy of keeping harmony with the environment. Accordingly, we are actively undertaking environmental conservation initiatives through the use of our environmental management system.

The Sanken Group Environment Charter

Sanken Electric established the "Sanken Group Environment Charter" and announced to all stakeholders, both inside and outside the Group, our basic principles and code of conduct related to the environment. In accordance with this basic philosophy, the Sanken Group is committed to undertake a variety of environmental conservation measures including the development of energy-saving and resource-saving products, the set-up and effective operation of an environmental management system based on ISO 14001 certification standards, and compliance with environmental laws and regulations, execution of programs to reduce waste and promote recycling, achievement of a lower level of environmentally hazardous substances in our products, and the progress of "green" procurement mechanisms. Sanken Electric also takes steps to ensure that environmental conservation is positioned as a priority part of our overseas business development programs, holding discussions with and seeking cooperation from local communities, foreign government agencies, customers, and purchasing partners. The Sanken Group further makes certain that all our employees are educated and made familiar with the Environment Charter, and makes the Charter accessible to the general public through Sanken Electric's website.

Environmental Policies and Action Plan

Sanken Electric and each of the Sanken Group companies have established their own environmental policies. Although the policies prescribe various conservation activities following in principle the provisions of the Environment Charter, medium-term and annual plans are also developed in tune with the nature of each individual business, emphasizing the importance of continuous commitment to the conservation activities.

Each year, Sanken Electric issues the Sanken Group Environmental Action Plan as part of its yearly planning process, setting the direction for environmental conservation for the Group.

Conservation Activities

Sanken Electric launched an Environmental Management System (EMS) in 1998. In that same year, Fukushima Sanken Co., Ltd. became the first member of the Sanken Group subsidiaries to obtain ISO 14001 certification.

Our industrial waste recycling rate is one example of success stemming from these initiatives. In fiscal 2009, we met and exceeded our 99% target and actually reached a 99.4% recycling rate for the aggregate of domestic Sanken Group companies. Furthermore, nine out of our twelve domestic factories individually achieved "zero emissions," an industrial waste recycling rate of 99% or greater. For eight of these plants, this accomplishment represents their third consecutive year of "zero emissions."

As part of our energy conservation and resource efficiency initiatives, Sanken Electric set up an "Energy Conservation Committee" to bolster efforts to "reduce CO_2 emissions at our business sites," and participated in "the Team Minus 6%", a national campaign aimed at reduction of greenhouse gas emissions, to raise environmental awareness among employees and to energize "eco-friendly and energy-saving" activities.

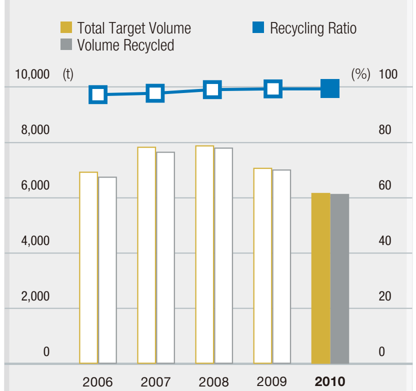
In fiscal 2009, the Sanken Group succeeded in meeting the CO_2 emissions target prescribed in the Energy Conservation Law, which was a "1% yearly reduction measured by the basic unit of energy per consolidated sales."

Environmental Responsiveness of Products

Sanken Electric has adopted a number of measures such as the adoption of environmentally friendly design of products, and "green procurement" mechanisms in order to comply with international regulations governing hazardous substances. In anticipation of the European Union's RoHS Directive (restricting the use of six substances, including cadmium and lead), Sanken Electric's steps toward achieving more environmentally friendly products include its diligent work in collaboration with Group companies to complete the transition to the use of lead-free solder, and its effort to strengthen controls on products containing hazardous substances, mainly through enforcement of "green procurement" mechanisms. As a result of these early adoptions of the regulations, Sanken Electric and its Group companies are recognized as the source of choice for "green procurement" by its client companies with rigorous environmental policies.

In fiscal 2009 we decided to promote "eco-friendly and energy-saving" attributes of products as the priority item on our action plan and successfully developed and brought to market numerous electricity-saving products. In particular, our new technology that reduces LCD-TV standby power usage by approximately 40% compared to earlier products was received very well and accorded special recognition by a number of our clients. As a company trying to achieve excellence in manufacturing, we are committed to developing and producing technologically innovative "eco-friendly and energy-saving" products, thereby contributing to the ultimate goal of conservation and protection of the environment.

Waste Volume and Recycling Progress



Financial Highlights

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2010, 2009, 2008, 2007, 2006, and 2005

	Millions of yen					
	2010	2009	2008	2007	2006	2005
Statements of income						
Net sales	¥ 134,134	¥ 147,003	¥ 184,309	¥ 203,815	¥ 173,527	¥ 156,216
Cost of sales	117,626	127,107	149,064	160,859	135,876	121,052
Gross profit	16,508	19,895	35,244	42,956	37,650	35,164
Selling, general and administrative expenses	21,990	24,787	26,975	27,941	25,642	23,081
Operating income (loss)	(5,482)	(4,891)	8,269	15,014	12,008	12,082
Other income (expenses), net	(12,684)	(5,719)	(3,997)	(2,693)	(712)	(1,890)
Income (loss) before income taxes and minority interests	(18,166)	(10,611)	4,271	12,320	11,295	10,191
Net income (loss)	(18,950)	(15,773)	1,776	7,499	7,035	6,682
Balance sheets						
Total current assets	¥ 83,725	¥ 82,900	¥ 104,050	¥ 112,464	¥ 100,736	¥ 88,684
Total investments and long-term receivables	4,309	5,376	6,321	7,719	10,214	7,767
Property, plant and equipment, net	43,029	58,501	61,600	71,755	59,348	42,826
Other assets	842	990	1,556	1,847	2,027	1,638
Total assets	131,908	147,768	173,529	193,787	172,327	140,917
Total current liabilities	61,233	61,078	88,262	91,153	70,880	50,984
Total long-term liabilities	32,913	28,871	7,185	19,547	24,821	21,580
Total net assets	37,761	57,818	78,081	83,086	76,329	68,121
Total liabilities and net assets	131,908	147,768	173,529	193,787	172,327	140,917
	%					
Financial indicators						
Return on assets	(4.33)	(4.80)	2.44	6.96	7.35	6.97
Return on equity	(40.09)	(23.38)	2.22	9.43	9.74	10.23
Return on sales	(14.13)	(10.73)	0.96	3.68	4.05	4.28
Equity ratio	28.2	38.8	44.7	42.7	44.3	48.3
Current ratio	136.7	135.7	117.9	123.4	142.1	173.9
	Yen					
Per share						
Total net assets per share	¥ 306.54	¥ 471.98	¥ 638.73	¥ 680.11	¥ 627.66	¥ 560.07
Net income (loss) per share	(156.05)	(129.85)	14.62	61.69	57.41	54.50
Cash dividends per share	0.00	10.00	14.00	14.00	15.00	10.00

Financial Sectoin

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Management's Discussion and Analysis

Sanken Electric Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

OVERVIEW

Management strategy

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

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

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

Looking more closely at our efforts by market, in the "eco-friendly and energy saving" market we have established development, production and sales organizations in China and Korea because the adoption of inverters for white goods household appliances in these countries is expected to grow at an accelerating pace. In electric and hybrid automobiles and LED lighting, products for which full-scale market formation is expected in the future, we have established a dedicated organization that is working to strengthen our development capabilities and increase sales. In the "emerging nations markets" that are expected to continue expanding in the future, we are actively developing our business by promoting sales in close contact with customers while increasing the pace of development, and strengthening cost competitiveness and supply chain management corresponding to these markets.

In addition, to promote cost structural reform we will achieve competitive chip prices by launching a new high pressure process and enhancing our 8-inch process production capacity, and by focusing on lowering variable costs in post-production processes through measures such as realignment of plants, elimination and consolidation of lines and the utilization of production outsourcing for general-purpose package products. We also will make every effort to maximize profits including further controls on fixed costs, which have already been reduced significantly.

Our Group will further strengthen the earnings structure we have built up through conquering difficult situations over past years, and make every effort to achieve positive growth trends in our businesses.

Fund procurement and liquidity

The Group raises funds in a number of ways, including bond and commercial paper issuance, commitment line contracts and bank loans. As of March 31, 2010, short-term loans totaled ¥15,642 million (including long-term loans payable within one year of ¥1,126 million), commercial paper totaled ¥15,000 million, unsecured bonds redeemable in 2013 (issued September 2008) totaled ¥20,000 million, and long-term loans totaled ¥8,060 million. The Group's basic policy is to fund working capital and capital expenditures through internal financing. In order to procure working capital and undertake the capital expenditures necessary to maintain the growth of the Sanken Group, however, we may raise outside funds by utilizing ¥15,000 million in unused commercial paper issuance facilities and ¥12,300 million in commitment line agreements, in addition to utilizing internally generated cash-flow from operations.

Dividend policy

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

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

In light of various considerations, including the large net loss, we have regrettably decided to not pay an interim dividend or year-end dividend for the current consolidated fiscal year (no dividends for the full year).

