

Toward a new society powered by renewable energy:  
**We are innovating for  
a future filled with prosperity and nature.**

## Annual Report 2011

Year Ended March 31, 2011

SHINDENGEN ELECTRIC MANUFACTURING CO., LTD.



Shindengen Electric Manufacturing Co., Ltd. is a specialized electronics manufacturer active in the Power Device, Power Module and Power System segments. Shindengen engages in the development, production and sales of semiconductors, car electronics and power system products. We are aggressively expanding beyond Japan to capture business in emerging markets, especially Asia, through timely product releases in the promising mobility and new energy markets. Amid heightened global concerns over climate change and energy supply, the value of Shindengen stands clear.

Shindengen launched the 12th Medium Term Business Plan in April 2010 to advance business strategies for future growth.

### **A Cautionary Note on Forward-Looking Statements**

This annual report contains statements and information regarding the plans, prospects and strategies of the Shindengen Group that are forward-looking in nature and are not simply reiterations of historical fact. Such forward-looking statements and information involve known and unknown risks, uncertainties and other factors that could lead to outcomes that differ materially from those presented in this report. Readers are therefore cautioned not to overly rely on this information.

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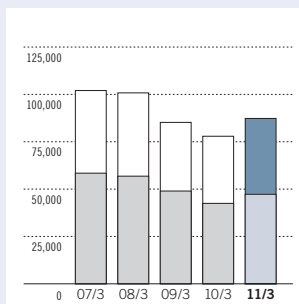
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# Shindengen's Business Fields

## Shindengen operates in a number of vital fields

Efforts to preserve the global environment, which include climate change prevention and the effective use of energy resources, have been gaining momentum in recent years.

We are one of the few manufacturers in the world with expertise in three core fields of power electronics: semiconductor process, power supply circuit and high-density packaging technologies. By integrating, developing and applying these core technologies, we create products that serve a vital role in realizing a low-carbon society.

Each of these products uses in-house power semiconductors.

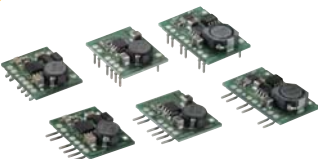
### Homes (Gas Cogeneration)

ECUs (Engine Control Unit)



### Factories

DC-DC Converters  
AC/DC Power Supplies



### Broadcasting Stations

AC/DC Power Supplies  
Boost Converters



### Motorcycles

Regulators/Rectifiers  
DC CDIs, Idle Reduction ECUs  
Winker Relays



### Automobiles

DC/DC Converters  
Diode Assemblies  
LED Lighting Converters



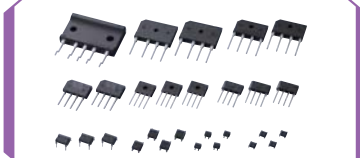
## Data Centers/ Communication Stations

Communication Station's  
Rectifiers and Inverters  
AC/DC Converters,  
DC/DC Converters



## Homes (Home Electronics)

Diodes, Power MOSFETs  
SIDACs, Surge Absorbers  
Power Zeners, Power ICs



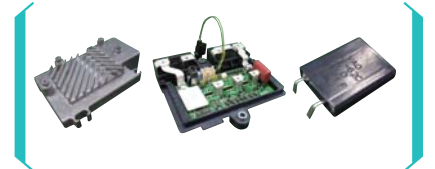
## Mobile Base Stations

Power Supplies for Communication  
Base Stations



## Generators

Sine Wave Inverters, Transistor-Magnets  
Cycloconverters



## Photovoltaic Generation/Storage

Power Conditioners  
Power Storage Systems  
Power Supplies for PV Generator Panels  
Deposition Equipment



## LED Lighting (Shops, Signs, Street Lights)

Power Supplies for LED Lighting



# Our Strategic Business Areas

In the years ahead, Shindengen will shift its focus towards two expanding areas.

The first is the mobility market, which includes motorcycles (sales of which are growing particularly in Asia) and environment-friendly four-wheel vehicles. The second is the new energy market, which includes photovoltaic generator systems, electric storage systems and other products attracting global attention. Through these initiatives, we will expand our business.

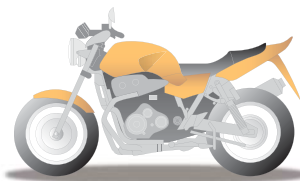
## MOBILITY MARKET

### Motorcycle Market

We expect the motorcycle market to grow at a high rate in emerging markets, especially in Asia.

Shindengen is contributing to environment-friendly vehicles that comply with environmental regulations and are fuel efficient. This is achieved primarily through the manufacture of chargers (regulators/rectifiers) and computerized capacitor discharge igniters (CDIs) that use our in-house power semiconductor products as well as by providing modules featuring idle stop and other advanced functions. We are also applying our advanced technologies in such areas as DC/DC converters, Power Drive Units (PDUs) and chargers used in motor scooters, for which demand is anticipated to increase.

#### Type of Carburetor



Regulator/Rectifier

Ignition Unit



#### Type of Fuel Injection



Idle Reduction ECU



#### Type of Electric Scooter



Rapid Battery Charger



DC/DC Converter  
Power Drive Unit

Normal Battery Charger



### Four-Wheel Vehicle Market

Hybrid, electric and other environment-friendly vehicles have made remarkable progress in light of heightened environmental awareness.

Shindengen develops and provides products for these vehicles, including DC/DC converters that change high voltage into low voltage and PDUs.



Automobile  
DC/DC  
Converter

Converter for  
LED Fog Lamps



Diode  
Assembly

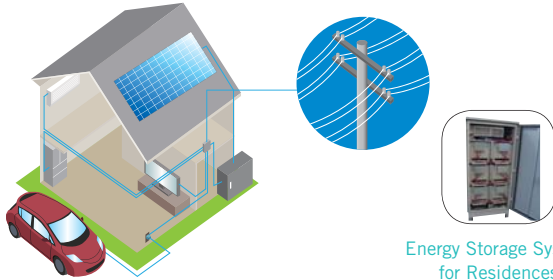


Diodes



Rapid Charger  
for EVs

# NEW ENERGY MARKET

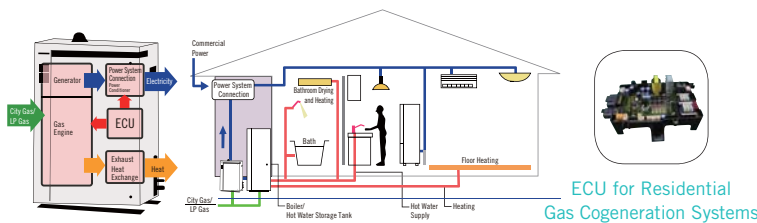


Energy Storage System for Residences

## Energy Storage

Amid the rising popularity of photovoltaic and other types of green energy generation, power equalization and storage equipment, used in batteries that function as backup power sources during disasters, have recently taken center stage.

Shindengen is developing residential and industrial power storage systems. These systems maintain a stable power supply by utilizing proprietary electric storage and discharge technologies cultivated over many years.

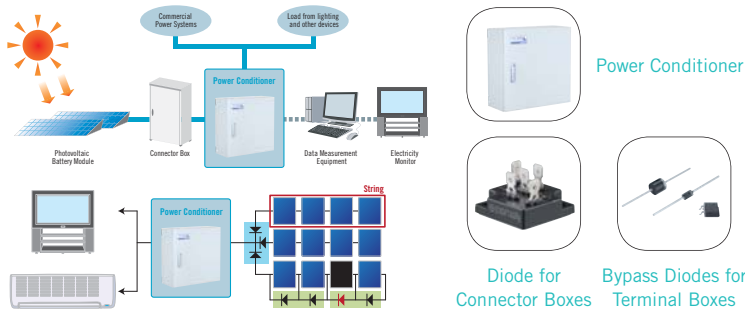


ECU for Residential Gas Cogeneration Systems

## Gas Cogeneration Systems

Gas cogeneration systems are attracting notice for their green energy generation capabilities.

Shindengen develops electric control units (ECUs), referred to as the heart of gas cogeneration systems, to control generator operations and optimize performance.



Power Conditioner

Diode for Connector Boxes Bypass Diodes for Terminal Boxes

## Photovoltaic Generators

Photovoltaic generators have rapidly increased in popularity, attracting attention as the best known source of natural energy.

Power conditioners developed by Shindengen for the photovoltaic market are installed with unique circuit technology that realizes the world's highest power conversion efficiency rate of 93.4%. Shindengen's power conditioners also enable space-saving, lightweight solar design.



Dust and Waterproof Power Supply

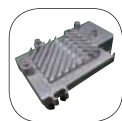
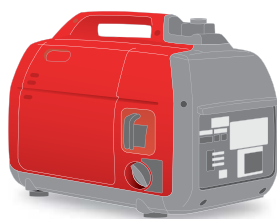


High Brightness Color LED Power Supply

## LED Lighting

LED lighting is an energy-saving product that has garnered considerable attention. The market for LED lighting is growing rapidly.

Concentrating our energy on developing high-efficiency, long-lasting power supplies for LED lighting, we provide an array of products centering on the infrastructure market, including street lights and tunnel illumination.



Sine Wave Inverter



Transistor-Magnet Unit

## Generators

Engine generators are used to temporarily supply power for construction site lighting, agricultural operations and other areas. The role engine generators play as valuable sources of power during blackouts and other emergencies is being reaffirmed.

Inverters manufactured by Shindengen for engine generators use original digital-circuit technology to produce quality AC waveform from power generated by engines and alternators. These inverters can be used for precision equipment and other devices that are sensitive to frequency and voltage fluctuations.

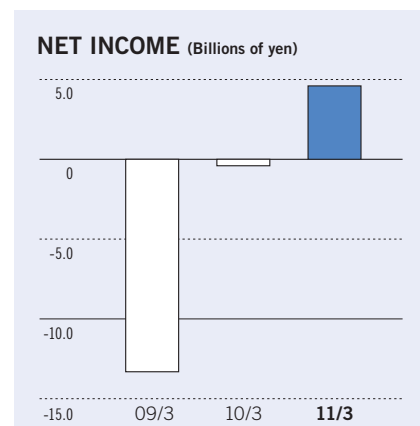
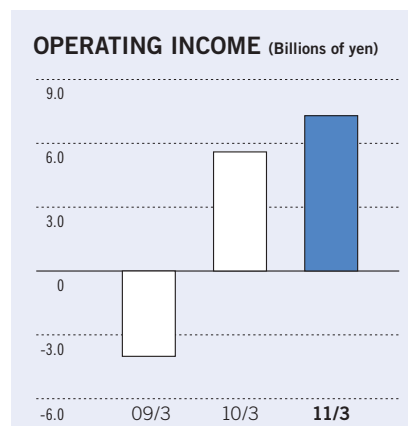
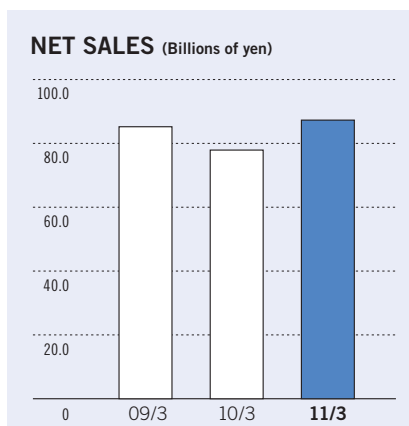
Dear Shareholders



During the first year of the 12th Medium Term Business Plan, Shindengen achieved noticeably improved performance as a result of its structural reforms.

MASATO MORIKAWA, President

Looking ahead, we are determined to pursue greater technological excellence and facilitate further growth. “Turning our words into action” is the theme we have set for fiscal 2011 and into the future.



Shindengen Electric Mfg. Co., Ltd. recorded rises in both revenue and earnings during fiscal 2010 (April 1, 2010 – March 31, 2011). We took an initial step towards growth during the first year of the 12th Medium Term Business Plan after implementing thorough structural reforms mandated by the previous medium term business plan. I believe the increases in revenue and earnings were the natural result of such efforts. Following these structural reforms, however, changes in production systems throughout the industry have led to a growing tendency towards tighter delivery schedules and the increased difficulty of maintaining product quality. By adapting to changes in the operating environment, we have maintained the trust of our customers. Fiscal 2010 can be summed up as the construction of a foundation enabling quick response to rapid changes in the external environment and the creation of a solid earnings platform through the promotion of structural reforms. I believe that such actions are proof that Shindengen has taken a significant step towards future growth.

### Results in Fiscal 2010

In fiscal 2010, Shindengen achieved rises in revenue and earnings, posting a net income for the first time in four fiscal years.

Net sales improved 12.1% year on year

to ¥87.3 billion. The overall Japanese economy gradually improved, largely driven by accelerated growth and vigorous demand in China, India and other emerging markets. Performance particularly for export-oriented companies increased in spite of the negative impact of the ongoing strength of the yen in currency markets.

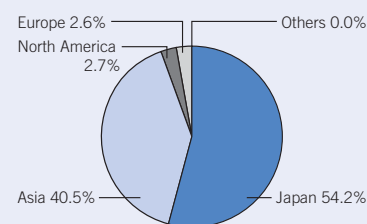
Turning to Shindengen's business operations during the year under review, the Power Device segment benefited from a rapid expansion in semiconductor demand in the first half owing mainly to governmental economic stimulus measures undertaken in many countries as well as active capital investment. The Power Module segment experienced growth in the Asian motorcycle market that exceeded projections. The Power System segment benefited from investment undertaken in mobile base stations ahead of schedule amid accelerated expansion of the smartphone market. Each segment achieved increased revenue thanks to Shindengen's flexible response to these external circumstances.

In terms of profits, thorough implementation of structural reforms over the past two and half years enabled us to offset the impact of such negative factors as the strong yen and high raw material prices. In turn, we achieved an increase in profits.

Operating income increased 31.7% to ¥7.3 billion. Net income improved to

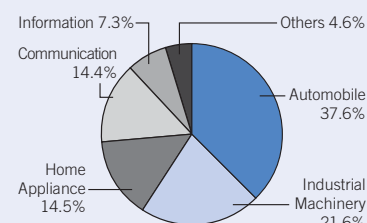
**Realizing increases in revenue and earnings, Shindengen has returned to net profitability for the first time in four fiscal years.**

**PERCENTAGE OF DOMESTIC AND OVERSEAS SALES\*** (Year ended March 31, 2011)



\*Figures include exports from Japan

**PERCENTAGE OF SALES BY MARKET** (Year ended March 31, 2011)



### Financial Highlights (Years ended March 31)

	Billions of yen				
	2007	2008	2009	2010	2011
<b>For the year:</b>					
Net sales	¥102.1	¥ 100.8	¥ 85.2	¥ 77.9	¥ 87.3
Operating income (loss)	6.1	2.3	(4.0)	5.6	7.3
Net income (loss)	2.6	(2.6)	(13.3)	(0.4)	4.6
<b>At year-end:</b>					
Total assets	112.0	105.4	90.6	98.0	103.3
Total shareholders' equity	43.0	39.9	26.0	31.7	36.2
	Yen				
<b>Per share of common stock:</b>					
Net income (loss)	¥30.47	¥(30.27)	¥(152.99)	¥(4.66)	¥42.70
Cash dividends for the period	7.00	7.00	3.50	–	2.50

**Fiscal 2011 has been positioned as a year to solidify Shindengen's foundation and take decisive action.**

**Implementing our corporate mission, we aim to be a company that competes successfully in the area of technology.**

¥4.6 billion from a net loss of ¥0.4 billion recorded in the previous fiscal year. This marks the first time in four fiscal years that Shindengen has reported a profit. Shindengen's robust performance exceeded every target set for the first fiscal year of the 12th Medium Term Business Plan: net sales of ¥81.9 billion, operating income of ¥5.0 billion and net income of ¥2.5 billion.

