

As a world leader in power electronics, we contribute to the development of society and to protection of the world's environment by improving our excellent environmental performance and high reliability.



A handwritten signature in black ink, appearing to read 'Kojiroh Oda'.

**Kojiroh Oda**  
President

As one of the world's few manufacturers integrating "devices, power supply circuits, and packaging technologies," we provide our customers with total solutions for power supplies.

#### ■ Main Business Pillars

SHINDENGEN consists of the following three businesses:

##### ● Device Business

- Semiconductor products
- Advanced power products

##### ● Equipment Business

- Power system business  
Power system products, module products, power equipment
- Car electronics business  
Car electronics products for motorcycle, general-purpose engine inverters, and 4-wheel vehicles

##### ● Mechatronics Business

- Actuator products
- Others

#### ■ Main Technology Pillars

SHINDENGEN focuses on the following technologies and products

##### ● Devices

- Diodes
- Thyristors
- MOSFETs
- ICs for power-saving power supplies
- Power ICs

##### ● Power Systems

- Rectifiers for communication stations

- Switching power supplies for information/industrial equipment
- DC/DC converter modules
- Power supplies for film coating equipment
- Car Electronics
- Motorcycle regulators/rectifiers, CDIs
- Inverters for general-purpose engines
- DC/DC converter units for 4-wheel vehicles

#### ■ Sales by Market

The sales by market in 2008 are shown in page 5.

#### ■ Financial Statements for 2008

Sales in 2008 were ¥85,239 million (15.5% decrease over the previous term), and current net profits posted a disappointing loss of ¥13,271 million, for which we apologize to shareholders.

#### ■ Overview of 2008 Financial Statements

Sales in 2008 were ¥85,239 million (15.5% decrease over the previous term). In profits and losses, operating income resulted in a loss of ¥4,036 million due to a loss incurred by revaluation of inventory and the impact of the appreciation of the yen in addition to a fall in revenue and operation rate; ordinary income resulted in a loss of ¥6,548 million due to exchange-rate losses in addition to the decline in operating income. Additionally, the current net loss was ¥13,271 million as a result of posting losses on revaluation of investments in securities and structural reform costs as extraordinary losses, and of disposing of deferred tax assets.

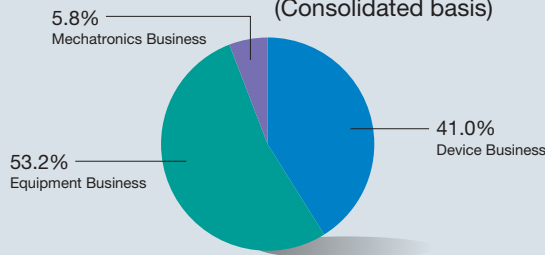
##### ● Market Trends

Although the Japanese communications market remained strong,

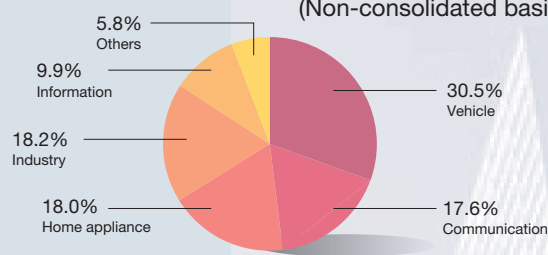
Note: When a year appears in the text (such as 2008), it refers to the fiscal year.



Sales proportion by division in fiscal 2008  
(Consolidated basis)



Breakdown of markets and their respective percentages  
(Non-consolidated basis)



demand for devices fell rapidly from the third quarter due to a rapid slowdown in the automotive and digital home appliance markets. In addition, the business severity was increased by a slowdown in the Asian motorcycle markets as well as rapid shrinkage of the manufacturing device market caused by the worsening semiconductor market trends.

### ■ Overview by Segment in 2008

The actual results of each department (segment) are as follows:

#### ● Device Business

[Consolidated: ¥34,951 million, sales composition: 41.0%]

The device business consists of semiconductor products and advanced power products.