RESULTS OF OPERATIONS

Summary

Although the Group transitioned toward recovery along with the upturn in the external environment, Group operating results for the first half were affected significantly by Cold Cathode Fluorescent Lamp (CCFL) products, which failed to enjoy a turnaround and produced very stringent operating results because of a sudden change in market structure, large price declines and the ongoing adoption of LEDs. To address this situation, we sharply reduced production capacity for CCFL products and worked to ramp up production of LED products, which we expect to lead to market expansion. Also, to improve semiconductor production efficiency we undertook business structural reforms for the entire Group, including the concentration and reorganization of our plants. In addition, from a product development and sales perspective we introduced to the market new products strongly focusing on "eco-friendly and energy saving" and focused on active measures aimed at a business recovery, such as establishing a sales and technical support base in southern China where many of our customers are concentrated. Finally, by significantly reducing fixed costs through a united effort carried out by the entire Group over the last two years we were able to achieve positive ordinary income in the second half, and profits generally progressed according to plan.

Nevertheless, even with such efforts we were unable to recover from the very severe results in the first half, and for the current consolidated fiscal year, consolidated net sales decreased 8.8% compared with the previous period to ¥134,134 million. For earnings we reported a consolidated operating loss of ¥5,482 million and a consolidated ordinary loss of ¥6,048 million. As expenses in conjunction with the structural reform of the CCFL business, we recorded an extraordinary loss of ¥11,089 million. As a result of the above factors, we recorded a substantial consolidated net loss of ¥18,950 million for the current consolidated fiscal year.

Results of operations by business segment

Semiconductor business

Consolidated net sales for this segment were ¥94,538 million, a decrease of ¥16,005 million (14.5%) compared with the previous period.

For semiconductor devices products, sales of products for audio visual products remained favorable because of the expansion of our market share for products for flat-panel TVs, and in the second half orders received for products for automobiles also increased thanks to the economic stimulus measures implemented by countries around the world. As a result, manufacturers moved to full-scale plant operations and in particular, Allegro MicroSystems, Inc., a US subsidiary, attained record-high levels of production. In response to these circumstances we decided to resume capital investment, which had been restrained throughout the entire Group, in order to respond to a rapid increase in orders received in the future. In CCFL products, on the other hand, sales volume and prices fell sharply under the impact of an increase in the placement of orders by panel manufacturers to their affiliated companies. In addition, as the adoption of LEDs for backlights in notebook PCs and large-size LCD TVs progressed, very difficult conditions continued.

As a result, we reported an operating loss of ¥3,624 million for this business, compared with an operating loss of ¥1,706 million in the previous period.

Power module business

Consolidated net sales for this segment were ¥24,376 million, an increase of ¥1,836 million (8.1%) compared with the previous period.

In this segment, sales of products for OA equipment decreased due to sluggish corporate IT investment, although the products for LCD TVs continued to sell well throughout the year as a result of market share expansion. As a result, net sales increased compared with the previous period, and performance from an earnings perspective improved as indicated by the reduction in the deficit amount.

As a result, we reported an operating loss of ¥986 million in this business, compared with an operating loss of ¥1,930 million in the previous period.

Power system business

Consolidated net sales for this segment were ¥15,219 million, an increase of ¥1,299 million (9.3%) compared with the previous period.

In this segment, sales progressed steadily in the domestic market as the sales of DC power supply units for mobile phone base stations maintained a strong position from the beginning of this period, and in the second half, orders received for uninterruptible power supplies for public infrastructure increased. In the Chinese market, sales of high voltage inverters began late in the first half but transitioned toward recovery during the second half. Consequently both net sales and profits increased compared with the previous period.

As a result, operating income in this business increased ¥130 million (13.1%) compared with the previous period to ¥1,130 million.

Results of operations by geographic segment

Japan

Consolidated net sales in Japan declined ¥16,249 million (16.0%) compared with the previous period to ¥85,060 million. Factors affecting sales included the increase in order placement by panel manufacturers to affiliated companies, the impact from the adoption of LEDs for backlights in notebook PCs and large-size LCD TVs and plummeting sales volumes and prices for CCFL products. The operating loss reported in conjunction with the lower sales was ¥7,203 million, compared with an operating loss of ¥5,350 million in the previous period.

Asia

Consolidated net sales in Asia increased ¥4,805 million (25.9%) compared with the previous period to ¥23,357 million, boosted particularly by the large growth in net sales at P.T. Sanken Indonesia, but operating income fell ¥149 million (10.1%) compared with the previous period to ¥1,334 million because of lower earnings at Korea Sanken Co., Ltd.

North America
Consolidated net sales in North America weakened slightly by ¥65 million (0.4%) compared with the previous period to ¥17,475 million. Sales of products for automobiles from Allegro MicroSystems, Inc. were higher, but internal sales for Polar Semiconductor, Inc. also increased. Operating income doubled, however, increasing by ¥747 million (101.0%) compared with the previous period to ¥1,487 million.

Europe
Consolidated net sales in Europe declined ¥1,359 million (14.2%) compared with the previous period to ¥8,239 million, reflecting factors such as lower sales at Sanken Power Systems (UK) Limited and the exchange rate impact from appreciation of the yen and weakening of the euro. Because earnings at Allegro MicroSystems Europe Limited expanded substantially, however, operating income rose significantly, climbing ¥113 million (104.4%) compared with the previous period to ¥222 million.

Other income (expenses)
Other income (expenses) deteriorated by ¥6,964 million compared with the previous period. As a result, other expenses were ¥12,684 million. Although the foreign exchange loss and compensation expense both declined compared with the previous period, the main factor causing other income (expenses) to deteriorate was a business structure reform cost of ¥11,089 million.

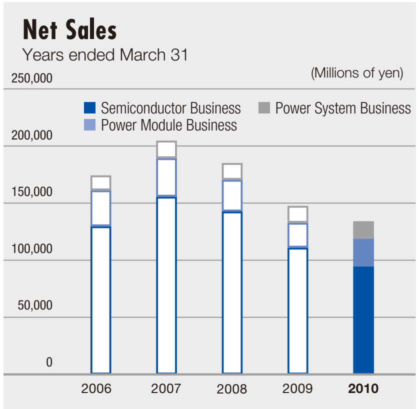
FINANCIAL POSITION

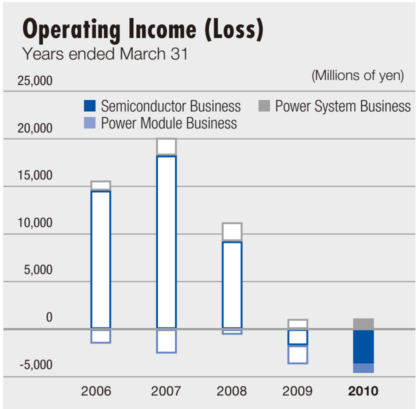
Assets
Total assets at the end of the current consolidated fiscal year decreased ¥15,860 million compared with the end of the previous period to ¥131,908 million. Current assets increased by ¥825 million compared with the end of the previous period to ¥83,725 million. Cash and deposits and inventories decreased by ¥769 million and ¥7,073 million, respectively, while notes and accounts receivable increased by ¥9,108 million. Investments and long-term receivables decreased by ¥1,066 million compared with the end of the previous period to ¥4,309 million. This reflected higher investments in securities, and a decrease in other long-term receivables. Property, plant and equipment, net fell ¥15,471 million compared with the end of the previous period to ¥43,029 million. This was mainly impairment losses recognized during the period.

Liabilities
Current liabilities at the end of the current consolidated fiscal year increased ¥155 million compared with the end of the previous period to ¥61,233 million. Short-term bank loans decreased ¥3,954 million and commercial paper decreased ¥1,000 million, respectively, while changes in liabilities included an increase of ¥5,595 million in notes and accounts payable. Long-term liabilities at the end of the current consolidated fiscal year increased ¥4,041 million compared with the end of the previous period to ¥32,913 million. This was mainly an increase in long-term debt of ¥3,847 million.

Net assets
Net assets at the end of the current consolidated fiscal year decreased ¥20,057 million compared with the end of the previous period to ¥37,761 million. Shareholders' equity (net assets minus stock acquisition rights and minority interests) fell ¥20,111 million compared with the end of the previous period to ¥37,214 million. This reflected changes such as a ¥19,155 million decrease in retained earnings and a decrease in translation adjustments of ¥1,144 million. The shareholders' equity ratio at the end of the current consolidated fiscal year decreased by 10.6 percentage points compared with the end of the previous period to 28.2%.

Cash flows
Looking at the Sanken Group's cash position, net cash provided by operating activities was ¥5,105 million (a decrease of ¥8,951 million





compared with the previous period, mainly reflecting an increase in notes and accounts receivable. Net cash used in investing activities was ¥4,568 million (a decrease in expenditures of ¥7,613 million compared with the previous period), with the largest use of cash being expenditures for purchases of property, plant and equipment. Net cash used in financing activities was ¥1,280 million (an increase in expenditures of ¥4,279 million compared with the previous period). Cash from proceeds from issuance of long-term debt was used mainly for repayment of short-term loans and commercial paper. As a result, the outstanding balance of interest-bearing liabilities at the end of the current consolidated fiscal year declined ¥689 million compared with the end of the previous period to ¥59,312 million and the reliance on interest-bearing liabilities became 45.0%. As a result of these factors, the balance of cash and cash equivalents at the end of the current consolidated fiscal year decreased ¥776 million compared with the end of the previous period to ¥12,114 million.

