



**Realize a low-carbon society  
by developing and  
providing eco-friendly products**

**Annual Report 2012**

Year Ended March 31, 2012

SHINDENGEN ELECTRIC MANUFACTURING CO., LTD.

# Management Philosophy

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To be a company that grows in harmony with society, customers and employees, we will:

- **Contribute to social development and human prosperity**
- **Earn customer trust through unrelenting quality improvement**
- **Ensure the physical and mental well-being of our employees**

# Corporate Mission

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**Maximizing energy conversion efficiency for the benefit of humanity and society**

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### 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.

## Profile

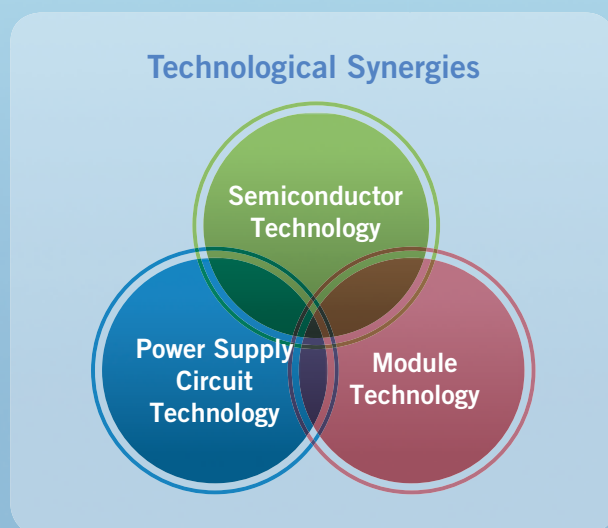
Shindengen Electric Manufacturing Co., Ltd. is a specialized power electronics manufacturer engaging in the development, production and sale of semiconductors, car electronics and power system products. In fiscal 2011 (April 1, 2011–March 31, 2012), Shindengen recorded a profit for the second consecutive year with consolidated net sales of ¥82,562 million and net income of ¥1,503 million. In fiscal 2011, Shindengen's overseas sales reached 45%, thanks to the growth of mobility markets primarily in Asia. To expand in the coming years, we will concentrate on the new energy field, comprising photovoltaic generation and energy storage, in addition to the mobility market.

## Shindengen's Strengths

Shindengen strives to fulfill its corporate mission of “maximizing energy conversion efficiency for the benefit of humanity and society.” To realize this mission, we continuously pursue the development of our unique technological capabilities.

Shindengen boasts advanced technologies in three core areas: semiconductors, power supply circuits and modules. Through the integration of these technologies, we are able to produce a wide variety of products that meet customer needs. Looking ahead, Shindengen will promote the further development of modules, which are the key to manufacturing semiconductors in-house. The realization of this aim will enhance the added value of Shindengen products while boosting our market position and competitiveness.

We will contribute to society through the pursuit of our corporate mission while improving Shindengen's technological capabilities to produce highly profitable products.

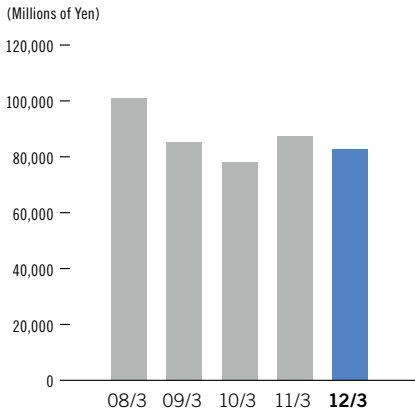


# Financial Highlights

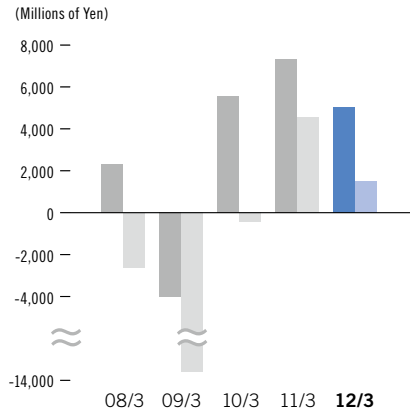
Shindengen Electric Manufacturing Co., Ltd. and its Subsidiaries  
(Years ended March 31)

	Millions of Yen (except per share information and financial ratios)					Thousands of U.S. Dollars (except per share information)	
	2008	2009	2010	2011	2012	2012	
<b>For the Year:</b>							
Net sales	¥100,827	¥85,239	¥77,935	¥87,331	<b>¥82,562</b>	<b>\$1,005,134</b>	
Operating income (loss)	2,288	(4,036)	5,563	7,325	<b>5,023</b>	<b>61,153</b>	
Income (loss) before income taxes and minority interests	(1,648)	(9,053)	2,389	5,645	<b>2,606</b>	<b>31,724</b>	
Net income (loss)	(2,628)	(13,272)	(444)	4,576	<b>1,503</b>	<b>18,295</b>	
R&D expenses	4,366	4,544	3,469	4,166	<b>4,177</b>	<b>50,855</b>	
Capital expenditures	4,458	5,592	2,899	3,965	<b>3,764</b>	<b>45,829</b>	
Depreciation and amortization	5,878	5,121	4,640	4,176	<b>4,356</b>	<b>53,026</b>	
<b>At Year-end:</b>							
Total assets	105,408	90,621	97,966	103,336	<b>111,921</b>	<b>1,362,559</b>	
Net assets	40,646	23,764	31,830	35,714	<b>34,542</b>	<b>420,520</b>	
Interest-bearing debt	29,227	40,039	39,198	38,288	<b>45,024</b>	<b>548,139</b>	
<b>Per Share Information:</b>							
Net income (Yen and U.S. dollars)	(30.27)	(152.99)	(4.66)	42.70	<b>13.73</b>	<b>0.17</b>	
Net assets (Yen and U.S. dollars)	464.48	269.71	279.60	316.06	<b>322.20</b>	<b>3.92</b>	
Cash dividends (Yen and U.S. dollars)	7.00	3.50	—	2.50	<b>3.50</b>	<b>0.04</b>	
<b>Cash Flows:</b>							
Net cash provided by (used in) operating activities	3,958	(821)	7,122	9,444	<b>6,533</b>	<b>79,535</b>	
Net cash used in investing activities	(5,570)	(1,430)	(2,145)	(3,022)	<b>(3,947)</b>	<b>(48,057)</b>	
Free cash flows	(1,612)	(2,251)	4,977	6,422	<b>2,586</b>	<b>31,478</b>	
Net cash provided by (used in) financing activities	358	8,586	4,498	(1,585)	<b>4,642</b>	<b>56,525</b>	
<b>Financial Ratios:</b>							
Operating income margin (%)	2.3	(4.7)	7.1	8.4	<b>6.1</b>		
Return on equity (%)	(6.1)	(41.7)	(1.6)	13.7	<b>4.3</b>		
Equity ratio (%)	38.2	25.8	32.0	34.1	<b>30.9</b>		