Beyond higher revenue, Shindengen's structural reforms caused income to rise approximately ¥5.6 billion, more than compensating for a ¥2.1 billion upswing in labor costs and a ¥1.3 billion loss on currency rate fluctuations. Increases in operating income and net income led to a record high profit margin.

#### **Outlook and Future Strategies**

Some of Shindengen's semiconductor manufacturing bases in the Tohoku region were damaged during the Great East Japan Earthquake on March 11, 2011. Constant preparation for earthquakes and other disasters, however, allowed the rapid restoration of operations. Accordingly, there was no major impact on Shindengen's performance during fiscal 2010.

Although numerous concerns remain, including supply chain disruptions and power shortages, we maintain a framework capable of addressing these issues assuming the market recovers.

An important management issue for Shindengen is the execution of its plans amid structural reforms undertaken to date. In fiscal 2010, we focused on determining the best way to expand our businesses and increase earnings. Accordingly, fiscal 2011 has been positioned as the year to implement these ideas in order to solidify Shindengen's business foundation. To do this, we are working to rapidly:

- » Shift our focus to growth areas
- » Develop a business structure geared towards emerging markets

These are the two overarching priorities.

First, we will shift our focus towards such growth areas as the mobility and new energy markets emphasized in the 12th Medium Term Business Plan. In the mobility market, we will redouble our development activities related to the Asia-centered motorcycle market as well as four-wheel vehicles where environmental responsiveness has become a major issue. In the new energy market, Shindengen will concentrate its management resources in the following markets: photovoltaic generators (attracting attention as a renewable energy source) and LED lighting (promising for its energy saving features). In addition, we will aggressively penetrate smartgrid-related markets in such potential growth areas as power storage systems.

Next, Shindengen will develop a business structure that enables it to better compete in the emerging Asian markets of China, India, Thailand, Indonesia and Vietnam, key battlefields for the Company. We will meet active demand for motorcycles by steadily commencing operations at the factory we established in Vietnam last year, and we will fine tune production systems with the goal of achieving an optimum manufacturing network in Asia. Regarding sales, Shindengen will strengthen links with commercial firms to penetrate new markets. At the same time, we will ramp up initiatives that focus on building sales networks. In particular, Shindengen will deepen marketing channels, effectively utilizing pipelines established through its manufacturing bases. In terms of cost-reduction measures, I believe the Group can further facilitate overseas procurement by promoting the localization of purchasing functions and technological development.

#### **Assessing Shindengen's Mission**

Shindengen established its corporate mission of "maximizing energy conversion efficiency for the benefit of humanity and society" nearly a decade ago. This is a good time to question to what extent we

**Note:**

The Company has adopted "Accounting Standard for Disclosures about the Segments of an Enterprise and Related Information" from fiscal 2010. Reflecting this change in segment classifications, prior year segment data is presented pro forma to enable year-on-year comparison. Intersegment transactions have been eliminated from segment results.

have achieved this mission as well as whether we will be able to continue doing so in the future.

Intriguingly “maximizing energy conversion efficiency” involves minimizing energy loss. In the aftermath of the recent earthquake and tsunami, which strained Japan’s power supply, we are clearly reminded of the extraordinary challenges this concept poses for companies that place the highest priority on business continuity given the need to simultaneously reduce costs. In particular, we face major technological hurdles in terms of increasing energy conversion efficiency of power supply.

It goes without saying that we possess unique technologies and place a premium on maintaining development activities in order to prevail against fierce competition. Consequently, we will take on the challenge of creating highly advanced power supplies through the cultivation of our unique insight and by leveraging the strengths of the Company’s components. Doing so provides Shindengen with additional feedback into features that facilitate the application of semiconductor, circuit and magnetic technologies in the creation of power supplies. Insight gained through this cycle will enable Shindengen to maintain sustainable development initiatives. Even though this entails a certain degree of anticipatory investment, I believe the ongoing implementation is consistent with the very definition of Shindengen’s mission.

#### **Retaining Our Leading Edge**

Rejuvenating Shindengen’s technological capabilities hinges on its ability to realize the benefits of business synergies. We are capable of internally producing power semiconductors, the core components of such power supplies as diodes, thyristors, MOSFETs and IC products. We manufacture products in-house that provide essential competitive advantage, differentiating Shindengen from other companies. Modules that integrate Shindengen products play a vital role in realizing this strength. I believe that pro-

moting the use of modules will lead to increased productivity, high-added-value and greater competitiveness. To accelerate synergy creation, we must reorganize the Company’s systems. In particular, it is critical that we eliminate unnecessary vertical business structures in order to establish a framework that encourages mutual cooperation and support. The role of fulfilling this aim is one in which I will personally assume.

With the vast majority of staff engaged in development and manufacturing, Shindengen requires employees who are already experts in the field of technology as well as those who wish to improve their skills. Shindengen’s new personnel system fosters the expertise of engineers over the long term and allows them to use their experience to the greatest extent possible. We are also considering the introduction of a performance evaluation system, as well as proactively adapting our management selection process to earlier identify young employees with ability and promise.

Based on comprehensive consideration of fundamental dividend policies and performance during the fiscal year under review, Shindengen will resume the payment of dividends from common stock totaling ¥2.50 per share.

Looking ahead, Shindengen will maximize its efforts to be a company that puts words into action. Through these efforts, I am convinced that we will ultimately be viewed as a truly worthwhile company. To build on the advances in revenue and earnings during fiscal 2010, we will vigorously push forward with initiatives to increase corporate value.

We greatly appreciate the continual support and understanding of our shareholders.



**Masato Morikawa**  
President



**Creating a personnel system that raises the motivation of Shindengen’s engineering staff by focusing on ability**

**Aggressively promoting a resumption of dividend payments and higher corporate value**

# Power Device Segment



PERCENTAGE OF NET SALES:

40.3%

### Fiscal 2010 Review

The Power Device segment recorded an 11.6% year on year increase in sales, which grew to ¥35.2 billion. Operating income leapt 36.4% to ¥5.8 billion.

Segment sales remained strong throughout the entire fiscal year, benefitting from robust sales of small surface-mount diodes for the automobile market and increased demand for large-capacity rectifier diodes for the industrial machinery market. The latter arose on the back of increased capital investment by companies across the board. These gains more than offset a slowdown in demand during the second half of fiscal 2010 for bridge diodes in the digital consumer electronics market.

### Fiscal 2011 Forecast

Sales are expected to remain nearly unchanged year on year at ¥35.0 billion.

Amid uncertainties caused by the March 11 disaster in Japan, demand for diodes and other semiconductors weakened particularly during the first half of the current fiscal year mainly in the digital consumer electronics and automobile markets. Nevertheless, we anticipate steady overall sales in the industrial machinery market as well as a recovery in the automobile market in the second half thanks to ongoing active capital investment in emerging markets. In addition, demand is expected to gradually rebound for small surface-mount diodes and large-capacity rectifier diodes.

### SALES

¥35.2 billion  
[ Up 11.6% year on year ]

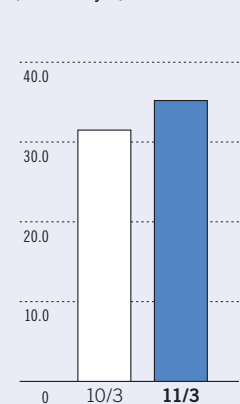
### OPERATING INCOME

¥5.8 billion  
[ Up 36.4% year on year ]

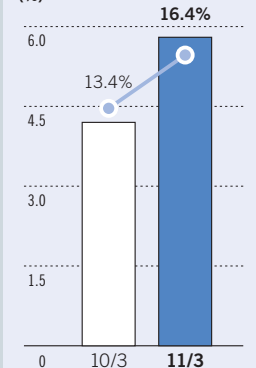
### OPERATING INCOME MARGIN

16.4%

SALES  
(Billions of yen)



OPERATING INCOME  
(Billions of yen)  
OPERATING INCOME MARGIN (%)



Note: The Company has adopted "Accounting Standard for Disclosures about the Segments of an Enterprise and Related Information" from fiscal 2010. Reflecting this change in segment classifications, prior year segment data is presented pro forma to enable year-on-year comparison. Intersegment transactions have been eliminated from segment results.

## — MAIN PRODUCTS —



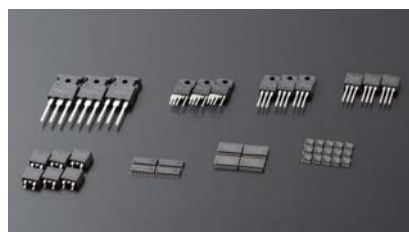
Bridge Diodes



High-Speed Rectifier Diodes



Surge Absorbers



Power MOSFETs & Power ICs

With demand increasing primarily in the mobility and new energy fields, there is a strong need for highly efficient, environment-friendly power semiconductors.

Boasting a worldwide top share of bridge diodes, high-speed rectifier diodes and surge protection elements,

Shindengen also focuses on developing such highly functional items as high-efficiency MOSFETs and energy-saving power ICs. Through these actions, we are facilitating product development that preserves the global environment.

# Power Module Segment



PERCENTAGE OF  
NET SALES:

36.6%

## Fiscal 2010 Review

Power Module segment sales rose 13.2% year on year to ¥31.9 billion, however, operating income decreased 4.1% to ¥2.1 billion.

Segment sales benefitted from improved performance in the mobility area on the back of increased demand for such mainstay motorcycle products as regulators and capacitor discharge igniters (CDIs). Rising demand for these products was the result of record-breaking motorcycle sales in Indonesia and the ongoing stable growth of this market in India and Vietnam. The decline in earnings was largely due to accelerated development-related investment, reflecting growth strategies that include ramping up the development of such environment-friendly vehicle-oriented products as DC/DC converters for the automobile market, and expanding Shindengen's lineup of LED lighting power supply and power conditioners used in photovoltaic generators for new energy market.

## Fiscal 2011 Forecast

Sales are forecast to increase 10.0% year on year to ¥35.1 billion.

Demand for core motorcycle products will likely grow, driven by motorcycle markets in Asia. Moreover, we expect progressive increases in demand for such key products in the new energy field as power conditioners used in photovoltaic generators, LED lighting power supply and residential power storage systems to contribute to gradual rises in sales.

## SALES

¥31.9 billion  
[ Up 13.2% year on year ]

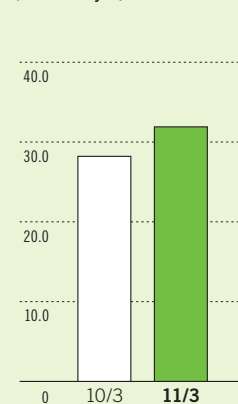
## OPERATING INCOME

¥2.1 billion  
[ Down 4.1% year on year ]

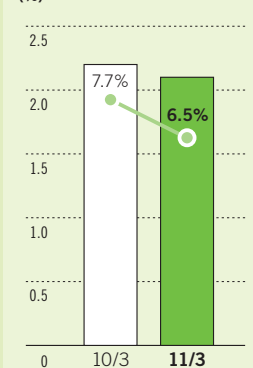
## OPERATING INCOME MARGIN

6.5%

SALES  
(Billions of yen)



OPERATING INCOME  
(Billions of yen)  
OPERATING INCOME MARGIN  
(%)



— MAIN PRODUCTS —



The Power Module Business centers on the mobility market where Shindengen has a long history of providing electric components to the motorcycle market. Over the years, we have acquired a significant share of the regulator, CDI and other related markets. In the environmental field, Shindengen produces such products as sine wave inverters used in engine generators. In recent years, we have concentrated on developing electric components for hybrid, electric, fuel cell and other environmentally friendly vehicles. By integrating its core technologies, Shindengen also develops and provides DC/DC converters that boast a high degree of effi-

ciency and reliability. Consequently, we are expanding the areas in which our products can be used.

In the new energy field, we are providing power supply products that meet market needs. Such items include power supplies for LED lighting that utilize compact, high-efficiency power supply technology; power conditioners for photovoltaic generators developed using world-leading inverter technology; power storage systems using lithium ion battery charge/discharge technology; and industrial and transmission-use DC/DC converters.

# Power System Segment



PERCENTAGE OF  
NET SALES:

17.2%

## Fiscal 2010 Review

Power System segment sales improved 11.8% year on year to ¥15.0 billion, while operating income surged 61.3% to ¥1.3 billion.

In the domestic communications market, demand for power supply used in base stations grew as mobile service providers responded to the rapid rise of smartphones with active investment to expand network capacity. Demand generally remained steady for rectifier systems for backbone infrastructure. In the information market, demand for power supply used in storage equipment is rising owing to the growing popularity of cloud computing. Despite a slowdown of demand for power supply during the second half of fiscal 2010, overall performance remained firm.

## Fiscal 2011 Forecast

Sales are expected to decrease 22.1% year on year to ¥11.7 billion.

Demand for rectifiers and power supply for mobile base stations in the communications market is expected to remain relatively steady on the back of investment in and renewed demand for long-term evolution (LTE) networks as well as demand for environment-friendly products. Despite this, segment revenue is forecast to decrease overall, reflecting tepid demand for power supply amid intensifying competition in the information market and Shindengen's withdrawal from certain businesses in line with structural reforms focusing on selection and concentration.

SALES

¥15.0 billion

[ Up 11.8% year on year ]

OPERATING INCOME

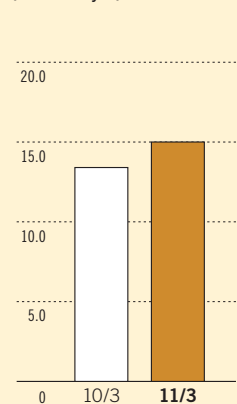
¥1.3 billion

[ Up 61.3% year on year ]

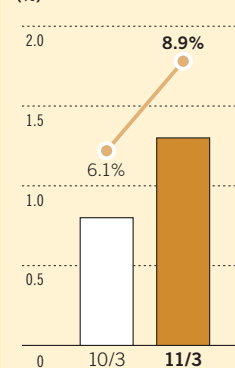
OPERATING INCOME MARGIN

8.9%

SALES  
(Billions of yen)



OPERATING INCOME  
(Billions of yen)  
OPERATING INCOME MARGIN  
(%)



## — MAIN PRODUCTS —



Rectifier for Mobile Phone  
Base Stations



Rectifier for  
Communication Stations



Rectifier for High-Voltage  
DC Supply Systems



Power Supply for  
Storage Equipment

Amid the rapid spread of optical networks along with massive increases in energy consumption, there is a need for highly efficient and reliable technologies in the communications field.