In semiconductor products, we design, manufacture, and sell various diodes, surge protection devices, and more.

In advanced power products, we mainly design, manufacture, and sell power ICs for power-saving power supplies and high-withstand voltage power ICs.

Device Business sales were ¥34,951 million, a 21.9% decrease over the previous term. Operating income posted a loss of ¥3,466 million as a result of a fall in revenue and operation rate triggered by a rapid decline in demand as well as appreciation of the yen.

#### ● Equipment Business

[Consolidated: ¥45,324 million, sales composition: 53.2%]

The equipment business consists of power system products and car electronics products.

Power system products consist of rectifiers for communication stations, various switching power supplies, DC/DC converters, power supplies for film coating equipment, and more.

Car electronics products consist of motorcycle regulators and CDIs, inverters for general-purpose engines, DC/DC converter units for 4-wheel vehicles, and more.

Equipment Business sales were ¥45,324 (9.1% decrease over the previous term). Operating income was ¥2,636 million (51.1% decrease over the previous term) due to a rapid fall in demand for semiconductor manufacturing devices as well as the impact of the slowdown in Asian motorcycle markets and the depreciation of Asian currencies.

#### ● Mechatronics Business

[Consolidated: ¥4,963 million, sales composition: 5.8%]

Mechatronics products mainly consist of various solenoids for actuator products. Sales for Mechatronics business were ¥4,963 million (20.0% decrease over the previous term), due mainly to sluggish growth of actuator products in the construction machinery



and automotive markets. Operating income amounted to ¥204 million (582.8% increase over the previous term) thanks to improvements in profits of system equipment products.

## ■ Achieving Corporate Mission

Our company's business domain is "power supplies, or power electronics." Our group activities contribute to protecting the global environment by saving power/energy and play a very important role in society. We believe that "maximizing energy conversion efficiency for the benefit of humanity and society" will help expand our group. We ask our stockholders for still greater understanding and support.

## Top Interview

### Q1 Looking back at first half year of 2008, what happened?

In the first half, our business fell into the red for the first time in seven accounting periods, and we suffered a large final operating loss of more than ¥13 billion. In 2007, we posted a final loss of ¥2.6 billion due to special one-off factors, so we have seen final losses in two consecutive periods. Market and other information show that we cannot expect any rapid improvement in orders under present circumstances. Today, we are at a "crucial moment" in our business history.

As the first topic to address, we must touch on the abrupt change in the social and economic environment. The collapse of the US financial bubble spread quickly to Europe and Asia, resulting in a stagnant real economy and collapse in demand for manufactured products. Like many manufacturers, our company is coming under increasing pressure. Clearly, the business model of small profits and

quick returns developed in the "three Chinas" (mainland China, Hong Kong, and Taiwan) caused continuing high break-even values and destroyed the ability to respond rapidly to changes in orders. As a result, after the sudden halt in economic expansion, every industry sector has surplus production.

Our corporate structure suffers from the same problems and our device business has suffered huge damage because of the high ratio of sales to plants in the "three Chinas." However, the equipment business, such as Rectifiers and Car Electronics has suffered less.