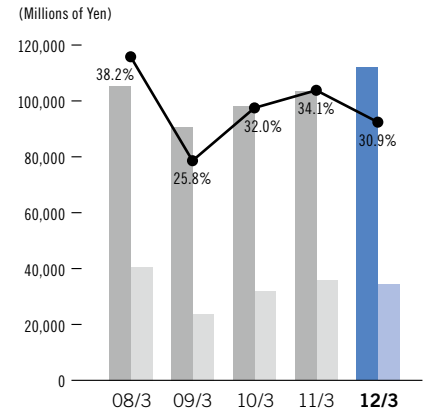
### Net Sales



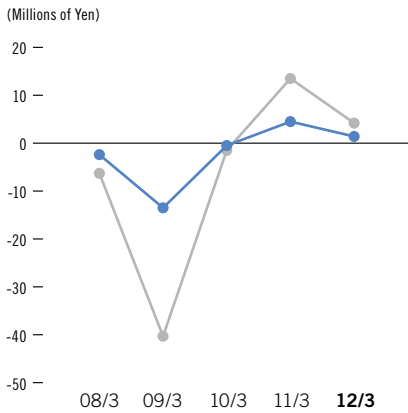
### Operating Income (Loss) Net Income (Loss)



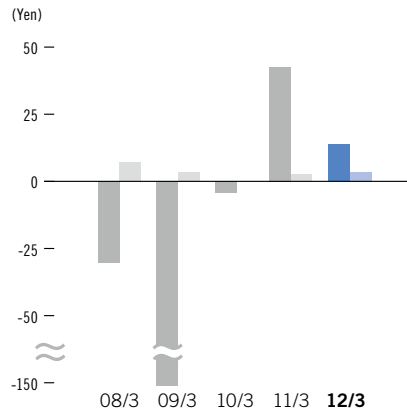
### Total Assets Net Assets Equity Ratio



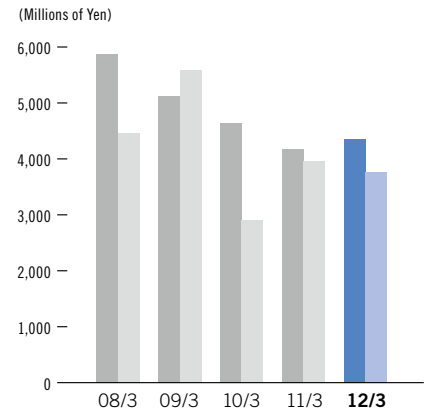
### Return on Assets Return on Equity



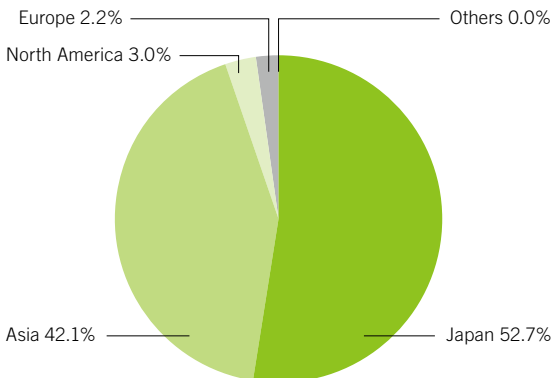
### Net Income (Loss) Per Share Cash Dividends Per Share



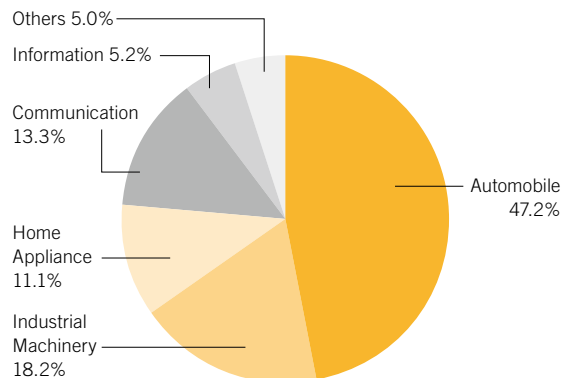
### Depreciation and Amortization Capital Expenditures



### Breakdown of Domestic and Overseas Sales



### Breakdown of Sales by Market



# 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.

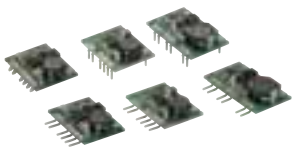
### Homes (Gas Cogeneration)

ECUs (Engine Control Unit)



### Factories

DC-DC Converters  
AC/DC Power Supplies



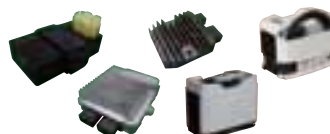
### Broadcasting Stations

AC/DC Power Supplies  
Boost Converters



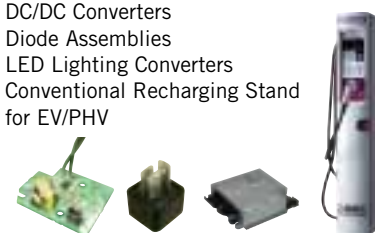
### Motorcycles

Regulators/Rectifiers  
DC CDIs, Idle Reduction ECUs  
Rapid Battery Chargers  
Normal Battery Chargers