Shindengen develops highly functional, low-loss power supply equipment responsive to a diverse array of power

supply systems and the increased need for energy conservation. We also offer optimal power supply systems that realize higher power density, more compact designs and lower costs, while introducing advanced technologies in this area. Through the above actions, Shindengen is making a significant contribution to reductions in environmental load.

## To Enhance Our Potential through Technology

Shindengen strives to fulfill its Corporate Mission of “maximizing energy conversion efficiency for the benefit of humanity and society.”



Hanno R&D Center



R&D activities in a clean room

### R&D Structure and Expenses

Shindengen’s R&D activities are undertaken by the R&D Center, and the design and development departments of its business divisions and Group companies. The R&D Center primarily engages in basic research and applied technological development. Product development is overseen by the aforementioned design and development departments.

In the power electronics field, which is our main business, we pursue R&D activities guided by the key themes of increasing functionality, advancing size reductions, attaining ever higher efficiency and lowering noise. Accordingly, Shindengen is creating new products that rapidly meet market needs.

FY2010 R&D expenses were ¥4.2 billion, or 4.8% of net sales. By segment, R&D expenses were as follows: Power Device stood at ¥1.3 billion, or 32.2% of consolidated R&D expenses, Power Module was ¥1.5 billion, or 36.2%, and Power System amounted to ¥0.3 billion, or 7.0%. Accounting for the remaining 24.6%, Companywide R&D expenses totaled ¥1.0 billion.

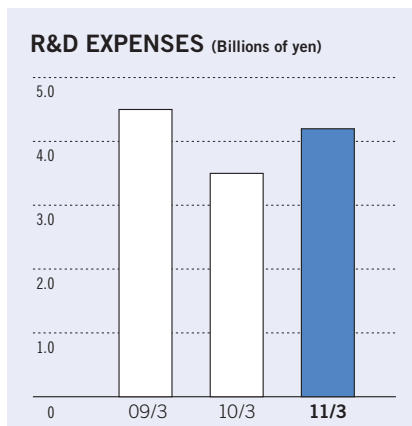
### Strengthening the Development of Semiconductor Products as the Core of Shindengen’s Business Synergy

The key to maintaining Shindengen’s growth is through business synergy realized by shifting toward the expanding mobility and new energy fields. Shindengen’s ability to produce core semiconductor products in-house (diodes, thyristors, MOSFETs and ICs) underscores the growing importance of its development activities.

Against this backdrop, we are strengthening the development of MOSFET and IC products, which display business synergy with greater effectiveness.

Specifically, Shindengen offers an abundant lineup of low- to high-voltage MOSFETs. We have developed “EETMOS,” a new series MOSFETs that are ultra-low loss products (low- to medium-voltage) mainly for the mobility market. At the same time, we are focusing on the development of “Hi-PotMOS” high-voltage products for the lighting and mobility markets.

Turning to IC products, we have developed environment-friendly items including energy-saving LLC Converter Control



ICs, which integrate high-voltage power IC and circuit technologies, and Quasi-Resonant Converter ICs that significantly reduce standby power.

Regarding diode products, Shindengen has developed and has commenced mass production of 5th generation, trench-type Schottky barrier diodes, which optimize chip structure to significantly improve  $V_F/I_R$  tradeoff. In mainstay bridge diodes, we have expanded our lineup of medium- and high-capacity short bridge diodes that meet growing customer needs for energy-saving, compact and slim designs.

In addition, we developed 600V Schottky barrier diodes using SiC, which have attracted attention as next-generation, high-efficiency power semiconductor elements. Preparations are currently underway to begin mass production of these diodes.

#### Aiming for Greater Module Applications

As mentioned above, Shindengen's ability to develop and manufacture semiconductors in-house is central to our business growth. Modules hold the key to fully realizing this advantage. As such, we will boost the development of competitive, high-value-added module products by utilizing our mainstay devices.

Regarding the motorcycle market, included in the mobility field, we have developed Power Drive Units (PDUs), down converters and standard/rapid battery chargers for the domestic market. These environment-friendly products have applications in the promising area of electric vehicles. Shindengen has also begun mass producing battery chargers capable of reducing engine load for the ASEAN market. In the four-wheel vehicle market, Shindengen has developed step-down converters and PDUs for hybrid

automobiles. In the universal engine market, we have commenced mass production of comprehensive integrated control equipment and sine wave inverters for portable generators primarily marketed in India.

In the new energy market, Shindengen has developed and commenced sales of high-efficiency, three-phase/three-wire 10kW power conditioners for JET-certified photovoltaic generation featuring high-frequency insulation. In terms of power supply for LED lighting, we have developed new, high-efficiency power supplies for projectors and are currently capable of mass producing three types of standard outdoor-use power supplies.

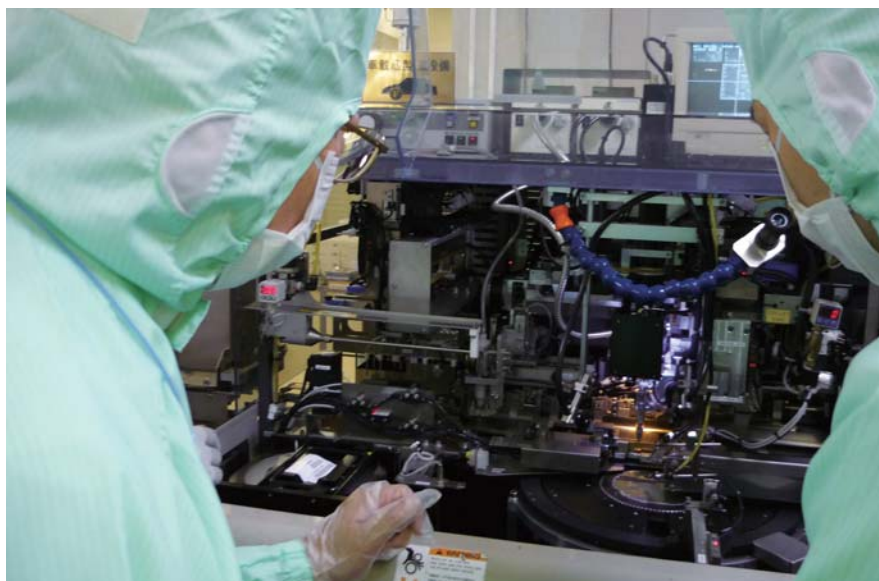
#### Development Activities Regarding High-Efficiency Power Supplies

Turning to other development activities, Shindengen has commercialized high-voltage DC supply units developed as part of its green IT strategy related to rectifi-

ers geared toward the communications market. We are enhancing our lineup of compact, LTE base station-use power supply equipment with applications in mobile base stations. For monitoring equipment in large buildings, Shindengen has recently developed devices equipped with redundant functions capable of extending LAN reception. In the information market, we developed high-efficiency 600W and 1kW power supply that meets standard industrial efficiency specifications (Climate Savers Computing Initiative) for storage equipment.

As part of Shindengen's latest initiatives, it developed high-efficiency, 50kW rapid chargers for electric vehicles by taking advantage of power conversion technologies cultivated through its lineup of rectifiers. These chargers have been certified based on CHAdeMO Protocol standard specifications.

R&D activities at subsidiary Higashine Shindengen Co., Ltd. in Yamagata Prefecture



## Shindengen Group: In harmony with stakeholders and the environment

In order to contribute to the growth of society and the prosperity of humanity, every company in the Shindengen Group will work to earn the trust of its customers and shareholders as well as the respect of society and local communities, allowing employees to work with pride, and create an energetic working environment in harmony with the environment, so as to become an “ideal corporate citizen” of the world.

### Environmental Preservation Activities

Reflecting its corporate mission of “maximizing energy conversion efficiency for the benefit of humanity and society,” Shindengen recognizes the ongoing importance of using energy and natural resources effectively for society and the planet. In particular, the heightened awareness of energy-related problems in the aftermath of the Great East Japan Earthquake has sparked a major shift in attitudes in Japan and overseas, reaffirming the significance of preserving energy resources.

As a leader in the area of power electronics, Shindengen offers eco-friendly products that contribute to social development and environmental preservation. At the same time, we independently engage in environmental conservation activities.

In the area of eco-friendly products, Shindengen utilizes the technologies it has cultivated to date to develop and market power conditioners used in photovoltaic generation equipment, energy supply for LED lighting, environmentally responsive DC/DC converters and other items. Through such initiatives, we are helping to preserve the environment as we take steps

to ensure continued growth.

In an era where renewable energy use has become national policy, an increasing amount of attention is being focused on photovoltaic generation. In order for solar panels to generate power through direct current, generated electricity is converted into alternating current and must be connected to commercial systems. Power conditioners (PCs) for photovoltaic generation are used to realize these two functions. For example, three-phase/three-wire 10kW PCs—the first wave of SOLGRID Series PCs developed by Shindengen—boast a high energy conversion rate of 93.4%. This technology also features a compact and lightweight design that contributes to reduced environmental load during logistics operations.

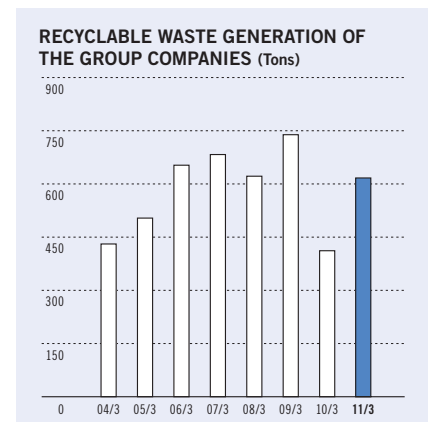
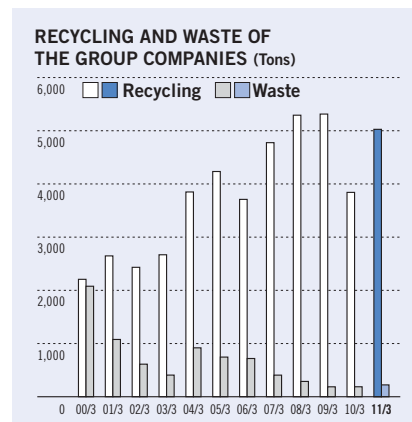
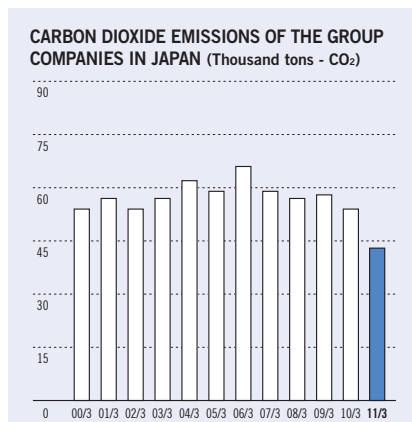


Three-phase/  
three-wire 10kW  
power conditioner

The Shindengen Group works together to undertake independent environmental conservation activities based on the

Shindengen Global Environmental Charter and its Environmental Policy. Such efforts involve reducing carbon dioxide emissions in accordance with the Kyoto Protocol, saving energy, promoting zero waste emissions, and developing products in line with the Restriction of Hazardous Substances (RoHS) Directive and End-of Life Vehicles Directive (ELV). In addition, Group companies in Japan obtained ISO 14001 certification in 1999. Shindengen also adheres to the EU’s REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulations, which were implemented in June 2007.

Each Shindengen Group company engages in Green Procurement through such actions as aggressively using materials and components that promote the production of environment-friendly products. Domestic Group companies implement energy conservation measures while minimizing waste and maintaining zero emissions status by reducing total landfill waste to 1% or less.



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## Corporate Governance

Shindengen positions corporate governance as a central tenet to ensure management transparency, compliance, and a management system able to quickly and accurately adapt to rapid changes in the operating environment. Maintaining and improving this system is one of Shindengen's fundamental policies.

### Corporate Governance System

Shindengen takes steps to maintain a healthy management structure by limiting director terms to one year. The Company also introduced an executive officer system to separate management decision-making and business execution while working to strengthen the supervisory functions of the Board of Directors. In addition to separating management and business execution functions, the effectiveness of the Company's internal control system is increased through audits undertaken from an independent standpoint by the Corporate Audit Committee. Shindengen maintains functional operations through a management control structure primarily composed of the Board of Directors, Management Committee, Corporate Auditor Committee, Technology & Quality Control Committee, General Manager Committee and Manager Committee. Through this structure, Shindengen maintains fair management operations Groupwide.

### Compliance and Risk Management

Shindengen takes steps to increase the effectiveness of its compliance and risk management systems. To this end, each relevant department undertakes specific administration activities separated by function, while the Security and Trade Control, the Environment and other standing committees engage in cross-functional initiatives. Moreover, the Company forms committees to address evaluations and audits of its internal control system related to financial reporting in accordance with the Financial Instruments and Exchange Act. Shindengen also maintains a crisis management system that promptly reports information on such important risk factors as accidents and disasters to the Board of Directors.

### Internal Control and Corporate Audits

Shindengen has adopted a corporate auditor system primarily consisting of outside corporate auditors (one standing corporate auditor and two outside corporate auditors) to ensure independence and verify the execution of operations in a fair manner. The Company maintains a full-time audit staff to support its corporate auditor system. Shindengen established the Internal Audit Office staffed by four full-time employees to monitor the implementation of management activities of the Company and each Group Company.

### Outside Directors and Outside Corporate Auditors

Shindengen places the utmost value on objective, independent management oversight. While Shindengen has no outside directors on its Board, three corporate auditors (two of whom are outside corporate auditors) strengthen the Company's oversight system. This system supports the activities of the Board of Directors, which monitors management decision-making functions as well as business execution by executive officers. The Company has no plans to add outside directors since the present system provides ample management oversight based on audits conducted by the aforementioned outside auditors.

### Status of Accounting Audits

Shindengen's corporate auditors hold regular meetings (seven times per year) with the Company's accounting auditors (Ernst & Young ShinNihon) to maintain mutual cooperation and discuss annual audit plans, review the results of interim and year-end audits, and conduct special ad hoc audits as required.