Capital Expenditures

The Sanken Group's capital expenditures during the current consolidated fiscal year totaled ¥4,978 million and primarily consisted of purchases of production, testing and research equipment.

In the semiconductor business, Sanken Electric made capital expenditures of ¥355 million for production, testing and research equipment, and consolidated subsidiaries including Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Allegro MicroSystems, Inc. and Polar Semiconductor, Inc. made capital expenditures of ¥4,147 million to enhance production equipment.

In the PM business, Sanken Electric made capital expenditures of ¥64 million for product molds and other equipment, and consolidated subsidiaries including P.T. Sanken Indonesia made capital expenditures of ¥219 million for production equipment, product molds and other equipment.

In the PS business, Sanken Electric made capital expenditures of ¥23 million for product molds and other equipment, and consolidated subsidiaries including Sanken L.D. Electric (Jiang Yin) Co., Ltd. made capital expenditures of ¥94 million for production equipment and other equipment.

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

BUSINESS RISKS

Management has identified the following issues as posing potential risks to the Group's business performance and financial condition. Concerning risks to business strategy, forecasts regarding the future presented here are judgments made as of the end of the consolidated fiscal year under review (March 31, 2010). It is important to keep in mind that actual outcomes may deviate considerably from these forecasts due to inherent uncertainties.

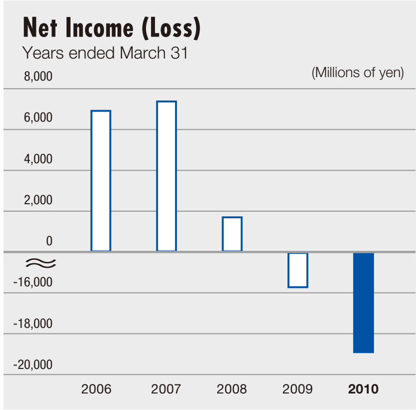
Strategy risk

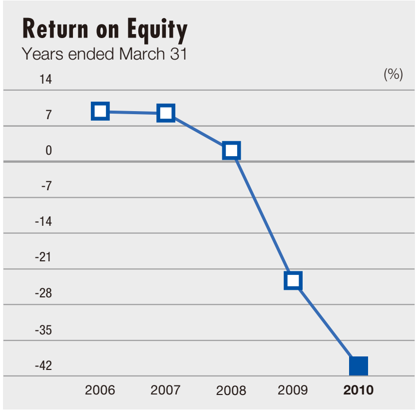
New product development

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

Price competition

Price competition in the electronics industry is escalating. The emergence of competitors using production bases in Southeast Asia, and particularly China, has had a major impact on the determination of prices for the Company's products. While price competition is expected to continue escalating, the Group is responding by working to further reduce its cost of sales and to introduce high-value-added products that leverage its inherent technologies. However, the Group's profitabil-





ity, earnings, and financial condition could suffer due to the appearance of products made by companies with a greater ability to respond to price reductions or to changes in demand by its customers.

Fund procurement

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

Intellectual property

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

External risk

Economic environment

In addition to Japan, the Group produces products in several other nations and regions, including Asia, North America, and Europe. Overseas production value accounted for 42.0% of consolidated production value in fiscal 2007, 42.7% in fiscal 2008 and 43.1% in fiscal 2009. Overseas sales on a consolidated basis as a proportion of total sales in fiscal 2007, fiscal 2008 and fiscal 2009 were 55.8%, 53.7% and 54.8%, respectively. As a consequence, the Group's earnings and financial condition could be adversely affected by changes in the operating environment, including economic trends, in the relevant areas.

Exchange rates

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

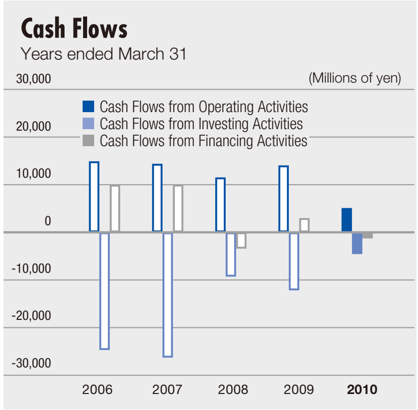
Exports as a share of the Company's sales were 42.5% in fiscal 2007, 40.1% in fiscal 2008 and 38.0% in fiscal 2009. Of these exports, the proportion denominated in foreign currencies was 46.0% in fiscal 2007, 49.4% in fiscal 2008 and 91.2% in fiscal 2009. To manage the exchange risk associated with transactions, the Group engages in risk hedging, including through the hedging of the balances of payables, receivables, and turnover, by expanding overseas procurement of products and raw materials and through the use of forward currency contracts. By doing so, the Company aims to minimize the impact of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar and the Japanese yen.

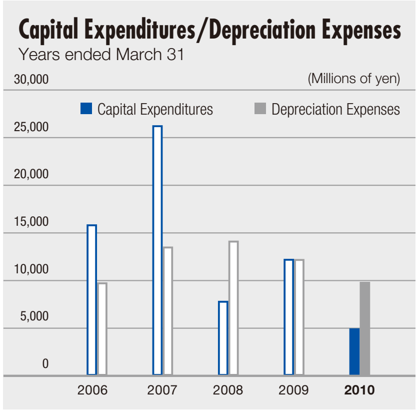
Additionally, appreciation of the currencies in the regions and nations where the Group has production bases may drive up manufacturing and procurement costs. Higher costs would have the impact of lower margins and diminished price competitiveness, which may adversely affect earnings.

Internal risk

Legal restraints

The Group has production and sales bases in 11 regions and nations,





including Japan, and establishes businesses subject to the application of various laws, ordinances, and regulations (hereinafter “legal restraints”) specified in each region or nation. In addition, with respect to the export and import of technology, products, and materials necessary for sales and production by the Group around the world, business activities are subject to legal restraints relating to tariffs, trade, foreign currency, strategic materials, specific technologies, antitrust, patents, the environment, and other areas in each region and nation. Failure to comply with these legal restraints could result in restrictions on the Group’s business activities or undermine public confidence, which may adversely affect the Company’s earnings and financial condition.

Quality issues

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

Environmental problems

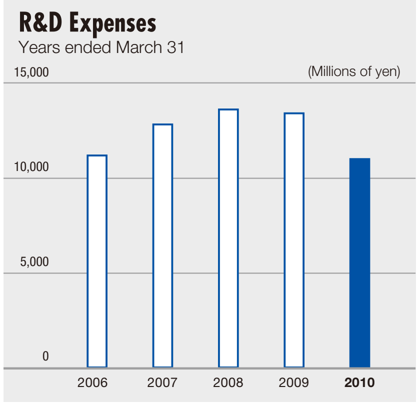
The Group complies with all legal restraints pertaining to the prevention of environmental damage and pollution in the nations and regions where it has production bases. As part of its own environmental activities, the Group pursues ISO 14001 certification, an international standard for environmental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

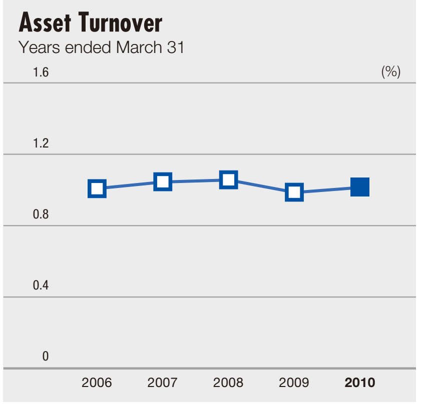
Besides the above, in addition to possible occurrence of a calamity such as natural disaster, fire, or damage to the social or telecommunications infrastructure, there may be unforeseeable country risks such as a war, terrorist attack, epidemic of infectious disease, or significant changes to laws or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

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

Irregular changes in financial position, operating results and cash flow

During the current consolidated fiscal year (fiscal year ended March 31, 2010) the Sanken Group incurred an impairment loss in the first half on fixed assets in its CCFL business, which it reported as an extraordinary loss. In addition, during the second half the Company implemented a valuation loss on inventories in the same business, in response to new changes in the operating environment, which together with the extraordinary loss described above was reported as a business structure reform cost of ¥11,089 million in the full year consolidated financial statements. As a result, the Company reported a consolidated net loss of ¥18,950 million for the current consolidated fiscal year.