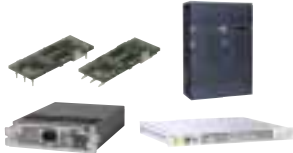
### Automobiles

DC/DC Converters  
Diode Assemblies  
LED Lighting Converters  
Conventional Recharging Stand for EV/PHV



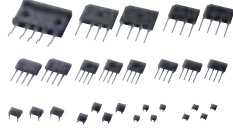
### Data Centers/ Communication Stations

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



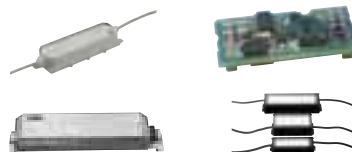
### Photovoltaic Generation/Storage

Power Conditioners  
Power Supplies for PV Generator Panels  
Deposition Equipment



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

Power Supplies for LED Lighting



## President's Message



The prolonged strength of the yen and natural disasters, have seriously impacted operating conditions, both in Japan and overseas.

To overcome these difficulties, we aim to offer ever greater corporate value by realizing the potential of “modules” as we expand into such areas as eco-friendly vehicles and photovoltaic generation.

The operating environment during fiscal 2011 (April 1, 2011 – March 31, 2012) was sluggish overall despite partial growth in Asian motorcycle markets. Looking back, fiscal 2011 was a very difficult year for Shindengen.

The Great East Japan Earthquake had a major impact on the investment climate in the domestic communications market. In addition, the environment in which the Group operates showed absolutely no improvement due to such factors as the global recession, the European financial crisis and the persistently strong yen. Amid these difficulties, we found ourselves in dire straits due to damage incurred from flooding in Thailand.

Nevertheless, robust performance in the mobility market, which includes vehicles, was driven by growth in Asian motorcycle markets while the new energy market (encompassing power conditioners used in photovoltaic generations) showed signs of picking up. As a result, we were able to record a profit in these markets, which is one reason for our expectations of these markets in the years ahead.

### Shindengen's Performance

Shindengen sustained a major reduction in earnings due to a decrease in revenue,

MASATO MORIKAWA  
President

### damage sustained from flooding in Thailand and the impact of exchange rate fluctuations.

Net sales in fiscal 2011 fell 5.5% year on year to ¥82,562 million.

In contrast to strong performance in the mobility market, demand for electronics components dropped primarily in the digital consumer electronics and industrial machinery markets. Along with the aforementioned lack of recovery in the domestic communications market, these factors led to a decline in revenue. The growth of the Asian motorcycle market, however, exceeded expectations. This was a major factor in stemming the revenue decrease in light of the numerous challenges we confronted elsewhere. Looking at each segment, although the Power Module segment experienced higher revenue, every other segment recorded overall decline. Turning to profits, we posted net income in fiscal 2011, despite a decrease in earnings. This was reminiscent of the previous fiscal year, which marked the first time in four years that the Company recorded net income.

In the fiscal year under review, the significant impact of lower revenues was coupled with the loss of approximately ¥1 billion due to the strong yen. Moreover, production and other facilities of our consolidated subsidiary Shindengen (Thailand) Co., Ltd. (located in Nava Nakorn Industrial Promotion Zone, Pathumthani Province) sustained severe flood damage, forcing a suspension of operations. This subsidiary engages in the manufacture and sale of motorcycle products as well as the production of semiconductors. Suspension of operations had the potential to create serious supply-chain disruptions for customers. This, we could not allow. Shindengen made the uninter-

rupted supply of these products top priority. Consequently, we undertook alternate production within the Group, beginning with our production facility in Vietnam, which began full operations in October 2011. In addition, we commenced production at rental facilities in Thailand in February 2012. These alternate production measures continued until the end of March 2012.

Although we were able to maintain continuous supplies thanks to these initiatives, the increased costs incurred in the process decreased earnings by approximately ¥800 million. As a result, operating income in fiscal 2011 fell 31.4 % to ¥5,023 million compared with the previous fiscal year.

Net income plummeted 67.2% year on year to ¥1,503 million due to a loss on disposal of property, plant and equipment accompanying the above-mentioned flood damage in Thailand.

It is a shame that our performance, which had been firm, dropped because of the cumulative effect of unforeseen natural disasters. In the face of adversity, we will not fold. We will steadily move forward to restore performance.

### Second Year Status: 12th Medium Term Business Plan

#### Market fluctuations, natural disasters and other factors slowed the progress of the business plan.

The shift from management reorganization to growth strategies made possible by the 12th Medium Term Business Plan (fiscal 2010–fiscal 2012) is expected to play a useful role in our leap forward as outlined in the next medium term business plan. Transforming environmental businesses into a core aspect of Shindengen's opera-

tions and developing a business structure geared towards emerging markets are key pillars of our growth strategy. The initial plan involved solidifying our business foundation during fiscal 2011 while fiscal 2012 had been positioned as the year to reach our targets. However, these plans have been delayed by unforeseen natural disasters, namely the Great East Japan Earthquake and flooding in Thailand, along with global economic stagnation and the persistently high yen.

In the mobility area, the Company's core market, the motorcycle market is expected to continue growing despite adjustments currently taking place in certain regions. At the same time, since several years of development are required before we can secure profitability in the four-wheel vehicle market, the funding of development activities is necessary not only for the duration of the current medium term business plan, but also well into the future.

In the new energy area, Shindengen will focus on such fields as photovoltaic generation and energy storage. We have been engaged in the development of power conditioners used in this area from an early stage. Accordingly, we anticipate sales growth following the start of the Feed-In Tariff for renewable energy in July 2012.

### Final Year Business Plan Initiatives: Fiscal 2012 Forecasts

#### Revising our BCP and expanding sales in emerging markets

In fiscal 2012, the final year of the 12th Medium Term Business Plan, we are concerned about such market trends as slower growth in China and other emerging economies. Responding to high yen rates is another major issue. Indeed, the future remains uncertain, and we are uneasy



about the state of the operating environment. With this in mind, I will explain our policy for fiscal 2012.