## DIRECTORS

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President  
**MASATO MORIKAWA**



Director  
**MICHIO KOYAMA\***



Director  
**KO KAWAME\***



Director  
**HIDEMI NISHI\***



Director  
**YOSHIMITSU ARAHATA\***



Director  
**YOSHINORI SUZUKI\***

\* Concurrently serving as Executive Officers

## CORPORATE AUDITORS

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Standing Corporate Auditor  
**YOSHIIDE YOKOSE**

Corporate Auditor  
**HIDEHIKO NAITO**

Corporate Auditor  
**YUICHIRO MIYAKE**

## EXECUTIVE OFFICERS

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Managing Officer  
**MASANORI OGASAWARA**

Officer  
**KENJI HORIGUCHI**

Senior Officer  
**TAKAHARU YOKOI**

Officer  
**SEIJI NIIZEKI**

Officer  
**NOBUYUKI SASAKI**

Officer  
**NOBUYOSHI TANAKA**

## Financial Section

### Five-Year Summary

For the years ended and at March 31

	Millions of yen				
	2011	2010	2009	2008	2007
Net sales	¥ 87,331	¥77,935	¥ 85,239	¥100,827	¥102,054
Operating income (loss)	7,325	5,563	(4,036)	2,288	6,051
Income (loss) before income taxes and minority interests	5,645	2,389	(9,053)	(1,648)	4,451
Net income (loss)	4,576	(444)	(13,272)	(2,628)	2,646
					Yen
Net income (loss) per share	¥ 42.70	¥ (4.66)	¥(152.99)	¥ (30.27)	¥ 30.47
Cash dividends per share for the period	2.50	—	3.50	7.00	7.00
					Millions of yen
Total assets	¥103,336	¥97,966	¥ 90,621	¥105,408	¥111,972
Total current assets	67,264	61,442	52,977	59,003	62,439
Property, plant and equipment	22,550	23,416	26,071	28,879	29,920
Total shareholders' equity	36,161	31,664	26,011	39,921	43,036
Net cash provided by (used in) operating activities	9,444	7,122	(821)	3,958	9,565
Net cash used in investing activities	(3,022)	(2,145)	(1,430)	(5,570)	(5,568)
Net cash provided by (used in) financing activities	(1,585)	4,498	8,586	358	(2,471)
Cash and cash equivalents at end of the year	28,179	23,842	14,244	8,948	10,531

## Management's Discussion and Analysis

### Consolidation

During the fiscal year ended March 31, 2011 (fiscal 2010), Shindengen expanded its scope of consolidation with the addition of two new subsidiaries. One subsidiary and its subsidiary were removed from the scope of consolidation after the Company sold its entire shareholdings in the companies. As a result, the Company has 18 consolidated subsidiaries and an affiliated company accounted for under the equity-method.

### Performance Overview

#### Net Sales and Operating Income

Consolidated net sales increased 12.1% year on year to ¥87,331 million, benefitting from a solid business environment (especially in the industrial machinery market), strengthening investment in the domestic telecommunications market and continuing high growth in the overseas motorcycle market, mainly in Asia.

Operating income in the fiscal year under review surged 31.7% year on year to ¥7,325 million on the back of improved sales and the Company's ongoing structural reform efforts. Moreover, the Company succeeded in holding the increase in selling, general and administrative expenses to just 5.2%.

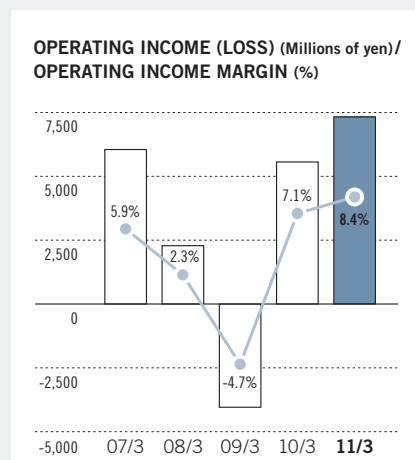
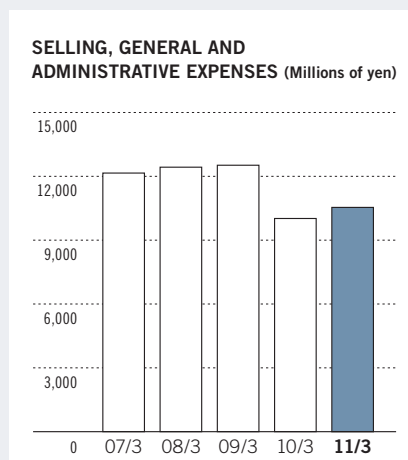
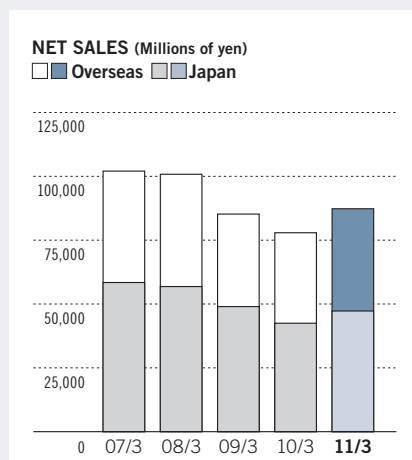
By business segment, sales of the Power Device segment increased 11.6% year on year to ¥35,208 million, amidst strong demand for diodes in the automobile and industrial machinery markets. Rising sales helped propel segment income upwards 36.4% year on year to ¥5,763 million.

Sales in the Power Module segment increased 13.2% year on year to ¥31,923 million. Benefitting from a robust motorcycle market in Asia, the car electronics products grew, contributing to favorable growth throughout the segment. Operating income, on the other hand, decreased 4.1% year on year to ¥2,075 million, mainly due to forward-looking investment. Shindengen is making efforts to develop new eco-products. These include DC/DC converters for the environment-friendly automobile market, stronger product line-ups of power supplies for LED lighting and efficient power conditioners for photovoltaic generators. Shindengen is positioning the eco-energy field as a strategic business area. Over the medium to long term, the Company expects segment profitability to improve as the benefits of this investment become apparent.

In the Power System segment, sales increased 11.8% year on year to ¥15,012 million. Performance was solid overall, owing to aggressive uptake of smart phones in the domestic telecommunication market and cloud computing systems in the information market. Benefitting from increasing sales of high value added products, segment income leapt to ¥1,330 million, a 61.3% increase year on year.

Other sales amounted to ¥5,187 million, up 9.0% year on year. Other income rose 41.7% to ¥485 million.

During fiscal 2010, Shindengen achieved strong performance overall. The Company was able to expand net sales based on market growth. Furthermore, structural reform activities implemented throughout the Group increased operating income.



### Net Income and Comprehensive Income

Net other income and expense resulted in reduced expense of ¥1,680 million, down significantly from expense of ¥3,174 million in the previous fiscal year. Moreover, income before income taxes and minority interests rose to ¥5,645 million, up 136.3% year on year. This significant growth was due partly to the posting in the previous fiscal year of ¥1,570 million as business structure improvement expenses. Net income of ¥4,576 million in fiscal 2010 reversed the net loss of ¥443 million in the fiscal 2009. Comprehensive income, reported for the first time in fiscal 2010, amounted to ¥4,025 million, a 2,051 million increase over fiscal 2009 on a pro forma basis.

### Financial Position

Total assets at the end of fiscal 2010 increased ¥5,370 million from the previous fiscal year end to ¥103,336 million. On a combined basis, cash and time deposits and notes and accounts receivable increased ¥4,167 million. As a result, total current assets increased ¥5,822 million from the previous fiscal year to ¥67,264 million. On the other hand, total noncurrent assets did not change significantly.

Total liabilities of ¥67,621 million increased ¥1,486 million from the previous fiscal year. Total current liabilities amounted to ¥25,630 million. As a result, the current ratio rose to 2.62 times, compared with 2.29 times in fiscal 2009.

Total shareholders' equity rose to ¥36,161 million from ¥31,664 million in the previous fiscal year, owing to a jump in retained earnings. As a result, total net assets increased ¥3,884 million to ¥35,714 million.

Total liabilities and net assets increased ¥5,370 million from the previous fiscal year.

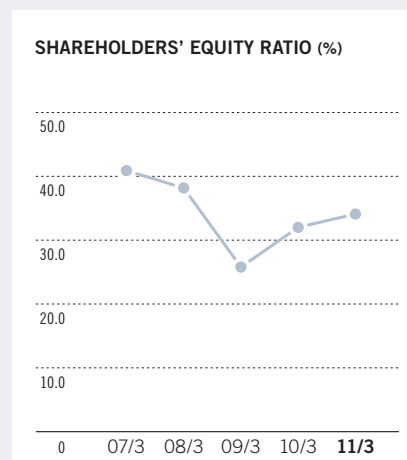
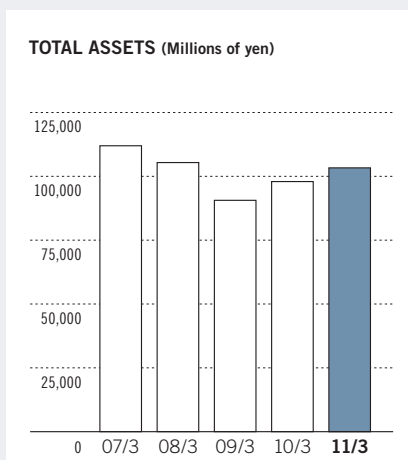
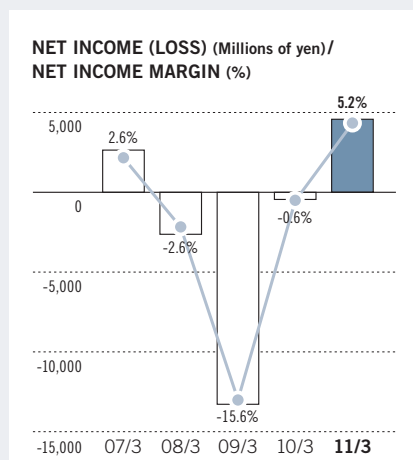
### Cash Flow

Net cash provided by operating activities amounted to ¥9,444 million. Contributing factors were increases of ¥2,361 million in inventories, ¥5,645 million in income before income taxes and minority interests, and ¥4,176 million in depreciation and amortization.

Net cash used in investing activities was ¥3,021 million. Purchases of tangible fixed assets accounted for ¥2,195 million of this investment, with the purpose of strengthening production capacity by upgrading and maintaining manufacturing equipment and facilities.

Net cash used in financing activities was ¥1,585 million, a reversal of the ¥4,497 million provided by financing in fiscal 2009, the result of proceeds from issuance of bonds and common stock. In fiscal 2010, major financing activities included a ¥3,146 million net decrease in short-term loans payable and a ¥4,254 million repayment of long-term loans payable.

As a result, cash and cash equivalents at end of year were ¥28,179 million.



## Consolidated Balance Sheets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
At March 31, 2011 and 2010

	2011	Millions of yen 2010	Thousands of U.S. dollars (Note 3) 2011
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Note 4, 6)	¥ 28,179	¥23,882	\$ 338,890
Notes and accounts receivable-trade (Note 6)	20,554	20,684	247,195
Less: Allowance for doubtful accounts	(14)	(341)	(169)
	20,540	20,343	247,026
Inventories (Note 5)	16,486	14,735	198,268
Deferred tax assets (Note 12)	228	220	2,745
Other	1,831	2,262	22,014
Total current assets	67,264	61,442	808,943
<b>Property, plant and equipment:</b>			
Buildings and structures (Note 8, 9)	8,701	9,123	104,646
Machinery, equipment and vehicles (Note 8, 9)	5,788	6,151	69,605
Land (Note 9)	4,868	4,875	58,543
Lease assets-tangible (Note 8, 19)	1,844	1,744	22,176
Construction in progress	351	463	4,218
Other, net (Note 8)	998	1,060	12,010
Property, plant and equipment	22,550	23,416	271,198
<b>Investments and other assets:</b>			
Investment securities (Note 6, 7)	9,972	10,324	119,924
Deferred tax assets (Note 12)	1,419	1,371	17,068
Software	380	375	4,570
Lease assets-intangible (Note 19)	98	22	1,181
Allowance for doubtful accounts	(35)	(78)	(414)
Other	1,688	1,094	20,297
Total investments and other assets	13,522	13,108	162,626
<b>Total assets</b>	<b>¥103,336</b>	<b>¥97,966</b>	<b>\$1,242,767</b>

The accompanying notes are an integral part of the statements.

	Millions of yen	Thousands of U.S. dollars (Note 3)	
	2011	2010	
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Notes and accounts payable-trade (Note 6)	¥ 15,607	¥16,257	\$ 187,700
Short-term loans payable (Note 6, 9)	4,753	7,834	57,164
Lease obligations (Note 6, 9)	608	447	7,316
Income taxes payable (Note 6)	289	311	3,470
Provision for bonuses	582	498	7,002
Other	3,791	1,481	45,586
Total current liabilities	25,630	26,828	308,238
<b>Noncurrent liabilities:</b>			
Bonds payable (Note 6, 9)	12,000	12,000	144,318
Long-term loans payable (Note 6, 9)	19,411	17,448	233,445
Lease obligations (Note 6, 9)	1,516	1,469	18,232
Deferred tax liabilities (Note 12)	454	572	5,463
Provision for retirement benefits (Note 10)	8,172	7,252	98,283
Provision for directors' retirement benefits	32	69	376
Asset retirement obligations	145	—	1,746
Other	262	498	3,149
Total noncurrent liabilities	41,992	39,308	505,012
<b>Contingent liabilities (Note 11)</b>			
<b>Net assets (Note 21):</b>			
Shareholders' equity:			
Capital stock	17,823	17,823	214,349
Capital surplus	10,336	13,556	124,311
Retained earnings	8,112	390	97,558
Treasury stock	(110)	(105)	(1,323)
Total shareholders' equity	36,161	31,664	434,895
Accumulated other comprehensive income (loss):			
Unrealized holding gain on available-for-sale securities	666	874	8,014
Foreign currency translation adjustment	(1,579)	(1,145)	(18,991)
Total accumulated other comprehensive income (loss)	(913)	(271)	(10,977)
Minority interests	466	437	5,599
Total net assets	35,714	31,830	429,517
<b>Total liabilities and net assets</b>	<b>¥103,336</b>	<b>¥97,966</b>	<b>\$1,242,767</b>
<b>Per share of common stock</b>			
Net assets	¥ 316.06	¥279.60	\$ 3.80

The accompanying notes are an integral part of the statements.