Consolidated Balance Sheets

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

Assets	March 31, 2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Current assets:			
Cash and deposits (Notes 4 and 6)	¥ 12,300	¥ 13,069	$ 132,210
Notes and accounts receivable (Notes 5 and 6):			
Trade and other	33,696	24,587	362,169
Less allowance for doubtful receivables	(71)	(233)	(767)
	33,624	24,353	361,401
Inventories (Note 9)	35,761	42,835	384,370
Deferred tax assets (Note 16)	106	226	1,141
Other current assets	1,932	2,414	20,765
Total current assets	83,725	82,900	899,889
Investments and long-term receivables:			
Investments in unconsolidated subsidiaries and affiliates	—	75	—
Investments in other securities (Notes 6 and 7)	2,252	1,934	24,205
Deferred tax assets (Note 16)	144	126	1,554
Other long-term receivables	2,162	3,490	23,241
Less allowance for doubtful receivables	(249)	(250)	(2,679)
Total investments and long-term receivables	4,309	5,376	46,322
Property, plant and equipment, at cost (Note 10):			
Land	4,436	4,502	47,686
Buildings	54,296	54,127	583,586
Machinery and equipment	119,017	118,788	1,279,205
Construction in progress	3,924	3,864	42,184
	181,675	181,284	1,952,662
Less accumulated depreciation and impairment losses	(138,645)	(122,783)	(1,490,174)
Property, plant and equipment, net	43,029	58,501	462,488
Other assets (Note 10)	842	990	9,059
Total assets	¥ 131,908	¥ 147,768	$ 1,417,759

Liabilities and net assets	March 31, 2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars) (Note 3)
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	¥ 14,515	¥ 18,470	$ 156,017
Current portion of long-term debt (Notes 6 and 10)	1,126	1,120	12,109
Commercial paper (Note 6)	15,000	16,000	161,220
Notes and accounts payable (Note 6):			
Trade and other	21,784	16,206	234,136
Construction	52	34	561
	21,836	16,240	234,698
Accrued expenses	6,837	7,100	73,489
Income taxes payable	521	398	5,602
Deferred tax liabilities (Note 16)	263	19	2,831
Provision for business structure reform	—	492	—
Other current liabilities	1,133	1,237	12,177
Total current liabilities	61,233	61,078	658,147
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	28,060	24,212	301,591
Accrued retirement benefits for directors	33	156	363
Accrued employees' retirement benefits (Note 15)	3,053	2,798	32,820
Deferred tax liabilities (Note 16)	765	1,123	8,231
Other long-term liabilities	999	580	10,745
Total long-term liabilities	32,913	28,871	353,751
Net assets (Note 17):			
Shareholders' equity:			
Common stock:			
Authorized – 257,000,000 shares			
Issued and outstanding: 2010 – 125,490,302 shares	20,896	—	224,600
2009 – 125,490,302 shares	—	20,896	—
Capital surplus	21,246	21,249	228,362
Retained earnings	5,543	24,699	59,578
Less treasury stock, at cost: 4,089,747 shares in 2010 and 4,033,630 shares in 2009	(3,898)	(3,885)	(41,902)
Total shareholders' equity (Note 25)	43,788	62,960	470,638
Valuation, translation adjustments and other:			
Net unrealized gain on securities	225	19	2,424
Translation adjustments	(6,799)	(5,655)	(73,083)
Total valuation, translation adjustments and other	(6,574)	(5,635)	(70,658)
Stock acquisition rights	287	253	3,087
Minority interests	259	239	2,793
Total net assets	37,761	57,818	405,860
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥ 131,908	¥ 147,768	$ 1,417,759

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

Consolidated Statements of Operations

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

	Year ended March 31, 2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥ **134,134**	¥ 147,003	**$ 1,441,684**
Cost of sales (Notes 15, 19 and 23)	**117,626**	127,107	**1,264,253**
Gross profit	**16,508**	19,895	**177,430**
Selling, general and administrative expenses (Notes 12, 15, 19 and 23)	**21,990**	24,787	**236,353**
Operating loss	**(5,482)**	(4,891)	**(58,923)**
Other income (expenses):			
Interest expense	**(773)**	(714)	**(8,317)**
Interest and dividend income	**42**	117	**460**
Impairment losses (Note 13)	**(660)**	(1,762)	**(7,103)**
Provision for business structure reform	**—**	(599)	**—**
Business structure reform costs (Note 14)	**(11,089)**	—	**(119,195)**
Product compensation costs	**(130)**	(756)	**(1,405)**
Foreign exchange loss	**(49)**	(917)	**(530)**
Other, net	**(21)**	(1,086)	**(236)**
	(12,684)	(5,719)	**(136,329)**
Loss before income taxes and minority interests	**(18,166)**	(10,611)	**(195,252)**
Income taxes (Note 16):			
Current	**730**	1,048	**7,855**
Deferred	**(171)**	4,093	**(1,848)**
Prior year's income taxes	**226**	–	**2,432**
Loss before minority interests	**(18,951)**	(15,753)	**(203,691)**
Minority interests in income (loss)	**(1)**	20	**(13)**
Net loss (Note 25)	¥ **(18,950)**	¥ (15,773)	**$ (203,677)**

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

Consolidated Statements of Changes in Net Assets

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

	Year ended March 31, 2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars) (Note 3)
Shareholders' equity			
Common stock:			
Balance at the end of previous year	¥ 20,896	¥ 20,896	$ 224,600
Balance at the end of current year	20,896	20,896	224,600
Capital surplus:			
Balance at the end of previous year	21,249	21,261	228,395
Changes of items during the year:			
Disposition of treasury stock	(3)	(11)	(33)
Total changes of items during the year	(3)	(11)	(33)
Balance at the end of current year	21,246	21,249	228,362
Retained earnings:			
Balance at the end of previous year	24,699	42,239	265,467
Adjustments for changes of foreign subsidiaries' accounting policies	—	(142)	—
Changes of items during the year:			
Cash dividends paid	(364)	(1,700)	(3,916)
Net loss	(18,950)	(15,773)	(203,677)
Adjustments for inclusion of subsidiaries in consolidation	158	76	1,704
Total changes of items during the year	(19,155)	(17,397)	(205,889)
Balance at the end of current year	5,543	24,699	59,578
Treasury stock:			
Balance at the end of previous year	(3,885)	(3,878)	(41,757)
Changes of items during the year:			
Acquisition of treasury stock	(18)	(26)	(194)
Disposition of treasury stock	4	19	49
Total changes of items during the year	(13)	(7)	(144)
Balance at the end of current year	(3,898)	(3,885)	(41,902)
Total shareholders' equity:			
Balance at the end of previous year	62,960	80,518	676,706
Adjustments for changes of foreign subsidiaries' accounting policies	—	(142)	—
Changes of items during the year:			
Cash dividends paid	(364)	(1,700)	(3,916)
Net loss	(18,950)	(15,773)	(203,677)
Acquisition of treasury stock	(18)	(26)	(194)
Disposition of treasury stock	1	7	15
Adjustments for inclusion of subsidiaries in consolidation	158	76	1,704
Total changes of items during the year	(19,172)	(17,416)	(206,067)
Balance at the end of current year	43,788	62,960	470,638

Consolidated Statements of Changes in Net Assets (continued)

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

	Year ended March 31, 2010 (Millions of yen)	2009 (Millions of yen)	2010 (Thousands of U.S. dollars) (Note 3)
Valuation, translation adjustments and other			
Net unrealized gain on securities:			
Balance at the end of previous year	¥ 19	¥ 526	$ 212
Changes of items during the year:			
Net changes of items other than shareholders' equity	205	(507)	2,212
Total changes of items during the year	205	(507)	2,212
Balance at the end of current year	225	19	2,424
Translation adjustments:			
Balance at the end of previous year	(5,655)	(3,444)	(60,782)
Changes of items during the year:			
Net changes of items other than shareholders' equity	(1,144)	(2,210)	(12,300)
Total changes of items during the year	(1,144)	(2,210)	(12,300)
Balance at the end of current year	(6,799)	(5,655)	(73,083)
Total valuation, translation adjustments and other:			
Balance at the end of previous year	(5,635)	(2,917)	(60,570)
Changes of items during the year:			
Net changes of items other than shareholders' equity	(938)	(2,717)	(10,088)
Total changes of items during the year	(938)	(2,717)	(10,088)
Balance at the end of current year	(6,574)	(5,635)	(70,658)
Stock acquisition rights			
Balance at the end of previous year	253	189	2,726
Changes of items during the year:			
Net changes of items other than shareholders' equity	33	64	360
Total changes of items during the year	33	64	360
Balance at the end of current year	287	253	3,087
Minority interests			
Balance at the end of previous year	239	291	2,576
Changes of items during the year:			
Net changes of items other than shareholders' equity	20	(52)	216
Total changes of items during the year	20	(52)	216
Balance at the end of current year	259	239	2,793
Total net assets			
Balance at the end of previous year	57,818	78,081	621,439
Adjustments for changes of foreign subsidiaries' accounting policies	—	(142)	—
Changes of items during the year:			
Cash dividends paid	(364)	(1,700)	(3,916)
Net loss	(18,950)	(15,773)	(203,677)
Acquisition of treasury stock	(18)	(26)	(194)
Disposition of treasury stock	1	7	15
Adjustments for inclusion of subsidiaries in consolidation	158	76	1,704
Net changes of items other than shareholders' equity	(884)	(2,705)	(9,511)
Total changes of items during the year	(20,057)	(20,121)	(215,578)
Balance at the end of current year	¥ 37,761	¥ 57,818	$ 405,860