I will start by summarizing the key points. First, the restructuring of and the development of procedures for a new business continuity plan (BCP) is an urgent issue. Decentralizing Shindengen's production and supply framework is a necessary step. I am also struck by the importance of constant vigilance given our position as a company that continuously deals with risk. We are restructuring our BCP system based on the need to upgrade our emergency response system.

Next, we will work to improve sales in emerging economies. These new markets, particularly in Asia, hold great promise, but prevailing over severe cost competition is essential to capturing demand. Although we are shifting production overseas, our core development and supply functions will remain in Japan. In tandem with production, we will promote the localization of our design and purchasing activities. This will enable us to thoroughly control costs from the design stage onward while developing and offering inexpensive products that meet local needs. To improve sales, we will broaden marketing channels by utilizing the Power Module, Power Device and other segments (which are enjoying overseas expansion) along with our sales bases in Hong Kong, Singapore and other locations.

Without a doubt, the mobility and new

energy areas will play a major role in Shindengen's future growth. In terms of technology, fully utilizing modules is important for capturing these markets. To this end, we are building a structure utilizing diodes, MOSFETs and ICs, all of which are semiconductors we manufacture in-house. Our overriding objective is to expand our businesses through the promotion of module use, a key element of our in-house semiconductor operations. In recent years, we have been promoting this initiative in each Shindengen business, beginning at the development stage, and we have made sure that every employee throughout the Group is well aware of this direction. Through this, we will rejuvenate Shindengen's technological prowess.

Performance forecasts for fiscal 2012 are net sales of ¥88.9 billion (up 7.7% year on year), operating income of ¥4.9 billion (down 2.5%) and net income of ¥2.0 billion (up 33.1%).

### **Increasing Corporate Value Returning Profits to Shareholders**

#### **Our mission of increasing corporate value for all stakeholders**

Our mission is to increase Shindengen's corporate value not only for shareholders but all stakeholders, including customers, business partners and employees. To this end, it is important to undertake initiatives to achieve our corporate mission of "maximizing energy conversion efficiency for the benefit of humanity and society." We were forced to temporarily deemphasize measures focusing on conversion efficiency to a certain extent given the pressure placed on us to reduce costs. Amid a recent increase in global environmental issues, however, there is once again a strong demand to meet customer

needs in the area of conversion efficiency. Beyond meeting today's needs, I believe that Shindengen's ongoing pursuit of its corporate mission will lead to an improvement in corporate value.

In addition, Shindengen positions the return of profits to shareholders as an important management issue. Our basic policy is to maintain stable dividends to shareholders, comprehensively taking into consideration such factors as ensuring a sufficient level of internal reserves to maintain and improve competitiveness as well as ROE and operating results.

In line with this basic policy, the year-end dividend totaled ¥3.50 per share. Although we have yet to fully recover from the serious impact of the 2008 financial crisis, we are committed to paying dividends to shareholders, based closely on performance.

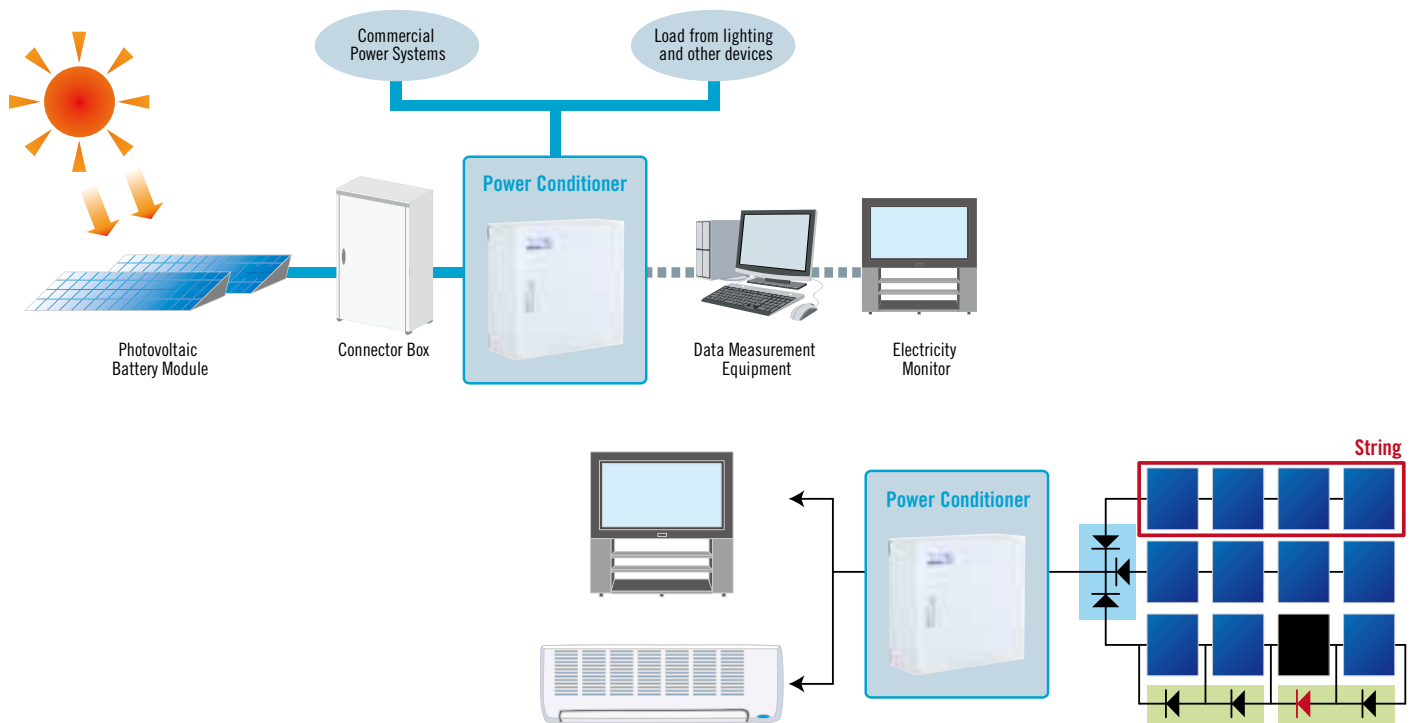
As we transform Shindengen, we are making strategic investments to enhance the efficiency of production lines and promote optimal production locations. Reflecting the next medium term business plan, we will steadily increase sales by focusing on eco-friendly products for the motorcycle and four-wheel vehicle markets as well as power conditioners and power modules.