## Consolidated Statements of Operations and Comprehensive Income

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Net sales</b>	<b>¥87,331</b>	¥77,935	<b>\$1,050,276</b>
<b>Cost of sales (Note 14)</b>	<b>69,464</b>	62,351	<b>835,403</b>
Gross profit	<b>17,867</b>	15,584	<b>214,873</b>
<b>Selling, general and administrative expenses (Note 13 and 14)</b>	<b>10,542</b>	10,021	<b>126,777</b>
Operating income	<b>7,325</b>	5,563	<b>88,096</b>
<b>Other income (expense):</b>			
Interest income	65	52	777
Dividends income	166	125	1,992
Rent income on noncurrent assets	106	120	1,274
Equity in earnings of affiliates	146	151	1,759
Royalty income	84	66	1,011
Subsidy income	—	219	—
Interest expenses	(738)	(795)	(8,877)
Foreign exchange gains (losses)	(212)	299	(2,548)
Amortization of net retirement benefit obligation at transition (Note 10)	(619)	(617)	(7,441)
Loss on disaster (Note 16)	(129)	—	(1,546)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(118)	—	(1,421)
Loss on valuation of investment securities	(117)	(168)	(1,411)
Loss on sales of stocks of subsidiaries	(87)	—	(1,046)
Loss on sales of investment securities	(3)	—	(42)
Business structure improvement expenses (Note 15)	—	(1,570)	—
Impairment loss (Note 17)	—	(554)	—
Loss on liquidation of subsidiaries	—	(120)	—
Other, net	(224)	(382)	(2,682)
	<b>(1,680)</b>	(3,174)	<b>(20,201)</b>
Income before income taxes and minority interests	<b>5,645</b>	2,389	<b>67,895</b>
<b>Income taxes (Note 12):</b>			
Current	1,010	827	12,144
Deferred	(32)	1,938	(381)
<b>Total income taxes</b>	<b>978</b>	2,765	<b>11,763</b>
<b>Income (loss) before minority interests</b>	<b>4,667</b>	(376)	<b>56,132</b>
<b>Minority interests</b>	<b>91</b>	68	<b>1,104</b>
Net income (loss)	<b>¥ 4,576</b>	¥ (444)	<b>\$ 55,028</b>



## Consolidated Statements of Changes in Net Assets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
For the years ended March 31, 2011 and 2010

Millions of yen

	Shareholders' equity					
	Number of shares issued	Capital stock	Capital surplus	Retained earnings	Treasury stock (Note 21)	Total shareholders' equity
<b>Balance at March 31, 2009</b>	87,028	¥14,774	¥13,982	¥(2,641)	¥(104)	¥26,011
Issuance of new shares		3,049	3,050			6,099
Transfer of capital surplus to retained earnings	27,723		(3,475)	3,475		—
Net loss				(444)		(444)
Purchase of treasury stock					(2)	(2)
Disposal of treasury stock			(1)		1	0
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2010</b>	114,751	17,823	13,556	390	(105)	31,664
Transfer of capital surplus to retained earnings			(3,146)	3,146		—
Dividends from surplus-other capital surplus			(74)			(74)
Net income				4,576		4,576
Increase of consolidated subsidiaries				0		0
Purchase of treasury stock					(5)	(5)
Disposal of treasury stock			0		0	0
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2011</b>	<b>114,751</b>	<b>¥17,823</b>	<b>¥10,336</b>	<b>¥ 8,112</b>	<b>¥(110)</b>	<b>¥36,161</b>

Millions of yen

	Accumulated other comprehensive income (loss) and other				
	Unrealized holding gain (loss) on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
<b>Balance at March 31, 2009</b>	¥(1,238)	¥(1,383)	¥(2,621)	¥374	¥23,764
Issuance of new shares					6,099
Transfer of capital surplus to retained earnings					—
Net loss					(444)
Purchase of treasury stock					(2)
Disposal of treasury stock					0
Net changes in items other than those in shareholders' equity	2,112	238	2,350	63	2,413
<b>Balance at March 31, 2010</b>	874	(1,145)	(271)	437	31,830
Transfer of capital surplus to retained earnings					—
Dividends from surplus-other capital surplus					(74)
Net income					4,576
Increase of consolidated subsidiaries					0
Purchase of treasury stock					(5)
Disposal of treasury stock					0
Net changes in items other than those in shareholders' equity	(208)	(434)	(642)	29	(613)
<b>Balance at March 31, 2011</b>	<b>¥ 666</b>	<b>¥(1,579)</b>	<b>¥ (913)</b>	<b>¥466</b>	<b>¥35,714</b>

Thousands of U.S. dollars (Note 3)					
Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock (Note 21)	Total shareholders' equity
<b>Balance at March 31, 2010</b>	\$214,349	\$163,029	\$ 4,699	\$(1,272)	\$380,805
Transfer of capital surplus to retained earnings		(37,831)	37,831		—
Dividends from surplus-other capital surplus		(888)			(888)
Net income			55,028		55,028
Increase of consolidated subsidiaries			0		0
Purchase of treasury stock				(53)	(53)
Disposal of treasury stock		1		2	3
Net changes in items other than those in shareholders' equity					
<b>Balance at March 31, 2011</b>	<b>\$214,349</b>	<b>\$124,311</b>	<b>\$97,558</b>	<b>\$(1,323)</b>	<b>\$434,895</b>

Thousands of U.S. dollars (Note 3)					
Accumulated other comprehensive income (loss) and other					
	Unrealized holding gain (loss) on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)	Minority interests	Total net assets
<b>Balance at March 31, 2010</b>	\$10,510	\$(13,768)	\$ (3,258)	\$5,251	\$382,798
Transfer of capital surplus to retained earnings					—
Dividends from surplus-other capital surplus					(888)
Net income					55,028
Increase of consolidated subsidiaries					0
Purchase of treasury stock					(53)
Disposal of treasury stock					3
Net changes in items other than those in shareholders' equity	(2,496)	(5,223)	(7,719)	348	(7,371)
<b>Balance at March 31, 2011</b>	<b>\$ 8,014</b>	<b>\$(18,991)</b>	<b>\$(10,977)</b>	<b>\$5,599</b>	<b>\$429,517</b>

The accompanying notes are an integral part of the statements.

## Consolidated Statements of Cash Flows

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2010	2011
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥ 5,645	¥ 2,389	\$ 67,895
Depreciation and amortization	4,176	4,640	50,217
Loss on adjustment for changes of accounting standard for asset retirement obligations	118	—	1,421
Impairment loss	—	554	—
Loss on liquidation of subsidiaries	—	120	—
Bond issuance cost	—	86	—
Loss on disaster	129	—	1,546
Stock issuance cost	—	65	—
Increase (decrease) in allowance for doubtful accounts	(67)	(11)	(805)
Increase (decrease) in provision for bonuses	64	27	769
Increase (decrease) in provision for retirement benefits	851	(173)	10,234
Interest and dividends income	(230)	(178)	(2,768)
Interest expenses	738	795	8,877
Decrease (increase) in notes and accounts receivable-trade	(427)	(3,363)	(5,137)
Decrease (increase) in inventories	(2,361)	4,024	(28,399)
Decrease (increase) in consumption taxes refund receivable	(496)	291	(5,970)
Increase (decrease) in notes and accounts payable-trade	304	3,851	3,656
Increase (decrease) in accounts payable-other	191	(1,944)	2,301
Loss (gain) on sales of investment securities	3	(4)	42
Loss on sales of stocks of subsidiaries	87	—	1,046
Loss on valuation of investment securities	117	168	1,411
Loss on disposal of property, plant and equipment	168	71	2,023
Other, net	1,899	(3,111)	22,835
Sub total	10,909	8,297	131,194
Interest and dividends received	237	182	2,855
Interest paid	(735)	(798)	(8,845)
Income taxes paid	(967)	(559)	(11,631)
Net cash provided by operating activities	9,444	7,122	113,573
<b>Investing activities:</b>			
Purchase of investment securities	(100)	(71)	(1,207)
Proceeds from sales of investment securities	7	20	91
Proceeds from sales of stocks of subsidiaries	29	—	345
Payments for investments in capital of subsidiaries	(740)	(98)	(8,893)
Purchase of property, plant and equipment	(2,195)	(2,230)	(26,401)
Proceeds from sales of property, plant and equipment	40	231	483
Purchase of intangible assets	(323)	(160)	(3,887)
Other, net	260	163	3,127
Net cash used in investing activities	(3,022)	(2,145)	(36,342)
<b>Financing activities:</b>			
Net decrease in short-term loans payable	(3,146)	(4,161)	(37,833)
Proceeds from long-term loans payable	6,500	5,514	78,172
Repayment of long-term loans payable	(4,254)	(4,290)	(51,165)
Proceeds from issuance of bonds	—	3,914	—
Redemption of bonds	—	(2,000)	—
Redemption of bonds with subscription rights to share	—	(204)	—
Proceeds from issuance of stock	—	6,034	—
Repayment for finance lease obligations	(602)	(339)	(7,237)
Cash dividends paid	(74)	—	(888)
Cash dividends paid to minority shareholders	(5)	(5)	(61)
Other, net	(4)	35	(50)
Net cash provided by (used in) financing activities	(1,585)	4,498	(19,062)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(527)</b>	<b>123</b>	<b>(6,337)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,310</b>	<b>9,598</b>	<b>51,832</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>23,842</b>	<b>14,244</b>	<b>286,735</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>27</b>	<b>—</b>	<b>323</b>
<b>Cash and cash equivalents at end of the year (Note 4)</b>	<b>¥28,179</b>	<b>¥23,842</b>	<b>\$338,890</b>

The accompanying notes are an integral part of the statements.

## Notes to Consolidated Financial Statements

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries

### 1. Basis of presentation

#### (1) Accounting principles and presentation

The accompanying consolidated financial statements of Shindengen Electric Manufacturing Co., Ltd. (“the Company”) and its subsidiaries (“the Companies”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the applications 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.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau (a regional branch organization of the Ministry of Finance in Japan) have been reclassified in these accounts for the convenience of readers outside Japan.

Certain items in the prior years’ financial statements have been reclassified to conform to the current year’s presentation.

#### (2) Scope of consolidation

The Company had 21 subsidiaries (controlling companies-companies whose decision-making is controlled) as of March 31, 2011 and had 24 subsidiaries as of March 31, 2010.

The consolidated financial statements for the year ended March 31, 2011 and 2010 include the accounts of the Company and its 18 subsidiaries.

The major consolidated subsidiaries were listed below.

	Equity ownership percentage
• Akita Shindengen Co., Ltd.	100.0%
• Higashine Shindengen Co., Ltd.	100.0%
• Okabe Shindengen Co., Ltd.	100.0%
• Lumpun Shindengen Co., Ltd.	100.0%
• Shindengen (Thailand) Co., Ltd.	100.0%

Effective from the year ended March 31, 2011, the following 2 companies were newly consolidated due to their increased importance.

- Shindengen Logistic Co., Ltd.
- Shindengen Kumamoto Techno Research Co., Ltd.

Effective from the year ended March 31, 2011, the following 2 companies were excluded from consolidation due to sales of the stocks.

- Nippon Vender Net Co., Ltd.
- Chuo Keibi Hoshō Co., Ltd.

In the accompanying consolidated financial statements, the accounts of the 9 overseas subsidiaries at December 31, 2010 and

for the year then ended were consolidated with the accounts of the Company at March 31, 2011 and for the year then ended, as they use a fiscal year ending on December 31 of each year.

The remaining 3 unconsolidated subsidiaries as of March 31, 2011, had insignificant amounts in terms of total assets, net sales, net income/loss and retained earnings and therefore have been excluded from consolidation.

The major unconsolidated subsidiary was listed below.

- Shindengen Development, Inc.

#### (3) Elimination and consolidation

For the purpose of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated, and the portion attributable to minority interests is charged (credited) to minority interests.

#### (4) Investments in unconsolidated subsidiaries and affiliates

The Company had 3 unconsolidated subsidiaries and 1 affiliate (influencing companies-companies whose financial and operating or business decision making can be influenced to a material degree, and which are not subsidiaries) at March 31, 2011.

The investment in 1 affiliate is accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost less impairment loss, due to their insignificant effect on the consolidated financial statements.

The affiliate accounted for by the equity method was listed below.

- Napino Auto & Electronics Ltd.

#### (5) Translation of foreign currency financial statements (accounts of overseas subsidiaries)

All assets, liabilities and net assets of overseas subsidiaries are translated into Japanese yen using the exchange rates prevailing at the balance sheet date. Shareholders’ equity at the beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the exchange rates prevailing at the balance sheet date.

Differences in Japanese yen amounts arising from the use of different rates are presented as “Foreign currency translation adjustments” in the accompanying consolidated financial statements.

#### (6) Revaluation of assets and liabilities of subsidiaries

The Company adopts the “full fair value method” in which all assets and liabilities of the subsidiaries are remeasured at fair value as of the acquisition of the control.

### **(7) Cash and cash equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits, which are able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

### **(8) Accounting standard and practical solution on unification of accounting policies applied to associates accounted for using the equity method**

Effective from the year ended March 31, 2011, the Companies have adopted “*Accounting Standard for Equity Method of Accounting for Investments*” (the Accounting Standards Board of Japan, Statement No. 16 issued March 10, 2008), and “*Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method*” (the Accounting Standards Board of Japan, PITF No. 24 issued March 10, 2008). There was no effect on operating income, or income before income taxes and minority interests for the year ended March 31, 2011.

### **(9) Accounting standard for asset retirement obligations**

Effective from the year ended March 31, 2011, the Companies have adopted “*Accounting Standard for Asset Retirement Obligations*” (The Accounting Standards Board of Japan, Statement No. 18 issued March 31, 2008), “*Guidance on Accounting Standard for Asset Retirement Obligations*” (the Accounting Standards Board of Japan, Guidance No. 21 issued March 31, 2008). As a result, operating income for the year ended March 31, 2011 decreased by ¥7 million (\$81 thousand), income before income taxes and minority interests decreased by ¥126 million (\$1,516 thousand), and the Companies recognized asset retirement obligations of ¥147 million (\$1,768 thousand) due to adoption of the standard.

### **(10) Accounting standards for business combinations and related matters**

Effective from the year ended March 31, 2011, the Companies have adopted “*Accounting Standard for Business Combinations*” (The Accounting Standards Board of Japan, Statement No. 21 issued December 26, 2008), “*Accounting Standard for Consolidated Financial Statements*” (the Accounting Standards Board of Japan, Statement No. 22 issued December 26, 2008), “*Partial amendments to Accounting Standard for Research and Development Costs*” (the Accounting Standards Board of Japan, Statement No. 23 issued December 26, 2008), “*Revised Accounting Standard for Business Divestitures*” (the Accounting Standards Board of Japan, Statement No. 7 issued December 26, 2008), “*Revised Accounting Standard for Equity Method of Accounting for Investments*” (the Accounting Standards Board of

Japan, Statement No. 16 issued December 26, 2008), and “*Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures*” (the Accounting Standards Board of Japan, Guidance No. 10 issued December 26, 2008).

### **(11) Accounting standards for business combinations and related matters**

Effective from the year ended March 31, 2011, the Companies have adopted “*Amendment of ‘Practical Guidance on Tax Effect Accounting for Consolidated Financial Statements’*” (the Accounting Practice Committee Report No. 6 issued September 3, 2010). There was no effect on operating income or income before income taxes and minority interests for the year ended March 31, 2011.

### **(12) Accounting standard for presentation of comprehensive income**

Effective from the year ended March 31, 2011, the Companies have adopted “*Accounting Standard for Presentation of Comprehensive Income*” (the Accounting Standards Board of Japan, Statement No. 25 issued June 30, 2010).

## **2. Summary of significant accounting policies**

### **(1) Financial instruments**

#### **(a) Securities**

Securities held by the Company and its subsidiaries are classified as “other securities”. Mark-to-market accounting is adopted for other securities. In accordance with this method, these securities with market quotations are carried at fair value that is reasonably determinable based on current market quotes on the balance sheet date, with net unrealized gains and losses, net of related tax, reported separately in net assets. Realized gains or losses on securities sold are determined based on the moving-average method. If fair value is not available, securities are carried at cost, which is determined by the moving-average method.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly and such impairment of the value is not deemed temporary, these securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

#### **(b) Derivatives**

All derivatives are carried at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments”.

## **(2) Inventories**

Inventories held by the Company and the domestic consolidated subsidiaries are carried at cost, which is determined principally by the average method (reducing book value of inventories when their contribution to profitability declines).

Inventories held by overseas consolidated subsidiaries are valued at the lower of cost or market value, which is determined by the moving average method.

### **(Change in accounting policy)**

Up to the year ended March 31, 2009, inventories held by a part of "Equipment" department in the Company are valued at cost, which is determined by the specific identification method (reducing book value of inventories when their profitability declines). Effective from the year ended March 31, 2010, accompanying to the reconsideration of the production management system, the Company changed its accounting policy to value the standardized and mass-produced inventories at cost, which is determined by the moving average method (reducing book value of inventories when their profitability declines). This change does not have material effect on operating income, and income before income taxes and minority interests.