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

Consolidated Statements of Cash Flows

Sanken Electric Co., Ltd.and Consolidated Subsidiaries

	Year ended March 31,		
	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Operating activities			
Loss before income taxes and minority interests	¥ (18,166)	¥ (10,611)	$ (195,252)
Depreciation and amortization	9,836	12,709	105,728
Impairment losses	10,041	1,762	107,922
Increase (decrease) in allowance for doubtful receivables	(151)	110	(1,630)
Interest and dividend income	(42)	(117)	(460)
Interest expense	773	714	8,317
Increase (decrease) in provision for retirement benefits for employees	1,315	(520)	14,142
Increase (decrease) in provision for business structure reform	(539)	599	(5,793)
Decrease (increase) in notes and accounts receivable	(9,391)	20,355	(100,935)
Decrease (increase) in inventories	6,505	(2,971)	69,924
Increase (decrease) in notes and accounts payable	5,924	(9,054)	63,680
Other	701	2,725	7,544
Subtotal	6,809	15,702	73,186
Interest and dividends received	42	117	460
Interest paid	(814)	(669)	(8,756)
Income taxes paid	(932)	(1,093)	(10,021)
Net cash provided by operating activities	5,105	14,056	54,869
Investing activities			
Purchases of property, plant and equipment	(4,392)	(12,186)	(47,209)
Proceeds from sales of property, plant and equipment	321	208	3,456
Purchases of intangible assets	(129)	(277)	(1,391)
Purchases of investment securities	(10)	(29)	(107)
Increase in loans receivable	(28)	(2,059)	(302)
Proceeds from loans receivable	27	2,122	295
Other	(357)	40	(3,845)
Net cash used in investing activities	(4,568)	(12,181)	(49,104)
Financing activities			
Increase (decrease) in short-term bank loans	(3,534)	7,365	(37,987)
Decrease in commercial paper	(1,000)	(14,000)	(10,748)
Proceeds from issuance of long-term debt	5,000	3,150	53,740
Repayment of long-term debt	(1,146)	(1,591)	(12,325)
Repayment of finance lease liabilities	(152)	(58)	(1,643)
Proceeds from issuance of unsecured bonds	—	19,900	—
Redemption of unsecured bonds	—	(10,000)	—
Proceeds from sales of treasury stock	1	7	15
Retirement of treasury stock	(18)	(26)	(194)
Cash dividends paid	(371)	(1,699)	(3,997)
Dividends paid to minority interests	(57)	(49)	(622)
Net cash provided by (used in) financing activities	(1,280)	2,999	(13,762)
Effect of exchange rate changes on cash and cash equivalents	(115)	(1,526)	(1,239)
Net increase (decrease) in cash and cash equivalents	(859)	3,347	(9,236)
Cash and cash equivalents at beginning of the year	12,891	9,543	138,558
Increase in cash resulting from inclusion of subsidiaries in consolidation	82	0	889
Cash and cash equivalents at end of the year (Note 4)	¥ 12,114	¥ 12,891	$ 130,211

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

Notes to Consolidated Financial Statements

Sanken Electric Co., Ltd.and Consolidated Subsidiaries
March 31, 2010

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

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

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. As of March 31, 2010, the number of consolidated subsidiaries was 28 (28 in 2009). For five subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, i.e. December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. Significant intercompany transactions and account balances have been eliminated in consolidation. Generally, the difference, if significant in amount, between the cost and the equity in the underlying net assets of a consolidated subsidiary at the date acquired is capitalized in the year of acquisition and amortized principally over a five-year period.

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

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

(c) Securities

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

(d) Inventories

Inventories held for sale in the ordinary course of business

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

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

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

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

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

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

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

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

(f) Deferred Assets

Stock issuance costs are expensed as incurred.

Bond issuance costs are expensed as incurred.

(g) Allowance for Doubtful Receivables

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

(h) Provision for Business Structure Reform

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

(i) Employees' Retirement Benefits

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

The overseas consolidated subsidiaries principally have defined contribution pension plans.

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

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

Net unrecognized actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (principally 11 through 24 years).

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

(j) Retirement Benefits for Directors

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

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

(k) Foreign Currency Translation

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

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

(l) Derivatives

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

(m) Cash Equivalents

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

(n) Consumption Taxes

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

2. Accounting Changes

Accounting standard for employees' retirement benefits

Effective the year ended March 31, 2010, the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (Accounting Standards Board of Japan (ASBJ) Statement No. 19, July 31, 2008) has been applied. This change had no impact on the retirement benefit obligation at March 31, 2010. Therefore, there was no effect on the financial statements for the year ended March 31, 2010.

Accounting standard for measurement of inventories

Effective the fiscal year ended March 31, 2009, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.

9, July 5, 2006) has been applied. This change had no effect on income for the year ended March 31, 2009.

Accounting standards for lease transactions

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

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

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

Accounting for employees' retirement benefits

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

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥93.04 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

4. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and deposits with cash and cash equivalents as of March 31, 2010 and 2009:

	March 31,		
	2010	2009	**2010**
	(Millions of yen)		(Thousands of U.S. dollars)
Cash and deposits	**¥ 12,300**	¥ 13,069	**$ 132,210**
Restricted cash	**(185)**	(178)	**(1,998)**
Cash and cash equivalents	**¥ 12,114**	¥ 12,891	**$ 130,211**

5. Notes and Accounts Receivable

The retroactively adjusted liability upon transfer of export receivables was ¥1,619 million ($17,408 thousand) at March 31, 2010, and zero at March 31, 2009.

6. Financial Instruments

(Additional Information)

Effective the year ended March 31, 2010, the "Accounting Standard for Financial Instruments," (ASBJ Statement No. 10, March 10, 2008) and the "Guidance on Disclosures about the Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 10, 2008) have been applied.

a. Summary of financial instruments

(1) Policy for financial instruments

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

(2) Financial instruments and their risks

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

b. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and difference as of March 31, 2010 are as follows. Financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2: Financial instruments for which the fair value is extremely difficult to measure," below)

	March 31, 2010					
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	(Millions of yen)			(Thousands of U.S. dollars)		
Assets						
(1) Cash and deposits	¥ 12,300	¥ 12,300	¥ —	$ 132,210	$ 132,210	$ —
(2) Notes and accounts receivable-trade	32,285	32,285	—	347,001	347,001	—
(3) Investment securities Other securities	2,158	2,158	—	23,199	23,199	—
Total	¥ 46,744	¥ 46,744	¥ —	$ 502,411	$ 502,411	$ —
Liabilities						
(1) Notes and accounts payable-trade	¥ 21,836	¥ 21,836	¥ —	$ 234,698	$ 234,698	$ —
(2) Short-term bank loans and current portion of long-term debt	15,642	15,642	—	168,127	168,127	—
(3) Commercial paper	15,000	15,000	—	161,220	161,220	—
(4) Bonds	20,000	19,338	662	214,961	207,846	7,115
(5) Long-term debt (except for bonds)	8,060	8,060	—	86,630	86,630	—
Total	¥ 80,538	¥ 79,876	¥ 662	$ 865,638	$ 858,523	$ 7,115
Derivative transactions (*)	¥ (391)	¥ (391)	¥ —	$ (4,210)	$ (4,210)	$ —

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

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

Assets

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

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

(3) Investment securities

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

Liabilities

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

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

(4) Bonds

The fair value equals quoted market prices.

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

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

Derivative transactions

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

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

	March 31, 2010 Carrying amount	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted equity securities and others	**¥ 93**	**$ 1,006**

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

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

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
		(Millions of yen)		
Cash and deposits	¥ 12,300	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	32,285	—	—	—
Investment securities				
Other securities with maturities	—	10	—	—
Total	¥ 44,585	¥ 10	¥ —	¥ —

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
		(Thousands of U.S. dollars)		
Cash and deposit	$ 132,210	$ —	$ —	$ —
Notes and accounts receivable-trade	347,001	—	—	—
Investment securities				
Other securities with maturities	—	107	—	—
Total	$ 479,211	$ 107	$ —	$ —

Note 4: The redemption schedule for bonds and long-term debt with maturities subsequent to the consolidated closing date is described in "Note 10. Short-Term Borrowings and Long-Term Debt."

7. Securities

As of March 31, 2010

(1) Other securities

Marketable securities classified as other securities at March 31, 2010 are summarized as follows:

	March 31, 2010					
	Carrying amount	Acquisition cost	Net unrealized gain (loss)	Carrying amount	Acquisition cost	Net unrealized gain (loss)
	(Millions of yen)			(Thousands of U.S. dollars)		
Securities whose carrying amounts exceed their acquisition cost:						
Equity securities	**¥ 1,343**	**¥ 865**	**¥ 477**	**$ 14,437**	**$ 9,302**	**$ 5,135**
Securities whose acquisition cost exceeds their carrying amounts:						
Equity securities	**815**	**914**	**(98)**	**8,761**	**9,825**	**(1,063)**
	¥ 2,158	**¥ 1,779**	**¥ 378**	**$ 23,199**	**$ 19,127**	**$ 4,071**

(2) Impairment of other securities

Impairment losses on securities classified as other securities for the year ended March 31, 2010 amounted to ¥47 million ($507 thousand).