Again, I would like to emphasize that Shindengen will pursue its mission to increase its corporate value and thereby return profits to our shareholders.

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

August 2012  
**Masato Morikawa**  
President

## Special Feature



# Integrating Environmental Businesses into Shindengen's Core Operations

Reflecting its corporate mission of “maximizing energy conversion efficiency for the benefit of humanity and society,” Shindengen strives to contribute to society by reducing environmental load while pursuing the development of high-efficiency products that reduce power loss.

In light of the increasing impact of global warming, how to effectively use energy and natural resources will be an extremely important issue in the years ahead. As a leading company specializing in power electronics, we are working to realize a low-carbon society by developing and providing eco-friendly products primarily to the mobility and new energy markets.

## Mobility Area

Amid heightened concerns over global environmental issues and higher gasoline prices, interest in reducing environmental load and increasing fuel efficiency is on the rise. In response, individual manufacturers are developing new and unique environmental technologies, which are being introduced to the market. For its part, Shindengen is focusing on the development of eco-friendly technology for its mainstay motorcycle market as well as the four-wheel vehicle market.

### •Motorcycle Market

The need for eco-friendly vehicles has increased in the motorcycle markets of ASEAN and other emerging economies. To address this need, we are developing and providing Engine Control Units (ECUs) equipped with idle stop functions to comply with environmental regulations and increase fuel efficiency. In addition, Shindengen offers products that take advantage of its advanced technologies in such areas as DC/DC converters, Power Drive Units (PDUs) and chargers used in electric motor scooters.

### •Four-Wheel Vehicle Market

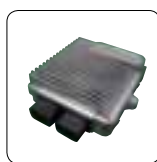
As a result of such factors as global warming and rising petroleum prices, development has become more active in the areas of clean diesel automobiles as well as electric and hybrid electric cars, which show promise as next-generation, environment-friendly vehicles. Beginning with hybrid vehicles, Shindengen now develops and provides products for all these vehicles. Such products include PDUs and DC/DC converters that change high voltage into low voltage.

### •EV Chargers

As the use of electric vehicles (EVs) becomes more pervasive, the need for outdoor recharging infrastructure is growing. In Japan, efforts to promote the upgrades to such infrastructure are centered on the CHAdeMO Association, which was established by the Japanese government and various automobile manufacturers. In cooperation with the CHAdeMO Association, we are participating in demonstration tests of next-generation electric personal mobility being conducted jointly in Saitama Prefecture by Honda Motor Co., Ltd. These tests involve studying the practicality of applying Honda's EVs and plug-in hybrid vehicles (PHVs) to a park-and-ride system in the area surrounding Kagohara Station, located in Kumagaya City, Saitama Prefecture. The Group's EV and PHV chargers\* were used for this test.

\*Shindengen develops two types of EV chargers, rapid chargers and standard chargers. Rapid chargers are designed for quick charging outdoors and during emergencies. In as little as 15 minutes, they enable an 80% charge. Ordinary chargers are equipped with transmission network functions and are suitable for long-duration charging at shopping centers, public facilities and other locations. As such, demand for ordinary chargers is expected to increase.

### Fuel Injection Motorcycles



Idle Reduction ECU



### Electric Motorcycles



Rapid Battery Charger



Normal Battery Charger



DC/DC Converter Power Drive Unit

## New Energy Area

Recently, energy supply has been a constant topic of discussion on Japanese TV. Since the Great East Japan Earthquake, problems associated with power supply have become urgent, with concerns about energy conservation shared not only by public and private organizations, but also families and individuals. Instead of relying only on conventional power supply, Shindengen is promoting technological development centered on energy storage and photovoltaic generation in the new energy area.

### •Photovoltaic Generation

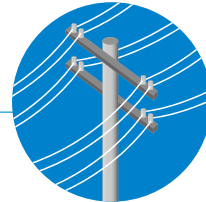
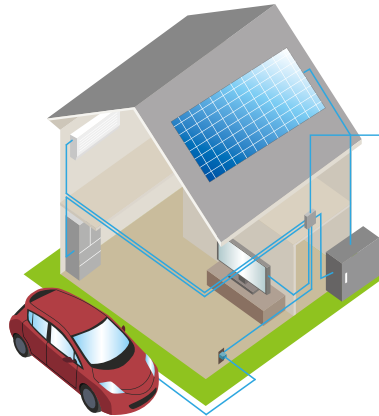
Attracting attention as a prime example of green energy, photovoltaic generation is rapidly growing in popularity. Three-wire 10kW power conditioners\* developed by Shindengen for the public works and industrial markets are installed with unique circuit technology that realizes the world's highest power conversion efficiency rate of 93.4%. Shindengen's power conditioners also enable space-saving, lightweight solar design. We were the first in the industry to develop three-wire 5kW power conditioners. Undoubtedly suited for small-scale power generation, we will combine this technology with our conventional 10kW models to enable more efficient photovoltaic generation.

\*Power conditioners are a type of alternating current storage equipment that converts electricity from direct current, which is generated by solar panels, into alternating current for use in commercial systems.

## •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.



Energy Storage System for Residences

## Participating in Exhibitions

Smart Grids are optimal power networks that regulate both the supply and demand of electrical power flow. As such, Smart Grid are drawing international attention as next-generation systems that increase energy efficiency. Shindengen participated in the 2nd International Smart Grid Expo 2012 held at Tokyo Big Sight from February 29, 2012 to March 2, 2012. The Shindengen exhibit was a Companywide effort, bringing together products that play an important role throughout Smart Grid.