Effective from the year ended March 31, 2011, the Companies have adopted "*Accounting Standard for Measurement of Inventories*" (the Accounting Standards Board of Japan, Statement No. 9 issued September 26, 2008). There was no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2011.

### **(3) Depreciation method for tangible assets (excluding lease assets)**

Depreciation for property, plant and equipment held by the Company and its domestic consolidated subsidiaries is calculated using the declining-balance method. Depreciation of property, plant and equipment held by overseas consolidated subsidiaries is calculated primarily by the straight-line method.

The estimated useful lives of assets are principally as follows:

- Buildings—3 to 50 years
- Machinery and equipment—4 to 10 years

### **(4) Depreciation method for intangible assets (excluding lease assets)**

Depreciation for software and other intangible assets is calculated based on the straight-line method over 5 years of their estimated useful lives.

### **(5) Depreciation method for lease assets**

Depreciation for lease assets is calculated based on the straight-line method over the lease period assuming no residual value.

Finance lease transactions executed on or before March 31, 2008 that do not involve a transfer of ownership are accounted for using the same method as operating leases.

### **(6) Deferred assets**

Stock issuance cost and bond issuance cost are charged to income when incurred.

### **(7) Allowance for doubtful accounts**

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience over a certain period.

### **(8) Provision for bonuses**

Provision for bonuses is provided based on the amount of expected future payments of bonuses, attributable to the fiscal year.

### **(9) Provision for retirement benefits**

Provision for retirement benefits is provided principally at an amount calculated based on the estimated amount incurred at the end of the fiscal year, which, in turn, is calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the fiscal year. The unrecognized transition amount is amortized on the straight-line basis over 15 years, and the unrecognized prior service costs are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the year in which they arise, and unrecognized actuarial differences are amortized on the straight-line basis over a term that does not exceed the average remaining service period of employees who are expected to receive benefits under the plans (mainly 13 years) from the next year in which they arise.

### **Change in accounting policy**

Effective from the year ended March 31, 2010, the Companies have adopted "*Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)*" (the Accounting Standards Board of Japan, statement No. 19 issued July 31, 2008). This change had no impact on the amount of retirement benefit obligation and the operating income and income before income taxes and minority interests for the year ended March 31, 2010.

### **(10) Provision for directors' retirement benefits**

Provision for directors' retirement benefits is made at an estimate of the amount to be paid in accordance with the internal rules if all eligible directors and statutory auditors resigned from their posts at the balance sheet date.

### (11) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

### (12) Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. Hedging instruments are interest rate swap transactions and hedged items are interest of loans payable. The Companies enter into interest rate swap transactions in order to reduce future interest rate risks from financial liabilities.

### (13) Income taxes

The income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Companies adopt deferred tax accounting. Income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax bases of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with a deduction of the valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

### (14) Net income per share

Net income per share is based upon the weighted average number of shares of common stock outstanding less the number of treasury stock during each period.

### (15) Consumption taxes

Consumption taxes are levied at the flat rate of 5% on all domestic consumption of goods and services (with certain exceptions). The consumption taxes withheld by the Company and its domestic consolidated subsidiaries on its revenues and consumption taxes paid by the Company and its domestic consolidated subsidiaries on its purchases of products, merchandise and services from vendors are not included in the amounts of the respective accounts in the Consolidated Statements of Operations and Comprehensive Income but is recorded as an asset or a liability, as the case may be and the net balance is included in "Other current assets" or "Other current liabilities" in the Consolidated Balance Sheets.

## 3. United States dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥83.15=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2011 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

## 4. Cash flow information

Cash and cash equivalents as of March 31, 2011 and 2010 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and deposits	¥28,179	¥23,882	\$338,890
Time deposits with deposit term of over 3 months	—	(40)	—
Cash and cash equivalents	¥28,179	¥23,842	\$338,890

The decrease of assets and liabilities of Nippon Vender Net Co., Ltd. and Chuo Keibi Hoshō Co., Ltd. due to sales of the stocks is as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥459	\$5,519
Fixed assets	255	3,063
Total assets	714	8,582
Current liabilities	(443)	(5,328)
Noncurrent liabilities	(61)	(734)
Total liabilities	(504)	(6,062)

Significant finance lease transactions without cash flow for the year ended March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
Lease assets	¥797	\$ 9,587
Lease obligations	839	10,086

## 5. Inventories

Inventories held by the Companies as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished products	¥ 5,391	¥ 3,339	\$ 64,836
Raw materials	7,389	7,062	88,860
Work in process	3,706	4,334	44,572
	¥16,486	¥14,735	\$198,268

The cost of sales includes the write-down of inventories by ¥190 million (\$2,289 thousand), and ¥(478) million for the years ended March 31, 2011 and 2010, respectively, reflecting reduced profitability of inventory held for normal sales purposes.

## 6. Financial instruments

### (1) Overview

#### ① Policy for financial instruments

The Companies raise funds mainly through bank borrowings and issuing bonds. The Companies manage temporary cash surpluses through low-risk and short-term financial assets. The Companies uses derivatives for the purpose of reducing risks, and does not enter into derivatives for speculative purposes.

#### ② Types of financial instruments and related risk

Trade receivables (notes and accounts receivable—trade) are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies.

Investment securities (mainly composed of the shares of common stock) are exposed to market risk.

Trade payables (notes and accounts payable—trade) have payment due dates within 1 year. Trade payables denominated in foreign currency are exposed to foreign currency exchange risk.

Short-term loans payable are raised mainly in connection with funding the working capital. Long-term loans payable, bonds payable, and lease obligations are taken out mainly for the purpose of making capital investments, settled within 7 years from the balance sheet date, and partially exposed to interest rate fluctuation risk.

Regarding derivatives, the Companies enter into forward foreign exchange contracts to reduce future foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The forward exchange contracts volume is limited to the balance of each assets or liabilities denominated in foreign currencies. The Companies enter into interest rate swap transactions to reduce future interest rate risks deriving from financial

assets or liabilities. The swap contacts volume is limited to the balance of each financial assets or liabilities. Forward foreign exchange contracts are exposed to currency rate fluctuation risks. Interest rate swap transactions are exposed to interest rate risks.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy is disclosed in “Hedge accounting”.

### ③ Risk management for financial instruments

#### (a) Monitoring of credit risks (default of the customers, or other)

In accordance with the Company's internal rule “Management rule of operating receivables”, Sales Dept and Finance Dept periodically monitor the balance of transaction in main customers, as a part of balance managements, and early grasp of the increase in credit risks from deterioration in financial condition or other phenomenon at the customers. In the subsidiary companies, there are almost the same management systems according to “Management rule of operating receivables”. The Companies also believe that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

#### (b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company has “Management rule of derivatives” that sets forth basic policy, procedures, and upper limit on position. Based on this rule, Finance Dept executes the derivative contract. The status of each transaction is reported at the board of director's meeting on quarterly basis. The same rule is adopted and followed by its subsidiaries. For marketable securities and investment securities, the Company periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Company monitors the market price for stocks with market values on quarterly basis.

#### (c) Monitoring of liquidity risk (the risk that the Companies may not be able to meet its obligations on scheduled due dates)

The Company prepares and updates its cash flow plans on a timely basis, and maintains the liquidity on hand to manage the liquidity risk.

#### ④ Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

## (2) Estimated fair value of financial instruments

Carrying value, estimated fair value, and unrealized gain (loss) of financial instruments on the consolidated financial balance sheets as March 31, 2011 are as follows. Financial instruments which it is extremely difficult to determine the fair value are not included (Please refer to Note 2 below.).

	Millions of yen		
	2011		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	¥28,179	¥28,179	¥ —
(2) Notes and accounts receivable-trade	20,554	20,554	—
(3) Investment securities	9,069	9,069	—
Assets total	57,802	57,802	—
(1) Notes and accounts payable-trade	15,607	15,607	—
(2) Short-term loans payable	4,753	4,753	—
(3) Lease obligations (short-term)	608	608	—
(4) Income taxes payable	289	289	—
(5) Bonds payable	12,000	12,040	40
(6) Long-term loans payable	19,411	19,478	67
(7) Lease obligations (long-term)	1,516	1,444	(72)
Liabilities total	54,184	54,219	35
Derivatives (Note)	10	10	—

	Millions of yen		
	2010		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	¥23,882	¥23,882	¥ —
(2) Notes and accounts receivable-trade	20,684	20,684	—
(3) Investment securities	9,429	9,429	—
Assets total	53,995	53,995	—
(1) Notes and accounts payable-trade	16,257	16,257	—
(2) Short-term loans payable	7,834	7,834	—
(3) Lease obligations (short-term)	447	447	—
(4) Income taxes payable	311	311	—
(5) Bonds payable	12,000	11,960	(40)
(6) Long-term loans payable	17,448	17,538	90
(7) Lease obligations (long-term)	1,469	1,331	(138)
Liabilities total	55,766	55,678	(88)
Derivatives (Note)	(37)	(37)	—

Thousands of U.S. dollars

	2011		
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	\$338,890	\$338,890	\$ —
(2) Notes and accounts receivable-trade	247,195	247,195	—
(3) Investment securities	109,069	109,069	—
Assets total	695,154	695,154	—
(1) Notes and accounts payable-trade	187,700	187,700	—
(2) Short-term loans payable	57,164	57,164	—
(3) Lease obligations (short-term)	7,316	7,316	—
(4) Income taxes payable	3,470	3,470	—
(5) Bonds payable	144,318	144,798	480
(6) Long-term loans payable	233,445	234,252	807
(7) Lease obligations (long-term)	18,232	17,362	(870)
Liabilities total	651,645	652,062	417
Derivatives (Note)	125	125	—

Note: The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Note 1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

### (Assets)

(1) Cash and deposits, (2) Notes and accounts receivable-trade  
Since these items are settled in a short period of time, their carrying value approximates fair value.

(3) Investment securities

The fair value of stocks held as other securities is based on quoted market prices. Information of marketable securities and investments classified by holding purpose are disclosed in "Marketable securities and investment securities"

### (Liabilities)

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Lease obligations (short-term), and (4) Income taxes payable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(5) Bonds payable, (7) Lease obligations (long-term)

The fair values of bonds payable and lease obligations are based on the present values of the total of principal and interest discounted by an interest rate determined, taking into account their remaining period, and credit risks of the Company itself.

(6) Long-term loans payable

The fair values of long-term loans payables are based on the present value of the total of principal and interest discounted by an interest rate determined, taking into account their remaining period, and credit risks of the Company itself. Since the deferral hedge accounting has been applied, the market value of interest swap contracts is included in fair value of the long-term loans payable with floating interest rate.

**(Derivatives)**

Disclosed in “Derivatives and hedging activities”

Note 2. Financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted stocks	¥903	¥894	\$10,855

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above “(3) Investment securities”.

Note 3. Redemption schedule for receivables

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2011</b>				
Cash and deposits	¥28,167	¥—	¥—	¥—
Notes and accounts receivable-trade	20,554	—	—	—
<b>Total</b>	<b>¥48,721</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2010</b>				
Cash and deposits	¥23,852	¥—	¥—	¥—
Notes and accounts receivable-trade	20,684	—	—	—
<b>Total</b>	<b>¥44,536</b>	<b>¥—</b>	<b>¥—</b>	<b>¥—</b>

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
<b>March 31, 2011</b>				
Cash and deposits	\$338,748	\$—	\$—	\$—
Notes and accounts receivable-trade	247,195	—	—	—
<b>Total</b>	<b>\$585,943</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>

Note 4. The redemption schedule for bonds payable, long-term loans payable, and lease obligations (long-term) at March 31, 2011 is as follows.

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds payable	¥—	¥ 9,600	¥ 2,400	¥—
Long-term loans payable	—	17,128	2,283	—
lease obligations (long-term)	—	1,502	14	—
<b>Total</b>	<b>¥—</b>	<b>¥28,230</b>	<b>¥ 4,697</b>	<b>¥—</b>

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds payable	\$—	\$115,454	\$28,864	\$—
Long-term loans payable	—	205,989	27,456	—
lease obligations (long-term)	—	18,059	173	—
<b>Total</b>	<b>\$—</b>	<b>\$339,502</b>	<b>\$56,493</b>	<b>\$—</b>

**7. Marketable securities and investment securities**

Carrying value, acquisition cost and unrealized gain (loss) of investment securities with fair value at March 31, 2011 and 2010 were as follows:

Other securities (stock)

	Millions of yen		
	2011	2010	2010
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	¥8,438	¥7,179	¥1,259
Other securities with carrying values not exceeding acquisition costs	631	772	(141)
<b>Total</b>	<b>¥9,069</b>	<b>¥7,951</b>	<b>¥1,118</b>

	Millions of yen		
	2011	2010	2010
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	¥8,838	¥7,268	¥1,570
Other securities with carrying values not exceeding acquisition costs	591	711	(120)
<b>Total</b>	<b>¥9,429</b>	<b>¥7,979</b>	<b>¥1,450</b>

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)
			2011
Other securities with carrying values exceeding acquisition costs	\$101,480	\$86,336	\$15,144
Other securities with carrying values not exceeding acquisition costs	7,589	9,291	(1,702)
<b>Total</b>	<b>\$109,069</b>	<b>\$95,627</b>	<b>\$13,442</b>

Unlisted stocks are not included in the above tables because there are no quoted market prices available and it is extremely difficult to determine the fair value.

Carrying value of securities without fair value as of March 31, 2011 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted stocks	¥89	¥99	\$1,074

Proceeds, gross realized gains and gross realized losses from the sales of other securities for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Proceeds	¥8	¥20	\$91
Gross realized gain (loss)	(3)	4	(42)

For the year ended March 31, 2011, the Companies recognized impairment loss for stocks in other securities by ¥117 million (\$1,411 thousand), and ¥168 million for the year ended March 31, 2011 and 2010, respectively.

## 8. Accumulated depreciation

The accumulated depreciation of property, plant and equipment is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Property, plant and equipment	¥73,977	¥73,830	\$889,681

## 9. Short-term borrowings and Long-term debt

Short-term borrowings and Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term borrowings from banks	¥ 339	¥ 3,702	\$ 4,075
Current portion of long-term debt	4,414	4,132	53,089
Current portion of lease obligations	608	447	7,316
Long-term debt	32,927	30,917	395,995
<b>Total</b>	<b>¥38,288</b>	<b>¥39,198</b>	<b>\$460,475</b>

The approximate weighted average interest rate of short-term borrowings from banks as of March 31, 2011 is 0.9%.

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Long-term loans from banks and other financial institutions	¥23,826	¥21,580	\$286,534
1.55% bonds due August 10, 2012	3,000	3,000	36,078
1.49% bonds due August 10, 2012	1,000	1,000	12,027
1.46% bonds due August 10, 2012	1,000	1,000	12,027
2.02% bonds due August 29, 2014	2,000	2,000	24,051
2.13% bonds due August 29, 2014	1,000	1,000	12,027
2.00% bonds due August 19, 2016	1,000	1,000	12,027
2.00% bonds due August 19, 2016	1,000	1,000	12,027
1.43% bonds due March 31, 2017	1,000	1,000	12,027
1.42% bonds due December 30, 2016	1,000	1,000	12,027
Lease obligations	2,124	1,916	25,548
	37,950	35,496	456,400
Less: Current portion	(5,023)	(4,579)	(60,405)
<b>Total</b>	<b>¥32,927</b>	<b>¥30,917</b>	<b>\$395,995</b>

The approximate weighted average interest rate of long-term loans from banks as of March 31, 2011 is 1.9%.