As of March 31, 2009

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

	March 31, 2009		
	Acquisition cost	Carrying amount	Net unrealized gain (loss)
		(Millions of yen)	
Securities whose carrying amounts exceed their acquisition cost:			
Equity securities	¥ 779	¥1,150	¥ 371
Securities whose acquisition cost exceeds their carrying amounts:			
Equity securities	1,046	700	(346)
	¥ 1,826	¥ 1,851	¥ 25

Non-marketable securities classified as other securities amounted to ¥83 million at March 31, 2009.

Sales of securities classified as other securities for the year ended March 31, 2009 amounted to ¥0 million with gain of ¥0 million.

8. Derivatives

Summarized below are the contract amounts and estimated fair value of the Company's open derivatives positions at March 31, 2010 and 2009, for which deferral hedge accounting has not been applied:

	2010		2009		2010	
	Contract amount	Estimated fair value	Contract amount	Estimated fair value	Contract amount	Estimated fair value
	(Millions of yen)				(Thousands of U.S. dollars)	
Forward foreign exchange contracts:						
Sell U.S. dollars	**¥ 11,094**	**¥ (391)**	¥ 6,414	¥ 6,765	**$119,246**	**$ (4,210)**

9. Inventories

Inventories at March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	**¥ 10,497**	¥ 15,085	**$ 112,826**
Work in process	**14,443**	16,522	**155,238**
Raw materials and supplies	**10,821**	11,227	**116,305**
	¥ 35,761	¥ 42,835	**$ 384,370**

The book values of inventories were written down to reflect the decline in profitability by ¥395 million ($4,254 thousand) for the year ended March 31, 2010 and ¥637 million for the year ended March 31, 2009. The inventory write-downs were included in "Cost of sales."

10. Short-Term Borrowings and Long-Term Debt

Short-term bank loans generally represent notes and overdraft. The related weighted average interest rates at March 31, 2010 and 2009 were approximately 0.96% and 1.54%, respectively. The weighted average interest rates applicable to the current portion of long-term debt (excluding lease obligations) at March 31, 2010 and 2009 were approximately 1.24% and 1.23%, respectively. The weighted average interest rates applicable to commercial paper at March 31, 2010 and 2009 were approximately 0.16% and 0.77%, respectively. The weighted average interest rates applicable to current portion of lease obligations at March 31, 2010 and 2009 were approximately 2.23% and 2.72%, respectively.

Long-term debt at March 31, 2010 and 2009 is summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Loans payable in yen due serially through 2013 at the weighted average rates of 1.79%	¥ 9,186	¥ 5,333	$ 98,739
1.66% bonds due 2013	20,000	20,000	214,961
Lease obligations at the weighted average rates of 2.12%	609	197	6,551
	29,796	25,530	320,253
Less current portion	(1,316)	(1,196)	(14,151)
	¥ 28,479	¥ 24,334	$ 306,101

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

The aggregate annual maturities of long-term debt (excluding lease obligations) subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 3,026	$ 32,531
2013	5,026	54,027
2014	20,006	215,033
	¥ 28,060	$ 301,591

The aggregate annual maturities of lease obligations subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 164	$ 1,773
2013	164	1,767
2014	79	855
2015	8	94
2016 and thereafter	1	19
	¥ 419	$ 4,510

At March 31, 2010, the assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Land	¥ 963	$ 10,361
Buildings	3,273	35,184
Other assets	107	1,154
	¥ 4,344	$ 46,699

At March 31, 2010, short-term bank loans and long-term debt secured by collateral were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
Short-term bank loans and current portion of long-term debt	¥ 177	$ 1,902
Long-term debt	5,060	54,385
	¥ 5,237	$ 56,288

11. Lines of Credit

The Company and certain overseas subsidiaries have committed line-of-credit agreements and have entered into overdraft agreements with certain financial institutions in order to raise operating funds efficiently. The balances of credit available at March 31, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Total committed lines of credit and overdraft	¥ 41,945	¥ 15,651	$ 450,836
Outstanding balance	10,023	982	107,732
Remaining balance	¥ 31,922	¥ 14,669	$ 343,103

12. Selling, General and Administrative Expenses

The principal components of selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Salaries and bonuses	¥ 8,289	¥ 8,966	$ 89,097
Packing and shipping expenses	926	1,219	9,955
Outside services	1,747	2,672	18,779
Retirement benefit expenses	570	(51)	6,134
Provision for directors' retirement benefits	7	15	85
Provision for doubtful receivables	—	148	—

13. Impairment Losses

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

Impairment losses were recognized on the following asset group for the year ended March 31, 2010.

Use	Location	Asset category
PM products manufacturing facilities, and others	P.T. Sanken Indonesia (Bekasi, West Java, Indonesia), and others	Machinery and equipment, and others
Idle assets	Ishikawa Sanken Co., Ltd. Shika Factory (Shika-machi, Hakui-gun, Ishikawa), and others	Machinery and equipment, and others

The PM business recognized net operating loss for the second consecutive year ended March 31, 2010 due to sluggish corporate IT investment, and future cash flows from this business segment can not be expected. As a result, the PM business recognized impairment losses of ¥275 million ($2,965 thousand) on those assets by devaluing their carrying amounts to the recoverable amounts, which are their net selling prices.

In addition, impairment losses of ¥384 million ($4,137 thousand) were recognized on idle assets such as semiconductor manufacturing facilities and a warehouse, which were no longer utilized, by devaluing the carrying amounts to recoverable amounts, which are their net selling prices.

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

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

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

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

14. Business Structure Reform Costs

Business structure reform costs were recognized in the year ended March 31, 2010 due to restructuring of the semiconductor business with regard to CCFL products in response to a new business environment, and consist of the following losses.

	2010	
	(Millions of yen)	(Thousands of U.S. dollars)
Impairment losses (*)	¥ 9,380	$ 100,819
Loss on revaluation of inventories	1,709	18,376
Total	¥ 11,089	$ 119,195

(*) Impairment losses

Use	Location	Asset category
Semiconductor business CCFL products manufacturing facilities, and others	Ishikawa Sanken Co., Ltd. Uchiura Factory (Noto-chou, Housu-gun, Ishikawa)	Machinery and equipment, and others
	Fukushima Sanken Co., Ltd. (Nihonmatsu-shi, Fukushime)	Machinery and equipment, and others
	Sanken Optoproducts Co., Ltd. (Shika-machi, Hakui-gun, Ishikawa)	Machinery and equipment, and others
	Korea Sanken Co., Ltd. (Masan-shi, Korea)	Buildings, Machinery and equipment, and others

The Semiconductor business recognized impairment losses of ¥9,380 million ($100,819 thousand) on CCFL manufacturing facilities by devaluing the carrying amounts to recoverable amounts, which are their net selling prices, since the carrying amounts of certain fixed assets for this business segment are not expected to be recoverable. The severe business situation for CCFL products is expected to continue because of steep price erosion due to stiff competition from overseas CCFL manufacturers aggressively expanding their market share and the sharp drop of the number of units sold due to the decline of the number of CCFL tubes installed in individual LCD panels. In addition, the accelerated market penetration of LED backlight systems has brought a difficult future to the CCFL business in general.

15. Retirement Benefit Plans

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 for the Company's and the consolidated subsidiaries' defined benefit plans:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Retirement benefit obligation	¥ (25,955)	¥ (24,610)	$ (278,972)
Plan assets at fair value	18,368	15,319	197,428
Unfunded retirement benefit obligation	(7,586)	(9,290)	(81,544)
Unrecognized actuarial loss	6,385	9,657	68,630
Unrecognized prior service cost	(1,482)	(1,727)	(15,936)
Net retirement benefit obligation	(2,684)	(1,361)	(28,850)
Prepaid pension cost	369	1,437	3,969
Accrued retirement benefits	¥ (3,053)	¥ (2,798)	$ (32,820)

The components of retirement benefit expenses for the years ended March 31, 2010 and 2009 are outlined as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 1,403	¥ 1,356	$ 15,086
Interest cost	566	530	6,090
Expected return on plan assets	(182)	(1,372)	(1,961)
Amortization of actuarial loss	1,540	798	16,554
Amortization of prior service cost	(252)	(304)	(2,718)
Total	¥ 3,075	¥ 1,007	$ 33,051

For the years ended March 31, 2010 and 2009, contributions to the assets of the defined contribution pension plan, which are recognized as expenses, totaled ¥185 million ($1,991 thousand) and ¥340 million, respectively.

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

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

	2010		2009	
	Domestic companies	Overseas companies	Domestic companies	Overseas companies
Discount rates	2.0%	4.0% – 11.0%	2.0%	4.0% – 10.0%
Expected rates of return on plan assets	0.3% – 1.2%	7.0% – 8.8%	6.2% – 7.7%	7.0% – 8.0%

16. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended March 31, 2010 and 2009.