Among the technologies showcased were power conditioners used in photovoltaic generation as well as EV chargers. In addition, we participated in the 4th LED Next Stage 2012 held at the Tokyo Big Sight from March 6 2012 to March 9 2012. Our booth focused on Shindengen's array of semiconductors, which target the LED lighting market. The products on display included outdoor power supplies (constant voltage/constant current) for LED lighting that are dust and water resistant and used in street lights, projectors and advertising lights.



## Shindengen Received Gold Award from Panasonic for its Eco-Friendly Product, Energy-Saving Power Supply ICs


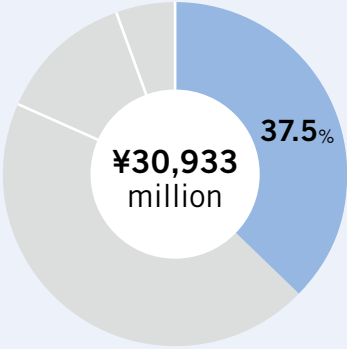
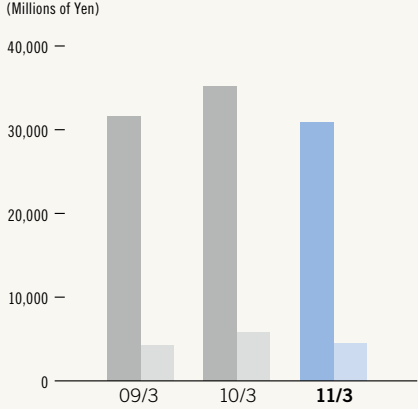
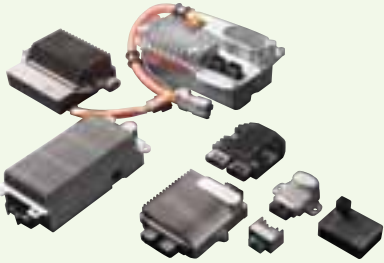
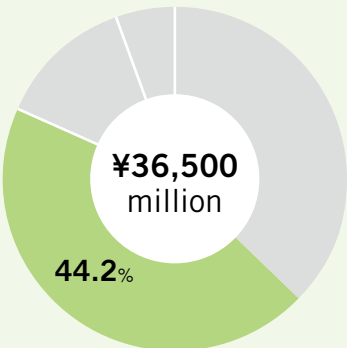
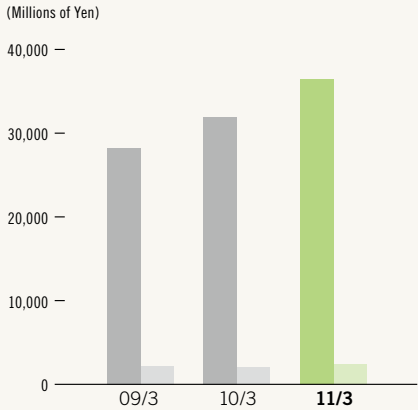

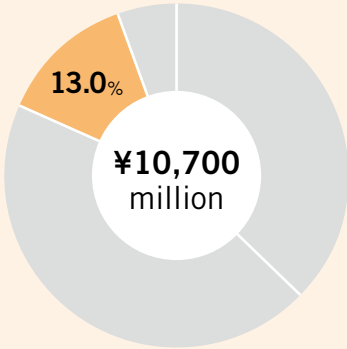
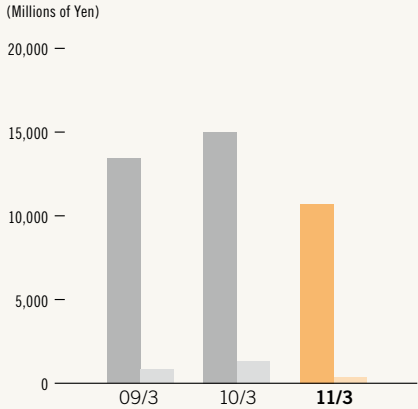
Shindengen was presented with the gold award for ECO-VC (Value Creation) Initiative from Panasonic Corporation at the 4th Panasonic Excellent Partners Meeting held in November 2011. The ECO-VC Initiative is a greening project driven by close cooperation between Panasonic and its suppliers to promote reductions in production costs, CO<sub>2</sub> emissions and resources, encourage

resource recycling, and improve product competitiveness. Suppliers boasting significant achievements in these areas are honored by Panasonic every year. The gold award is given to companies that receive the highest evaluation. We received the gold award for our MS Series power supply IC (integrated circuit), which we developed under the theme of "power circuit with the world's lowest standby power requirement." The MS Series is highly rated for its ability to reduce standby power consumption by as much as one fifth compared with standard

Shindengen ICs (MR series), significantly decreasing Blu-ray disc recorder standby mode electricity usage, as well as for its versatility, which makes it suitable for use in various electric home appliances.