The aggregate annual maturity of long-term debt outstanding as of March 31, 2011 during the succeeding five-year period (except within one year) is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥10,693	\$128,599
2014	5,839	70,218
2015	8,528	102,562
2016	3,170	38,123

The Companies' assets pledged as collateral for short-term borrowings from banks of ¥66 million (\$794 thousand) as of March 31, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥1,750	\$21,055
Machinery, equipment and vehicles	106	1,272
Land	1,027	12,348
	¥2,883	\$34,675

## 10. Retirement plans and severance indemnities

The Company and its consolidated domestic subsidiaries have a funded pension program to cover the employees' retirement benefits. The amount of such retirement benefits is determined by reference to the latest rate of pay, length of service and conditions under which retirement occurs.

Some of the overseas subsidiaries provide defined contribution pension plans.

The reserve for retirement benefits as of March 31, 2011 and 2010 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement benefit obligations	¥(16,944)	¥(16,381)	\$(203,771)
Plan assets	3,353	3,163	40,318
	(13,591)	(13,218)	(163,453)
Unrecognized transition amount	2,475	3,087	29,763
Unrecognized prior service costs	(113)	(150)	(1,356)
Unrecognized actuarial differences	3,057	3,034	36,763
	(8,172)	(7,247)	(98,283)
Prepaid pension expenses	—	5	—
Net liability recognized in balance sheets	¥ (8,172)	¥ (7,252)	\$ (98,283)

Net pension expenses related to retirement benefits for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service costs	¥ 971	¥ 991	\$11,680
Interest costs	367	408	4,420
Expected return on plan assets	(63)	(101)	(758)
Amortization of net retirement benefit obligation at transition	619	617	7,441
Amortization of actuarial differences	359	292	4,322
Amortization of prior service costs	(37)	(38)	(448)
Payments for defined contribution pension plan	23	7	275
	¥2,239	¥2,176	\$26,932

Assumptions used in calculation of the above information were as follows:

	2011	2010
Discount rate	2.0-2.5%	2.0-2.5%
Expected rate of return on plan assets	2.0-2.5%	2.0-2.5%
Method of attributing the projected benefits to periods of service	straight-line basis	straight-line basis
Amortization of unrecognized prior service costs	13 years	13 years
Amortization of net retirement benefit obligation at transition	15 years	15 years
Amortization of unrecognized actuarial differences	13 years	13 years

## 11. Contingent liabilities

The Companies were contingently liable for guarantees of loans borrowed by its employees as of March 31, 2011 and 2010 as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Housing loans of employees	¥179	¥209	\$2,149

## 12. Income taxes

At March 31, 2011 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Deferred tax assets:</b>			
Provision for retirement benefits	¥3,320	¥2,946	\$39,925
Loss carried forward for tax purposes	2,672	4,066	32,130
Depreciation and amortization	546	512	6,566
Provision for bonuses	237	203	2,850
Loss on valuation of inventories	335	361	4,025
Impairment loss	210	365	2,532
Allowance for doubtful accounts	11	156	136
Lease rental expenses	123	172	1,481
Provision for directors' retirement benefits	13	28	153
Other	1,145	1,137	13,781
Subtotal of deferred tax assets	8,612	9,946	103,579
Less valuation allowance	(6,965)	(8,355)	(83,766)
Total of deferred tax assets	1,647	1,591	19,813
<b>Deferred tax liabilities:</b>			
Valuation difference on available-for-sale securities	(448)	(571)	(5,387)
Asset retirement obligations	(6)	—	(76)
Reserve for special depreciation	—	(1)	—
Total of deferred tax liabilities	(454)	(572)	(5,463)
Net deferred tax assets	¥1,193	¥1,019	\$14,350

The reconciliation between the effective tax rates reflected in the Consolidated Statements of Operations and Comprehensive Income and the statutory tax rate for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory tax rate	40.7%	40.7%
Effect of:		
Non-deductible items such as entertainment, dividend received	(3.2)	11.6
Increase (decrease) in valuation allowance	(21.6)	78.3
Different tax rate applied to overseas consolidated subsidiaries	(6.2)	(13.1)
Others	7.6	(1.8)
Effective tax rate	17.3%	115.7%

## 13. Major items in selling, general and administrative expenses

Major items in selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Freight and transportation	¥2,313	¥1,924	\$27,813
Employees' salaries and wages	2,203	2,164	26,493
Provision for bonuses	102	82	1,231
Net pension expenses related to retirement benefits	332	314	3,997
Provision for accrued directors' retirement benefits	8	10	101
Research and development expenses	2,080	1,939	25,020

## 14. Research and development expenses

Research and development expenses charged to income for the years ended March 31, 2011 and 2010 were ¥4,166 million (\$50,100 thousand) and ¥3,469 million, respectively.

## 15. Business structure improvement expenses

Major items in business structure improvement expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Special severance payments	¥—	¥1,355	\$—
Office and factory transfer expenses	—	148	—
Other	—	67	—

## 16. Loss on disaster

Major items included in loss on disaster for the year ended March 31, 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2011	2011
Fixed expenses for idled factories	¥63		\$756
Restoration expenses	47		558
Other	19		232

## 17. Impairment loss

For the year ended March 31, 2010, the Companies recognized impairment loss about following assets group.

### (Summary of asset groups which recognized impairment loss)

Use	Type of assets	Location	Millions of Yen	Thousands of U.S. dollars
Manufacturing equipment of "Device" product	Buildings and structures	Yurihonjoshi Akita-ken	¥107	\$1,150
Manufacturing equipment of "Equipment" product	Buildings and structures etc.	Hanno-shi Saitama-ken etc.	371	3,990
Rental properties	Buildings and structures	Kofu-shi Yamanashi-ken	58	626
Idle assets	Land	Katsuura-shi Chiba-ken	18	191

### (Recognition of the impairment loss)

For the year ended March 31, 2010, the carrying amounts of manufacturing equipment of "Device" product, manufacturing equipment of "Equipment" product, and rental properties were reduced to the recoverable amount, due to the significant decline of the profitability of the assets group. The carrying amount of idle assets was reduced to the recoverable amount, due to the significant decline of the fair value. As a result, the Company recognized the impairment loss. The detail of the impairment loss is as follows:

Type of assets	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥349	\$3,754
Machinery, equipment and vehicles	103	1,103
Land	18	191
Other	84	909
<b>Total</b>	<b>¥554</b>	<b>\$5,957</b>

### (Assets grouping)

The assets grouping was based on the management accounting classification, taking into account the cash flow interaction from the similarity of manufacturing processes.

### (Calculation of recoverable amount)

The recoverable amounts of the Manufacturing equipment of "Device" product, "Equipment" product and rental properties were measured at net realizable values primarily calculated in accordance with "Japanese Real Estate Appraisal Standards". The recoverable amount of the idle assets was measured at net realizable value and the fair values calculated in accordance with "Japanese Real Estate Appraisal Standards".

## 18. Derivatives and hedging activities

Outstanding forward currency exchange and currency option contracts at March 31, 2011 and 2010 are shown below, except for transactions using hedge accounting.

Millions of yen			
At March 31, 2011	Notional principal amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
U.S. dollars	¥414	¥ (2)	¥ (2)
Indonesia rupiah	866	12	12

Millions of yen			
At March 31, 2010	Notional principal amount	Fair value	Unrealized (loss)
Forward currency exchange contracts:			
Sell			
U.S. dollars	¥547	¥(12)	¥(12)
Indonesia rupiah	558	(25)	(25)

Thousands of U.S. dollars			
At March 31, 2011	Notional principal amount	Fair value	Unrealized gain (loss)
Forward currency exchange contracts:			
Sell			
U.S. dollars	\$ 4,982	\$ (17)	\$ (17)
Indonesia rupiah	10,421	142	142

### Calculation of fair value

- Forward currency exchange contracts
  - ....Forward foreign exchange rate
- Currency option contracts
  - ....Prices quoted by financial institutions

Interest swap contracts using hedge accounting at March 31, 2011 are shown below.

Millions of yen			
At March 31, 2011	Notional amount	Maturing after one year	Fair value
Interest swap contracts:			
Receive floating and pay fixed:			
Long-term loans payable	¥11,331	¥9,010	¥— (Note)

Thousands of U.S. dollars

At March 31, 2011	Notional amount	Maturing after one year	Fair value
Interest swap contracts:			
Receive / floating and pay / fixed:			
Long-term loans payable	\$136,272	\$108,358	\$— (Note)

Note: The market value of interest swap contracts is included in fair value of the Long-term loans payable due to the application of the deferral hedge accounting.

## 19. Leases

### (Finance lease transactions which do not transfer ownership of the assets)

The leased tangible assets were principally research and development equipment (machinery), and the leased intangible asset was software.

Depreciation of leased assets is calculated as disclosed in Note 2(5). Finance lease transactions executed on or before March 31, 2008 that do not involve a transfer of ownership are accounted for using the same method as operating leases. Certain key information on such lease transactions of the Companies as a lessee for the years ended March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease rental expenses for the year	¥202	¥ 334	\$2,431
The scheduled maturities of future lease rental payments:			
Due within one year	¥79	¥ 198	\$ 954
Due over one year	49	130	586
	¥128	¥ 328	\$1,540
Leased assets:			
Assumed purchase cost	¥503	¥1,008	\$6,050
Assumed accumulated depreciation	382	(694)	4,596
Assumed net book value	¥121	¥ 314	\$1,454
Depreciation and amortization	¥188	¥ 312	\$2,257
Interest expenses	8	19	93

Leased property is depreciated over the lease term by the straight-line method with no residual value. Excess of total lease payments over the assumed acquisition costs is regarded as assumed interest payable and is allocated to each period using the interest method.

## 20. Segment Information

### (1) Reportable segment overview

The Company's reportable operating segments are components of an entity for which separate financial information is available, and they are evaluated regularly by the board of directors in determining the allocation of management resources and in assessing performance.

The Shindengen Group formulates comprehensive domestic and overseas strategies for the products that its business divisions provide.

The Shindengen Group's business is organized into three reportable segments—Device business, Module business and System business—which form the base of its business divisions.

The Device business manufactures diodes, thyristors, MOSFET and high-withstand voltage power ICs. The Module business manufactures automotive electronics components, inverters and DC/DC converters. The System business manufactures rectifiers for information communication and switching power supplies for information and industrial equipment.

### (2) Method of calculating sales, income (loss), identifiable assets/liabilities and other items by reportable segment

The accounting method for business segments reported is based on the same method applied to consolidated financial statements. Income by reportable segment is the amount based on operating income. In addition, inter-segment sales and transfers are primarily based on market prices or manufacturing costs.

### (3) Net sales and profit or loss and assets by reportable segment

	Millions of yen						
For the year ended March 31, 2011	Device business	Module business	System business	Other (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
Sales:							
Outside customers	¥35,208	¥31,924	¥15,012	¥5,187	¥87,331	¥ —	¥ 87,331
Inter-segment	3,854	74	—	—	3,928	(3,928)	—
Total	39,062	31,998	15,012	5,187	91,259	(3,928)	87,331
Segment income	5,764	2,076	1,330	485	9,655	(2,330)	7,325
Segment assets	32,607	17,159	9,160	3,012	61,938	41,398	103,336
Depreciation and amortization	2,485	977	206	87	3,755	421	4,176
Increase in property, plant and equipment and intangible assets	2,104	675	110	214	3,103	862	3,965

	Thousands of U.S. dollars						
For the year ended March 31, 2011	Device business	Module business	System business	Other (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
Sales:							
Outside customers	\$423,430	\$383,926	\$180,541	\$62,379	\$1,050,276	\$ —	\$1,050,276
Inter-segment	46,346	900	—	—	47,246	(47,246)	—
Total	469,776	384,826	180,541	62,379	1,097,522	(47,246)	1,050,276
Segment income	69,318	24,964	15,999	5,838	116,119	(28,023)	88,096
Segment assets	392,154	206,366	110,158	36,221	744,899	497,868	1,242,767
Depreciation and amortization	29,884	11,742	2,480	1,045	45,151	5,066	50,217
Increase in property, plant and equipment and intangible assets	25,303	8,117	1,322	2,576	37,318	10,369	47,687

Notes: 1. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.

2. Details of adjustments are below:

- (1) Segment loss totaling ¥2,330 million (\$28,023 thousand) posted under "Adjustments" includes "Common expenses" that have not been allocated to the reportable segments. "Common expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
- (2) Segment assets totaling ¥41,398 million (\$497,868 thousand) posted under "Adjustments" comprise corporate assets of ¥41,658 million (\$500,998 thousand) not allocated to the reportable segments and other adjustments of ¥ (260) million (\$ (3,130) thousand).
- (3) Depreciation and amortization totaling ¥421 million (\$5,066 thousand) posted under "Adjustments" mainly comprises corporate expenses not attributable to the reportable segments.
- (4) The increase in property, plant and equipment and intangible assets amounting to ¥862 million (\$10,369 thousand) posted under "Adjustments" mainly comprises corporate assets not attributable to the reportable segments.

3. Segment income is adjusted to the operating income stated on the Consolidated Statement of Operations and Comprehensive Income for the year ended March 31, 2011.

	Millions of yen						
For the year ended March 31, 2010	Device business	Module business	System business	Other (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
<b>Sales:</b>							
Outside customers	¥31,535	¥28,212	¥13,431	¥4,757	¥77,935	¥ —	¥77,935
Inter-segment	3,541	66	—	—	3,607	(3,607)	—
<b>Total</b>	<b>35,076</b>	<b>28,278</b>	<b>13,431</b>	<b>4,757</b>	<b>81,542</b>	<b>(3,607)</b>	<b>77,935</b>
Segment income	4,225	2,164	825	342	7,556	(1,993)	5,563
Segment assets	32,650	14,844	10,764	2,858	61,116	36,850	97,966
Depreciation and amortization	2,881	782	410	119	4,192	448	4,640
Impairment loss	107	—	371	—	478	76	554
Increase in property, plant and equipment and intangible assets	1,205	390	134	107	1,836	1,063	2,899

Notes: 1. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.

2. Details of adjustments are below:

- (1) Segment loss totaling ¥1,993 million posted under "Adjustments" includes "Common expenses" that have not been allocated to the reportable segments. "Common expenses" are primarily general and administrative expenses that cannot be attributed to any reportable segments.
  - (2) Segment assets totaling ¥36,850 million posted under "Adjustments" comprise corporate assets of ¥37,129 million not allocated to the reportable segments and other adjustments of ¥(279) million.
  - (3) Depreciation and amortization totaling ¥448 million posted under "Adjustments" mainly comprises corporate expenses not attributable to the reportable segments.
  - (4) Impairment loss totaling ¥76 million posted under "Adjustments" mainly comprises corporate assets not attributable to the reportable segments.
  - (5) The increase in property, plant and equipment and intangible assets amounting to ¥1,063 million posted under "Adjustments" mainly comprises corporate assets not attributable to the reportable segments.
3. Segment income is adjusted to the operating income stated on the Consolidated Statement of Operations and Comprehensive Income for the year ended March 31, 2010.