A summary of the significant differences between the statutory income tax rate and the effective income tax rate for financial statement purposes for the years ended March 31, 2010 and 2009 was omitted as a net loss was recorded.

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Net operating loss carryforwards	¥ 10,572	¥ 6,308	$ 113,637
Accrued retirement benefits	1,121	961	12,054
Inventories	2,207	1,412	23,724
Accrued bonuses	771	1,047	8,287
Net unrealized holding gain	236	165	2,543
Tax credit carryforwards	551	348	5,925
Impairment losses	3,793	515	40,773
Other	619	1,468	6,663
Gross deferred tax assets	19,874	12,226	213,610
Valuation allowance	(19,119)	(10,691)	(205,495)
Total deferred tax assets	755	1,535	8,114
Deferred tax liabilities:			
Fixed assets	(1,119)	(1,270)	(12,033)
Reserve for special depreciation	(150)	(223)	(1,622)
Net unrealized gains on securities	(153)	(10)	(1,646)
Other	(109)	(820)	(1,178)
Total deferred tax liabilities	(1,533)	(2,325)	(16,481)
Net deferred tax liabilities	¥ (778)	¥ (789)	$ (8,366)

17. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

18. Contingent Liabilities

There were no contingent liabilities at March 31, 2010. Contingent liabilities at March 31, 2009 were as follows:

	(Millions of yen)
As guarantors of indebtedness of employees	¥ 0

19. Research and Development Expenses

Research and development expenses for the years ended March 31, 2010 and 2009 were ¥11,060 million ($118,883 thousand) and ¥13,468 million, respectively.

20. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation, accumulated impairment losses and net book value of the leased property at March 31, 2010 and 2009, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Acquisition costs	¥ 974	¥ 1,175	$ 10,478
Accumulated depreciation	660	644	7,101
Accumulated impairment losses	17	31	185
Net book value	¥ 296	¥ 500	$ 3,191

With respect to finance lease contracts other than those under which the title of the leased equipment will be transferred to the Company by the end of the contract period, annual lease expenses for the years ended March 31, 2010 and 2009 and future minimum lease payments subsequent to March 31, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Lease expenses	¥ 197	¥ 253	$ 2,127
Future minimum lease payments:			
Within one year	¥ 171	¥ 217	$ 1,839
Over one year	142	314	1,536
	¥ 314	¥ 531	$ 3,376

Future minimum lease payments subsequent to March 31, 2010 and 2009 for noncancellable operating leases are as follows:

	2010	2009	2010
	(Millions of yen)		(Thousands of U.S. dollars)
Due in one year or less	¥ 422	¥ 477	$ 4,538
Due after one year	2,271	2,923	24,411
	¥ 2,693	¥ 3,400	$ 28,949

21. Segment Information

a. Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 is summarized as follows:

Year ended March 31, 2010	Semiconductor business	Power Module business	Power System business	Total	Eliminations	Consolidated
			(Millions of yen)			
I. Sales:						
(1) Sales to third parties	¥ 94,538	¥ 24,376	¥ 15,219	¥134,134	¥ —	¥134,134
(2) Intersegment sales	2,390	793	1	3,184	(3,184)	—
Net sales	96,928	25,169	15,220	137,318	(3,184)	134,134
Operating expenses	100,553	26,156	14,089	140,799	(1,182)	139,616
Operating income (loss)	¥ (3,624)	¥ (986)	¥ 1,130	¥ (3,480)	¥ (2,001)	¥ (5,482)
II. Total assets, depreciation and amortization, impairment losses, capital expenditures:						
Total assets	¥ 90,595	¥ 17,749	¥ 8,582	¥116,928	¥ 14,980	¥131,908
Depreciation and amortization	9,326	54	161	9,541	295	9,836
Impairment losses	9,732	275	—	10,008	33	10,041
Capital expenditures	4,939	289	133	5,361	95	5,457

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

Year ended March 31, 2010		Semiconductor business	Power Module business	Power System business	Total	Eliminations	Consolidated
				(Thousands of U.S. dollars)			
I. Sales:							
(1) Sales to third parties	....	$1,016,109	$ 261,999	$ 163,575	$1,441,684	$ —	$1,441,684
(2) Intersegment sales	....	25,688	8,527	13	34,228	(34,228)	—
Net sales	....	1,041,797	270,527	163,588	1,475,913	(34,228)	1,441,684
Operating expenses	....	1,080,758	281,128	151,435	1,513,321	(12,714)	1,500,607
Operating income (loss)	....	$ (38,960)	$ (10,601)	$ 12,152	$ (37,408)	$ (21,514)	$ (58,923)
II. Total assets, depreciation and amortization, impairment losses, capital expenditures:							
Total assets	....	$ 973,727	$ 190,776	$ 92,249	$1,256,752	$ 161,006	$1,417,759
Depreciation and amortization	.....	100,237	580	1,732	102,550	3,177	105,728
Impairment losses	....	104,601	2,965	—	107,567	354	107,922
Capital expenditures	....	53,089	3,109	1,430	57,628	1,030	58,658

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

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

b. Operating revenues by geographic area

Operating revenues by geographic area for the years ended March 31, 2010 and 2009 are summarized as follows:

Year ended March 31, 2010		Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
					(Millions of yen)			
I. Sales:								
(1) Sales to third parties	....	¥ 85,060	¥ 23,357	¥ 17,475	¥ 8,239	¥134,134	¥ —	¥134,134
(2) Intersegment sales	....	11,900	15,763	14,923	13	42,601	(42,601)	—
Net sales	....	96,961	39,121	32,399	8,253	176,735	(42,601)	134,134
Operating expenses	....	104,165	37,787	30,912	8,030	180,894	(41,278)	139,616
Operating income (loss)	....	¥ (7,203)	¥ 1,334	¥ 1,487	¥ 222	¥ (4,159)	¥ (1,322)	¥ (5,482)
II. Total assets	....	¥ 85,680	¥ 18,421	¥ 26,149	¥ 3,557	¥133,809	¥ (1,901)	¥131,908

Year ended March 31, 2009		Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
I. Sales:								
(1) Sales to third parties	....	¥101,310	¥ 18,552	¥ 17,541	¥ 9,599	¥147,003	¥ —	¥147,003
(2) Intersegment sales	....	11,045	21,823	17,207	5	50,081	(50,081)	—
Net sales	....	112,356	40,375	34,748	9,604	197,084	(50,081)	147,003
Operating expenses	....	117,706	38,891	34,008	9,495	200,102	(48,207)	151,894
Operating income(loss)	....	¥ (5,350)	¥ 1,483	¥ 739	¥ 109	¥ (3,017)	¥ (1,873)	¥ (4,891)
II. Total assets	....	¥ 97,013	¥ 16,863	¥ 26,891	¥ 3,277	¥144,045	¥ 3,723	¥147,768

Year ended March 31, 2010	Japan	Asia	North America	Europe	Total	Eliminations	Consolidated
			(Thousands of U.S. dollars)				
I. Sales:							
(1) Sales to third parties	**$ 914,239**	**$ 251,049**	**$ 187,832**	**$ 88,563**	**$1,441,684**	**$ —**	**$1,441,684**
(2) Intersegment sales	**127,911**	**169,427**	**160,398**	**142**	**457,880**	**(457,880)**	**—**
Net sales	**1,042,151**	**420,476**	**348,231**	**88,705**	**1,899,564**	**(457,880)**	**1,441,684**
Operating expenses	**1,119,576**	**406,137**	**332,246**	**86,309**	**1,944,270**	**(443,662)**	**1,500,607**
Operating income (loss)	**$ (77,425)**	**$ 14,339**	**$ 15,984**	**$ 2,396**	**$ (44,705)**	**$ (14,217)**	**$ (58,923)**
II. Total assets	**$ 920,903**	**$ 197,997**	**$ 281,060**	**$ 38,231**	**$1,438,193**	**$ 20,434**	**$1,417,759**

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

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

c. Overseas sales

Overseas sales for the years ended March 31, 2010 and 2009 are summarized as follows:

Year ended March 31, 2010	Asia	North America	Europe	Other	Total
			(Millions of yen)		
(1) Overseas sales	**¥ 54,351**	**¥ 9,872**	**¥ 9,316**	**¥ 2**	**¥ 73,544**
(2) Consolidated net sales					**¥134,134**
(3) Overseas sales as a percentage of consolidated net sales	**40.5**	**7.4**	**6.9**	**0.0**	**54.8**
Year ended March 31, 2009					
(1) Overseas sales	¥ 58,155	¥ 10,114	¥ 10,698	¥ 8	¥ 78,976
(2) Consolidated net sales					¥147,003
(3) Overseas sales as a percentage of consolidated net sales	39.5	6.9	7.3	0.0	53.7

Year ended March 31, 2010	Asia	North America	Europe	Other	Total
			(Thousands of U.S. dollars)		
(1) Overseas sales	**$584,177**	**$106,114**	**$100,136**	**$ 29**	**$ 790,458**
(2) Consolidated net sales					**$1,441,684**

22. Related Party Transactions

(Additional information)

Effective the year ended March 31, 2009, the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, October 17, 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (ASBI Guidance No. 13, October 17, 2006) have been applied.