# At a Glance

SEGMENT	PERCENTAGE OF NET SALES	NET SALES AND OPERATING INCOME												
<p><b>POWER DEVICE</b></p> 	 <p><b>37.5%</b> ¥30,933 million</p>	<p>(Millions of Yen)</p>  <table border="1"> <caption>Net Sales and Operating Income (Millions of Yen)</caption> <thead> <tr> <th>Period</th> <th>Net Sales</th> <th>Operating Income</th> </tr> </thead> <tbody> <tr> <td>09/3</td> <td>~32,000</td> <td>~4,000</td> </tr> <tr> <td>10/3</td> <td>~35,000</td> <td>~6,000</td> </tr> <tr> <td>11/3</td> <td>~31,000</td> <td>~5,000</td> </tr> </tbody> </table>	Period	Net Sales	Operating Income	09/3	~32,000	~4,000	10/3	~35,000	~6,000	11/3	~31,000	~5,000
Period	Net Sales	Operating Income												
09/3	~32,000	~4,000												
10/3	~35,000	~6,000												
11/3	~31,000	~5,000												
<p><b>POWER MODULE</b></p> 	 <p><b>44.2%</b> ¥36,500 million</p>	<p>(Millions of Yen)</p>  <table border="1"> <caption>Net Sales and Operating Income (Millions of Yen)</caption> <thead> <tr> <th>Period</th> <th>Net Sales</th> <th>Operating Income</th> </tr> </thead> <tbody> <tr> <td>09/3</td> <td>~28,000</td> <td>~2,000</td> </tr> <tr> <td>10/3</td> <td>~32,000</td> <td>~2,000</td> </tr> <tr> <td>11/3</td> <td>~36,000</td> <td>~2,000</td> </tr> </tbody> </table>	Period	Net Sales	Operating Income	09/3	~28,000	~2,000	10/3	~32,000	~2,000	11/3	~36,000	~2,000
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09/3	~28,000	~2,000												
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11/3	~36,000	~2,000												
<p><b>POWER SYSTEM</b></p> 	 <p><b>13.0%</b> ¥10,700 million</p>	<p>(Millions of Yen)</p>  <table border="1"> <caption>Net Sales and Operating Income (Millions of Yen)</caption> <thead> <tr> <th>Period</th> <th>Net Sales</th> <th>Operating Income</th> </tr> </thead> <tbody> <tr> <td>09/3</td> <td>~13,000</td> <td>~1,000</td> </tr> <tr> <td>10/3</td> <td>~15,000</td> <td>~1,500</td> </tr> <tr> <td>11/3</td> <td>~11,000</td> <td>~500</td> </tr> </tbody> </table>	Period	Net Sales	Operating Income	09/3	~13,000	~1,000	10/3	~15,000	~1,500	11/3	~11,000	~500
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11/3	~11,000	~500												

\*Segment classifications changed from fiscal 2010 onward. Consequently, segment data for fiscal 2010 is presented pro forma in accordance with the new classifications.

\*\*In addition to the three segments, the above pie charts include sales from other business activities.

FISCAL 2011 PERFORMANCE HIGHLIGHTS

Power Device segment net sales decreased 12.1% year on year to ¥30,933 million. Operating income fell 23.0% to ¥4,440 million.

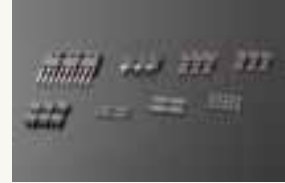
Despite a year-on-year rise in small surface-mount diodes and other items sold in the automobile market, sales for high-capacity rectifier diodes in the industrial machinery market were sluggish primarily due to weakened capital spending, mainly reflecting fiscal tightening in China. In addition, sales were weak for high-speed rectifier diodes and power ICs in the consumer electronics and lighting markets, both of which were impacted by weak demand caused by the economic recession and inventory adjustments. As a result, segment net sales and earnings fell.

PRODUCTS

- Bridge diodes
- General rectifying diodes
- High-speed rectifier diodes
- Surge protection elements
- SIDACs
- High-voltage power ICs
- Energy-saving power ICs for power sources
- MOSFETs, etc.



High-Speed Rectifier Diodes



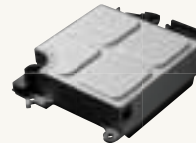
Power MOSFETs & Power ICs

Power Module segment net sales increased 14.3% year on year to ¥36,500 million. Operating income improved 15.8% to ¥2,403 million.

Performance in Asian motorcycle markets remained favorable amid vigorous demand for mainstay regulators, capacitor discharge igniters (CDIs) primarily in Indonesia, India and Vietnam. Demand for inverters for generators in the universal engine electrical products market spiked following the disaster and has since remained strong, leading to increased revenue. Earnings rose on the back of higher revenue despite undertaking investments in anticipation of growth in the mobility and new energy markets as well as losses caused by flooding in Thailand.

**Car Electronics Products**

- Rectifiers and regulators for motorcycles
- CDIs for motorcycles
- Inverters used in generators
- Control units for gas cogeneration systems
- DC/DC converters for four-wheel vehicles



DC/DC Converter for Hybrid Vehicles

**New Energy Products**

- DC/DC converters for transmission, IT and industrial equipment
- LED lighting power supply
- Power conditioners for photovoltaic generation
- Power sources for power storage systems



Power Conditioner for Photovoltaic Generators

Power System segment net sales decreased 28.7% year on year to ¥10,700 million. Operating income dropped 74.6% to ¥338 million.

In the domestic communication market, demand rebounded for rectifiers and power supply for mobile base stations amid signs in the second half of fiscal 2011 that capital spending was finally beginning to gain momentum. Overall performance remained weak, however, since this recovery was insufficient to offset a drop in demand during the first half in the aftermath of the disaster.

In the information market, we faced an uphill battle regarding power supply for storage equipment in light of the intensifying severity of price competition. Moreover, net sales and earnings fell due to the elimination of certain products during the previous fiscal year.

- Rectifiers for mobile base stations
- Power supply for mobile base stations
- Power intensifier monitoring system
- Power supply for storage equipment
- Conventional recharging stand for EV/PHV



Rectifier for High-Voltage DC Supply Systems



Conventional Recharging Stand for EV/PHV

# POWER DEVICE

## Business Strengths

### Highly reliable and efficient power semiconductors

From bridge diodes for AC inputs to high-speed rectifier diodes, Shindengen's mainstay diodes are available in a wide array of variations (including small, medium and high capacities) to offer an optimal selection of products for any application and, in turn, meet customer needs. In recent years, we have been focusing on the development of power-saving power ICs and MOSFETs.

Shindengen is gaining a reputation of trust in such markets areas as digital consumer electronics, automobiles and industrial machinery by developing highly reliable, ultra-low-loss products that utilize the Company's unique designs, processes and production technologies.

## Fiscal 2012 Forecast

Net sales are forecast to increase 0.9% to ¥31.2 billion, almost unchanged from the previous fiscal year. In the automobile market, we expect sales to remain firm primarily for our mainstay small surface-mount diodes. However, a full-fledged recovery in the consumer electronics and industrial machinery markets is expected to require more time despite signs that these markets have bottomed out.