## (Related Information)

### (1) Information by finished product and service

The appropriate information is identical to data disclosed under "Segment Information." Accordingly, this information has been omitted.

### (2) Information by geographic segment

#### (a) Net sales

For the year ended March 31, 2011

Millions of yen			
Japan	Asia	Other area	Total
¥47,307	¥35,346	¥4,678	¥87,331

Thousands of U.S. dollars			
Japan	Asia	Other area	Total
\$568,938	\$425,082	\$56,256	\$1,050,276

Note: Net sales are based on the location of customers classified according to country or region.

### (b) Tangible fixed assets

Millions of yen			
Japan	Asia	Other area	Total
¥19,591	¥2,954	¥5	¥22,550

Thousands of U.S. dollars			
Japan	Asia	Other area	Total
\$235,616	\$35,528	\$55	\$271,199

### (3) Information by major customer

There were no customers that accounted for 10% or more of total net sales recorded in consolidated statements of operations and comprehensive income included in net sales to outside customers. Accordingly, this information has been omitted.

### (Additional Information)

Effective from the year ended March 31, 2011, the Companies have adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the Accounting Standards Board of Japan, Statement No. 17, issued March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the Accounting Standards Board of Japan, Guidance No. 20, issued March 21, 2008).

## 21. Consolidated statements in Changes in Net assets

### (1) Categories and numbers of stock issued

For the year ended March 31, 2011	Number of shares at beginning of the year (Thousands of shares)	Increase in numbers of shares (Thousands of shares)	Decrease in numbers of shares (Thousands of shares)	Number of shares at end of the year (Thousands of shares)
(Shares issued)				
Common stock	103,389	—	—	103,389
Class A preferred shares	11,362	—	—	11,362
Total	114,751	—	—	114,751

For the year ended March 31, 2010	Number of shares at beginning of the year (Thousands of shares)	Increase in numbers of shares (Thousands of shares)	Decrease in numbers of shares (Thousands of shares)	Number of shares at end of the year (Thousands of shares)
(Shares issued)				
Common stock (Note 1)	87,028	16,361	—	103,389
Class A preferred shares (Note 2)	—	11,362	—	11,362
Total	87,028	27,723	—	114,751

Note 1: Increase of common stock is due to allocation of new shares to third parties.

Note 2: Increase of Class A preferred shares is due to allocation of new Class A preferred shares to third parties.

### (2) Categories and numbers of treasury stock

For the year ended March 31, 2011	Number of shares at beginning of the year (Thousands of shares)	Increase in numbers of shares (Thousands of shares)	Decrease in numbers of shares (Thousands of shares)	Number of shares at end of the year (Thousands of shares)
(Shares of treasury stock)				
Common stock	315	12	1	326
Total	315	12	1	326

For the year ended March 31, 2010	Number of shares at beginning of the year (Thousands of shares)	Increase in numbers of shares (Thousands of shares)	Decrease in numbers of shares (Thousands of shares)	Number of shares at end of the year (Thousands of shares)
(Shares of treasury stock)				
Common stock	305	12	2	315
Total	305	12	2	315

### (3) Dividends

#### (a) Dividends paid for the year ended March 31, 2011

Resolution	Share class	Cash dividends paid	Cash dividends per share	Term end	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2010	Class A preferred shares	¥74 million	¥6.498	March 31, 2010	June 30, 2010

#### (b) Dividends paid for the year ended March 31, 2010

None

**(c) Dividends with the cut-off date in the year ended March 31, 2011 and the effective date in the year ending March 31, 2011**

Resolution	Share class	Cash dividends paid	Cash dividends per share	Term end	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2011	Common stock	¥ 258 million	¥ 2.5	March 31, 2011	June 30, 2011
Ordinary general meeting of shareholders on June 29, 2011	Class A preferred shares	¥ 175 million	¥ 15.4	March 31, 2011	June 30, 2011

**(d) Dividends with the cut-off date in the year ended March 31, 2010 and the effective date in the year ending March 31, 2010**

Resolution	Share class	Cash dividends paid	Cash dividends per share	Term end	Dividend effective date
Ordinary general meeting of shareholders on June 29, 2010	Class A preferred shares	¥ 74 million	¥ 6.498	March 31, 2010	June 30, 2010

**22. Net income per share**

Calculation of net income (loss) per share for the years ended March 31, 2011 and 2010 was as follows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net income (loss)	¥ 4,576	¥ (444)	\$55,028
Amounts not attributable to common stock	175	—	2,104
Net income attributable to common stock	4,401	(444)	52,924
Weighted average number of ordinary shares (thousands)	103,069	95,144	

Diluted net income per share was not calculated herein since the Company had no securities, such as convertible bonds or warrants.



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Fax: +81 3 3503 1197

## Report of Independent Auditors

The Board of Directors  
Shindengen Electric Manufacturing Co., Ltd.

We have audited the accompanying consolidated balance sheets of Shindengen Electric Manufacturing Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, 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 Shindengen Electric Manufacturing Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, 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, 2011 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.

*Ernst & Young ShinNihon LLC*

June 29, 2011

A member firm of Ernst & Young Global Limited

## CORPORATE DATA

**Company Name:** Shindengen Electric Manufacturing Co., Ltd.  
**Established:** August 16, 1949  
**Capital:** ¥17,823,148,008 (As of March 31, 2011)  
**Number of Employees:** 5,790 (Consolidated basis)  
 1,072 (Nonconsolidated basis)  
 (As of March 31, 2011)

## STOCK INFORMATION

**Stock Exchange Listing:**  
 June 2, 1958 (Tokyo Stock Exchange, First Section)

**Security Code:** 6844

**Total Number of Issued Shares:**  
 103,388,848 (As of March 31, 2011)

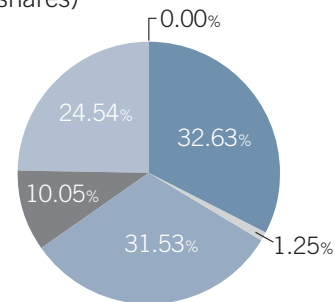
**Ordinary General Meeting of Shareholders:** June

**Accounting Auditors:**  
 Ernst & Young ShinNihon LLC

**Number of Shareholders:**  
 7,409 (As of March 31, 2011)

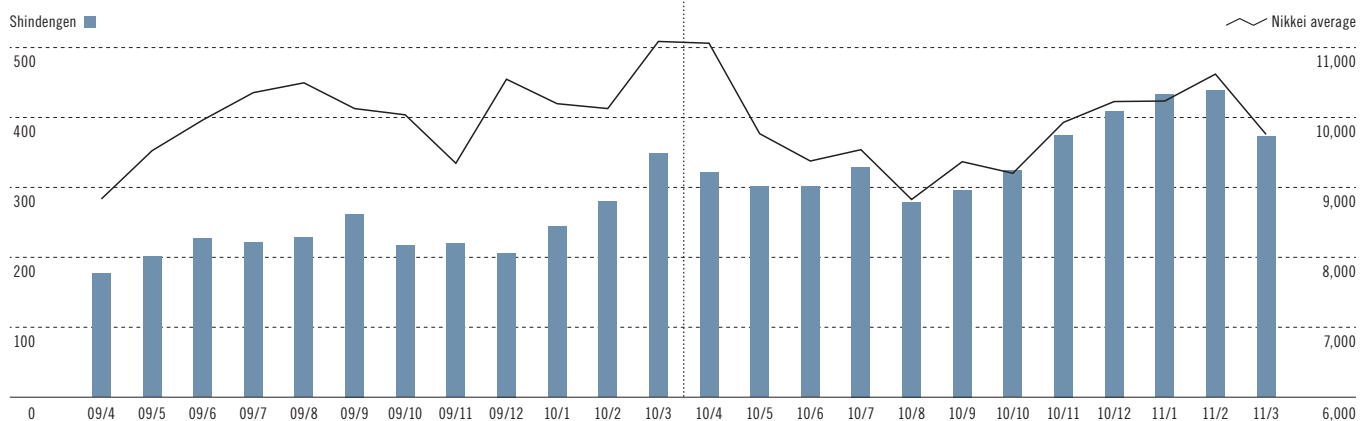
## SHAREHOLDER COMPOSITION

(Number of shares)

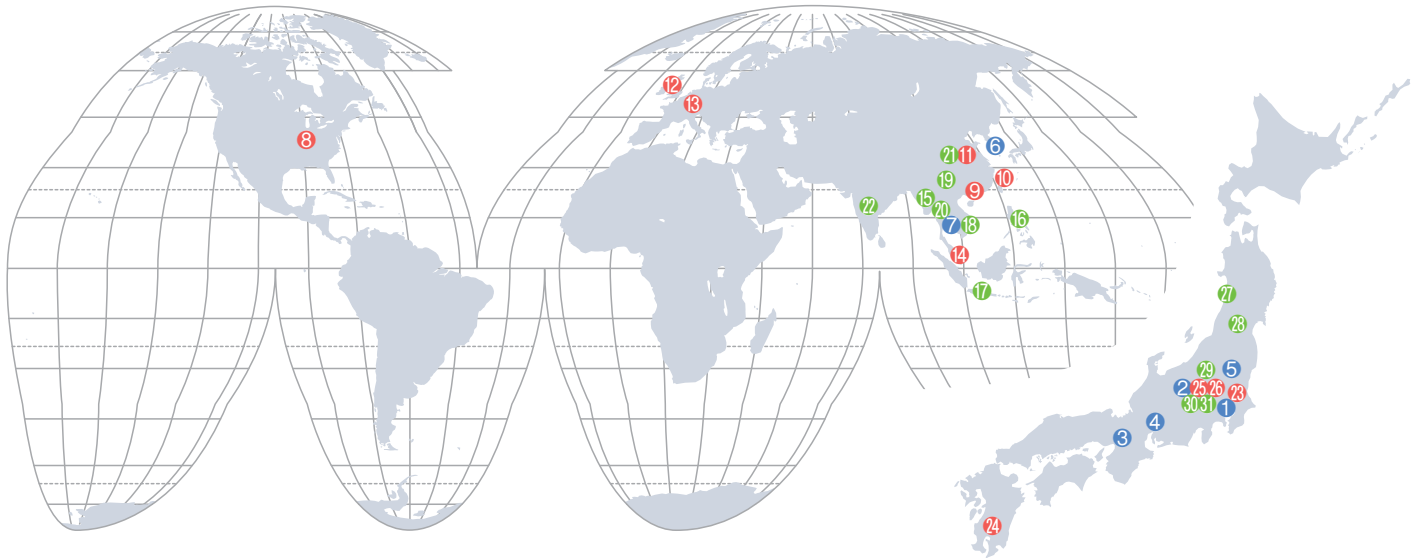


□ National and local governments .....	0.00%
■ Financial institutions .....	32.63%
■ Securities companies .....	1.25%
■ Japanese corporations .....	31.53%
■ Foreign investors .....	10.05%
■ Individuals .....	24.54%

## COMMON STOCK PRICE RANGE (Yen)



## NETWORK



### SHINDENGEN ELECTRIC MANUFACTURING CO., LTD.

- 1. Head Office:**  
New-Ohtemachi Bldg., 2-1,  
Ohtemachi 2-chome, Chiyoda-ku,  
Tokyo 100-0004, Japan  
Phone: +81-3-3279-4431
- 2. Hanno R&D Center:**  
10-13, Minamicho, Hanno City,  
Saitama 357-8585, Japan  
Phone: +81-42-973-3111
- 3. Osaka Branch Office:**  
Minami Senba Heart Bldg., 3-2,  
Minami Senba, 2-chome, Chuo-ku,  
Osaka City, Osaka 542-0081, Japan  
Phone: +81-6-6264-7770
- 4. Nagoya Branch Office:**  
Nagoya Daiichi Bldg., 19-24,  
Nishiki 1-chome, Naka-ku,  
Nagoya City, Aichi 460-0003, Japan  
Phone: +81-52-221-1361
- 5. Utsunomiya Office:**  
Aoki Bldg., 2-10-19, Yadogou  
Utsunomiya City,  
Tochigi 321-0945, Japan  
Phone: +81-28-637-3615
- 6. Seoul Office:**  
#2507 Trade Tower, World Trade Center,  
159-1, Samsung-Dong, Kangnam-ku,  
Seoul, Korea  
Phone: +82-2-551-1431
- 7. Bangkok Office:**  
THE RESIDENCE Room 18D, 92  
Sukhamvit Soi24, Klongtan  
Klongtoey, Bangkok 10110, Thailand  
Phone: +66-87-911-7773

### SUBSIDIARIES & AFFILIATES Overseas

#### Sales and Service

- Shindengen America, Inc.**  
(Share ownership: 100%)
- 8. Head Office (Chicago)**  
Phone: +1-847-444-1363
- Shindengen (H.K.) Co., Ltd.**  
(Share ownership: 100%)
- 9. Head Office (Hong Kong)**  
Phone: +852-2317-1884
- 10. Taiwan Representative Office**  
Phone: +886-2-2321-3990
- 11. Shanghai Liaison Office**  
Phone: +86-21-6270-8000
- Shindengen UK Ltd.**  
(Share ownership: 100%)
- 12. Head Office**  
Phone: +44-1707-252550
- 13. German Branch**  
Phone: +49-211-4919680
- 14. Shindengen Singapore Pte Ltd.**  
(Share ownership: 100%)  
Phone: +65-6445-0082

#### Manufacturing

- 15. Lumpun Shindengen Co., Ltd.**  
(Share ownership: 100%)
- 16. Shindengen Philippines Corp.**  
(Share ownership: 100%)
- 17. PT. Shindengen Indonesia**  
(Share ownership: 100%)
- 18. Shindengen Vietnam Co., Ltd.**  
(Share ownership: 100%)
- 19. Guangzhou Shindengen Electronic Co., Ltd.**  
(Share ownership: 100%)

- 20. Shindengen (Thailand) Co., Ltd.**  
(Share ownership: 100%)
- 21. Shindengen (Shanghai) Electric Co., Ltd.**  
(Share ownership: 100%)
- 22. Napino Auto & Electronics Ltd.**  
(Share ownership: 22.57%)

#### Japan

##### Sales and Service

- 23. Shindengen Device Commerce Co., Ltd.**  
(Share ownership: 100%)  
Phone: +81-3-3256-8881
- 24. Shindengen Kumamoto Techno Research Co., Ltd.**  
(Share ownership: 100%)  
Phone: +81-96-337-5200
- 25. Shindengen Enterprise Co., Ltd.**  
(Share ownership: 100%)  
Phone: +81-42-974-5721
- 26. Shindengen Logistic Co., Ltd.**  
(Share ownership: 100%)  
Phone: +81-42-971-1025

##### Manufacturing and R&D

- 27. Akita Shindengen Co., Ltd.**  
(Share ownership: 100%)
- 28. Higashine Shindengen Co., Ltd.**  
(Share ownership: 100%)
- 29. Okabe Shindengen Co., Ltd.**  
(Share ownership: 100%)
- 30. Shindengen Three E Co., Ltd.**  
(Share ownership: 100%)
- 31. Shindengen Mechatronics Co., Ltd.**  
(Share ownership: 60.00%)