There were no significant transactions with related parties for the year ended March 31, 2010. Significant transactions with related parties for the year ended March 31, 2009 were as follows:

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

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

23. Stock Option Plan

For the year ended March 31, 2010

The amount of stock option compensation recognized for the year ended March 31, 2010 was ¥33 million ($360 thousand), ¥2 million ($24 thousand) was included in cost of sales and ¥31 million ($335 thousand) was included in general and administrative expenses.

The following table summarizes the contents of the stock option plan at March 31, 2010:

Company name	Allegro MicroSystems, Inc. (a subsidiary)
Position and number of grantees	Directors: 1
	Officer: 8
	Employees: 435
Class and number of shares	Common stock, 3,750,000
Grant date	From May 30, 2001 to March 31, 2007
Vesting conditions	Continuously employed until the 5th anniversary of the grant date
Service period	No provision
Exercisable period of subscription rights	Within 5 years from the vested date

The following table summarizes stock option activity under the stock option plan during the year ended March 31, 2010:

Non-vested:	
Outstanding at March 31, 2009	269,200
Granted	—
Forfeited	2,600
Vested	25,000
Outstanding at March 31, 2010	241,600
Vested:	
Outstanding at March 31, 2009	2,753,890
Vested	25,000
Exercised	—
Forfeited	28,500
Outstanding at March 31, 2010	2,750,390

The following table summarizes price information of the stock option plan as of March 31, 2010:

Weighted average exercise price per share	$7.20
Weighted average fair value of stock option as of grant date	$7.20

No options were granted during the year ended March 31, 2010.

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited for the options that have already been vested.

For the year ended March 31, 2009

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

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

Company name	Allegro MicroSystems, Inc. (a subsidiary)
Position and number of grantees	Directors: 1
	Employees: 462
Class and number of shares	Common stock, 3,750,000
Grant date	From May 30, 2001 to March 31, 2007

Vesting conditions	Continuously employed until the 5th anniversary of the grant date
Service period	No provision
Exercisable period of subscription rights	Within 5 years from the vested date

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

Non-vested:	
Outstanding at March 31, 2008	651,240
Granted	—
Forfeited	13,500
Vested	368,540
Outstanding at March 31, 2009	269,200
Vested:	
Outstanding at March 31, 2008	2,385,350
Vested	368,540
Exercised	—
Forfeited	—
Outstanding at March 31, 2009	2,753,890

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

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

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

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of vested options is calculated based on historical data for the options that have not yet been vested, and the number of options that have actually been forfeited for the options that have already been vested.

24. Business Combination

Transaction under common control:

a. Companies involved in the merger and their business, legal form of the merger, company name after the merger and overview of the merger including its objective

(1) Companies involved in the merger and their business

	Name	Business
Acquirer (the Company)	Sanken Electric Co., Ltd.	Manufacture and sale of electric machinery and equipment
Acquiree (Subsidiary)	Sanken Transformer Co., Ltd.	Manufacture and sale of various power supply transformers

(2) Legal form of the merger

The merger is an absorption-type merger, setting the Company as the surviving entity.

(3) Company name after the merger

Sanken Electric Co., Ltd.

(4) Overview of the merger including its objective

Sanken Transformer is primarily engaged in the business to manufacture and sell various power supply transformers, taking advantage of its proven track record and proprietary know-how as a transformer specialist. In order to concentrate business resources and enhance management efficiency of the entire corporate group, the Company decided to merge with and absorb Sanken Transformer on October 1, 2009 as the effective merger date.

b. Basis for accounting treatment

In accordance with "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003) and "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, November 15, 2007), the Company accounted for the merger as transaction under common control.

25. Amounts per Share

Amounts per share as of and for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009	2010
	(Yen)		(U.S. dollars)
Net loss – basic	¥ (156.05)	¥ (129.85)	$ (1.67)
Net assets	306.54	471.98	3.29

Diluted net income per share for the years ended March 31, 2010 and 2009 is not disclosed due to the net loss per share, although dilutive shares exist.

Net loss per share was calculated on the following basis:

	2010	2009	2010
	(Millions of yen, except number of shares)		(Thousands of U.S. dollars, except number of shares)
Net loss	¥ (18,950)	¥ (15,773)	$ (203,677)
Amounts not available to shareholders of common stock	—	—	—
Net loss attributable to shareholders of common stock	(18,950)	(15,773)	(203,677)
Average number of shares outstanding during the year (Thousands of shares)	121,436	121,474	—

Net assets per share were calculated on the following basis:

	2010	2009	2010
	(Millions of yen, except number of shares)		(Thousands of U.S. dollars, except number of shares)
Net assets	¥ 37,761	¥ 57,818	$ 405,860
Amounts deducted from net assets:	547	493	5,880
Stock acquisition rights	(287)	(253)	(3,087)
Minority interests	(259)	(239)	(2,793)
Net assets attributable to shareholders	37,214	57,325	399,979
Number of shares outstanding at the end of the year (Thousands of shares)	121,400	121,456	—

26. Significant Subsequent Events

Reductions of the capital reserve and the legal reserve, and appropriation of surplus, which have not been reflected in the accompanying consolidated financial statements for the fiscal year ended March 31, 2010, were approved at the Ordinary General Meeting of Shareholders held on June 25, 2010.

(a) Purpose

This was carried out in order to achieve sound financial conditions by offsetting the losses carried forward and to prepare for securing and enhancing distributable funds for early resumption of dividends as well as to realize a flexible and expeditious capital policy in the future.

(b) Procedure

(1) Reserves to be reduced

Under the provision of paragraph 1 of Article 448 of the Corporation Law, part of the capital reserve and all of the legal reserve as of March 31, 2010 shall be reduced and each shall be transferred to other capital surplus and retained earnings.

<1> Amounts of capital reserve and legal reserve to be reduced as of March 31, 2010

	(Millions of yen)	(Thousands of U.S. dollars)
Capital reserve	¥ 15,894	$ 170,829
Legal reserve	1,847	19,861

<2> Amounts of other capital surplus and retained earnings to be increased as of March 31, 2010

	(Millions of yen)	(Thousands of U.S. dollars)
Other capital surplus	¥ 15,894	$ 170,829
Retained earnings	1,847	19,861

<3> Effective date

August 3, 2010 (Scheduled)

(2) Appropriation of surplus

Under the provision of Article 452 of the Corporation Law, part of other capital surplus and all of general reserve shall be reduced after transfer under paragraph 1 above and they shall be transferred to retained earnings.

<1> Accounts and amounts to be reduced

	(Millions of yen)	(Thousands of U.S. dollars)
Other capital surplus	¥ 2,214	$ 23,797
General reserve	17,300	185,941

<2> Specific account and amount to be increased

	(Millions of yen)	(Thousands of U.S. dollars)
Retained earnings	¥ 19,514	$ 209,738

Report of Independent Auditors

The Board of Directors
Sanken Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sanken Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanken Electric Co., Ltd. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 25, 2010

Ernst & Young ShinNihon LLC

Board of Directors

As of June 25, 2010

Directors and Auditors

Director, President	Sadatoshi Iijima
Directors	Hidejiro Akiyama Takashi Wada Nobuhiro Katou Masao Hoshino Akira Ota Dennis H.Fitzgerald
Standing Corporate Auditor	Mitsumasa Sugiyama
Corporate Auditors	Hideki Kagaya Hiroshi Ishibashi Masanobu Kurihara

Corporate Officers

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

Investor Information

As of March 31, 2010

Company name	Sanken Electric Co., Ltd.
Founded	September 5, 1946
Headquarter	3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan Phone : +81-48-472-1111 Facsimile : +81-48-471-6249
Employees	9,986
Common stock	Authorized : 257,000,000 shares Issued : 125,490,302 shares
Shareholders	18,782

Distribution by type of shareholders		
	Financial Institutions	30.97%
	Individuals	39.82%
	Foreigners	19.07%
	Other	10.14%
Distribution by number of shares owned		
	1,000,000 or more	35.03%
	100,000 or more	22.07%
	10,000 or more	16.73%
	Less than 10,000	26.17%

Principal Shareholders

Shareholders	Number of shares held (in thousands)	Percentage of voting rights
The Master Trust Bank of Japan,Ltd. (Trust Account)	7,922	6.31%
Japan Trustee Services Bank, Ltd. (Trust Account)	6,262	4.99%
Saitama Resona Bank, Limited	6,011	4.79%
Juniper	3,000	2.39%
International Rectifier Corporation	2,500	1.99%
NIPPONKOA Insurance Co., Ltd.	2,061	1.64%
Goldman, Sachs & Co. Reg	1,738	1.38%
The Hachijuni Bank, Ltd.	1,556	1.24%
Falcon	1,390	1.10%
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1,156	0.92%

Note : The Company holds 4,089,000 (3.25%) shares of treasury stock but is excluded from the principal shareholders listed above.

Bonds

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

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