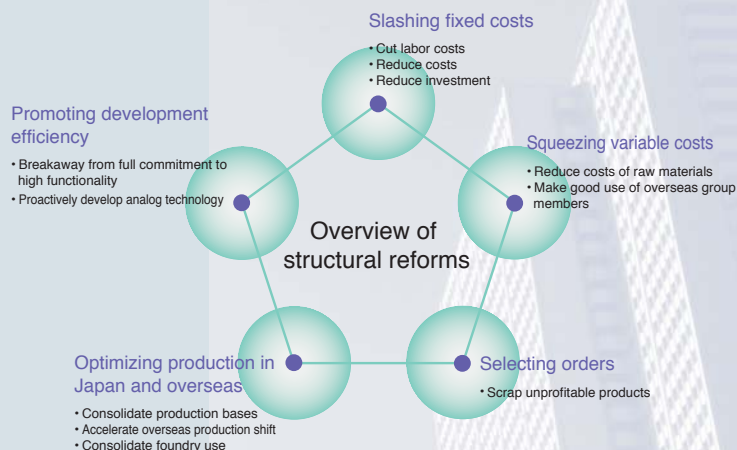
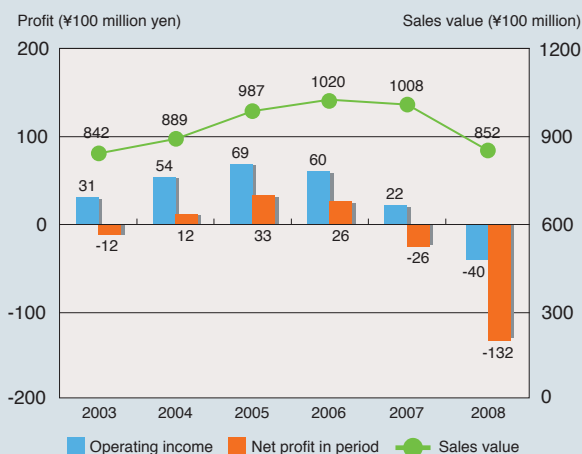
### Q2 What are your opinions on structural reform efforts?

I think there are differences between business areas, but a simple recovery like in the past cannot be expected in this current recession. Fields like automobiles, energy, industrial materials, digital appliances, etc., are seeing a large and accelerating paradigm shift from wasteful resource consumption to resource saving and recycling, such as from internal-combustion to hybrid and fuel-cell vehicles, as well as from fossil fuels to renewable water, wind and solar energy sources. The development policy is increasingly based on full commitment to high functionality.

Therefore, it may be difficult to recover based on today's products, and it is more important to develop products matching customers' and society's changing needs.

The prospect of no economic recovery based existing products means that even shifting smoothly to new products will still have major problems if we have excessive production using inappropriate facilities. This is the biggest factor in structural reform now.

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**Q3 What are the structural reform contents?**

To improve profits, we must immediately cut excessive fixed costs to match the scale of current orders. Therefore, we have been reducing fixed personnel costs and overheads since the previous quarter. These reductions will be ongoing and in line with structural reforms in each business area, and I think they will be painful for a while. Also, to optimize production lines and maintain competitive strength, we are shifting production overseas while scaling back foundries and excessive production both in Japan and overseas. However, we cannot neglect technology improvements because they are the basis of manufacturing. The future will see a new development race and we cannot neglect structural changes in the business environment surrounding our industry. Learning from the sudden collapse of traditional systems, instead of development centered on high functionality and model changes ahead of other businesses to make early-bird profits, rather than abandon old technologies we are re-evaluating them as stable, safe and low-cost technologies for reuse as "resources." Of course, this is occurring against a background of commoditization and price reductions for basic products, but we have started to understand that development based on only commitment to high functionality using easily copied digital technology is irrational. At our company, I want to cut fixed costs by reducing development losses and developer fatigue, by improving development efficiency, and by focusing on analog technology where we excel.

**Q4 What are the future issues and prospects?**

The issue now is to push through reforms to get closer to the real heart of the business, while continuing with stopgap structural

reforms from the previous fourth quarter to stem losses. We have overcome several previous crises, such as the 2001 bursting of the IT bubble, but we must remember that the results of measures we implemented then were not incorporated into our company DNA. Regrettably, we did not learn the lesson of the need for regular structural reform and scrapping of unprofitable goods and services. We see this major recession as a chance to become a "muscular business" by implementing structural reform to "revitalize our DNA." I think our mission is to hand on this new company to the next generation.

**Q5 Finally, are you enthusiastic about a business recovery?**

Although there are signs of long-term stagnation, the situation will reverse someday. While waiting patiently for this reversal, to remove obstacles to progress, we must tear-down and rebuild many of our traditional systems, technologies, methods and facilities. Now, we are in the early tearing-down stage while many new products for the environment and new energy fields are waiting idly. I want to overcome this difficult period and prepare for the next generation.