## Main Products



Bridge Diodes



High-Speed Rectifier Diodes



Power MOSFETs & Power ICs



Surge Absorbers

# POWER MODULE

## Business Strengths

### Electronics products that boast a significant share of the motorcycle market

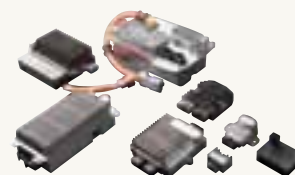
Shindengen electronics products, namely regulators and CDIs, boast a high market share of the motorcycle market, which is included in the mobility area, and have enjoyed a higher profile in highly competitive Asian markets. At the same time, we proactively engage in developing and releasing eco-friendly products while aggressively developing high-value-added products that meet today's needs. In the four-wheel vehicle market, Shindengen develops down converters and other products for hybrid automobiles. Applications for down converters are anticipated to expand in the years ahead.

In the new energy market, in which demand is expected to increase, we have released high-efficiency 10kW power conditioners used in photovoltaic generation and are offering technologically advanced products related to LED lighting power supply, an area that is drawing attention.

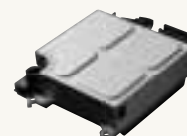
## Fiscal 2012 Forecast

Net sales are expected improve 16.7% to ¥42.6 billion compared with the previous fiscal year. Demand for car electronics products used in motorcycles is expected to grow in highly competitive Asian markets in spite of various regions entering an adjustment phase. In the new energy area, demand for power conditioners used in photovoltaic generation is forecast to increase in Japan following the start of the Feed-In Tariff for renewable energy. We also anticipate increased revenue due to the commencement of mass production of power conditioners for residential power storage systems.

## Main Products



Motorcycle Products



DC/DC Converter for Hybrid Vehicles



Universal Engine Electrical Products



Power Supplies for LED Lighting



Power Conditioner for Photovoltaic Generators



Power Storage System

# POWER SYSTEM

## Business Strengths

**Shindengen has ranked No.1\* in power storage systems in the domestic communications market for many years.**

\*Based on internal surveys

Shindengen's Power System segment has boasted the top share of the domestic communications market since starting its rectifier operations many years ago.

Rising power consumption has become a problem in recent years. This is due to the need for higher data capacity in line with the increased popularity of smartphones and cloud computing. Shindengen offers optimal solutions for these energy saving needs as well as for a diverse array of power supply systems by offering highly reliable and high-efficiency power storage technologies cultivated in the communications market.

## Fiscal 2012 Forecast

Net sales are expected to decrease 8.4% to ¥11.6 billion compared with the previous fiscal year. In the domestic communications market, which has been sluggish since last year's disaster, we expect revenue to increase on the back of a gradual recovery in demand for rectifiers. However, we forecast a slight decrease in overall revenue in the information market due to an increasing severity of competition in relation to power supply for storage equipment, reflecting intensifying price competition.

## Main Products



Rectifier for Mobile Phone Base Stations



Rectifier for Communication Stations



Rectifier for High-Voltage DC Supply Systems



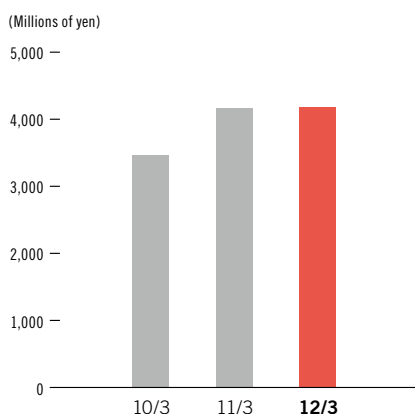
Power Supply for Storage Equipment

## Research and Development

### 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.”

#### R&D Expenses



#### R&D Structure and Expenses

Shindengen’s R&D structure is comprised of the R&D Center (which primarily engages in basic research and applied technological development), the design and development departments of its business divisions, and Group companies. 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. Shindengen strives to realize its corporate mission of “maximizing

energy conversion efficiency for the benefit of humanity and society” by pursuing these research themes in an effort to create new products that rapidly meet market needs.

In fiscal 2011, R&D expenses for the entire Shindengen Group were ¥4,177 million, or 5.1% of net sales. By segment, R&D expenses were as follows: Power Device stood at ¥1,525 million, or 36.5% of consolidated R&D expenses, Power Module was ¥1,175 million, or 28.1%, and Power System amounted to ¥286 million, or 6.9%. Companywide R&D expenses totaled ¥1,190 million, or 28.5%.

#### Power Device

We have developed and commenced mass production of high-capacity bridge diodes for the mobility market that achieved a high degree of reliability. In addition, this segment has developed bypass diodes that are installed in solar power modules for the new energy market.

In the lighting market we have also developed and began mass producing thyristors that prevent electrical surges. Regarding MOSFETs, we have developed “EETMOS,” a new series of ultra-low loss MOSFETs while augmenting the “Hi-PotMOS2” series of high-voltage products.

Turning to IC products, we have commercialized an IC power controller that



Hanno R&D Center

significantly reduces power consumption. We also succeeded in developing compact technologies unique to Shindengen.

The key to competing in such growing markets as the mobility and new energy fields is through business synergy realized by integrating the Company's core technologies. Against this backdrop, we are strengthening the development of MOSFET and IC products, which display business synergy with greater effectiveness.

### Power Module

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Regarding the motorcycle market, included in the mobility field, we have developed a new model ECU with built in idle-stop functions modules. Mass production has already commenced in Thailand and Indonesia. In the universal engine market, we updated our sine wave inverters with new, more compact models offering better efficiency. In the vehicle market, we have developed down converters for use in next-generation hybrid vehicles.

In the new energy market, Shindengen has developed single-phase/three-wire 10kW and three-phase/three-wire 5kW power conditioners for photovoltaic generation. In addition, we have developed 2kW power conditioners for use in energy storage systems, which have been added to our mass production system following progress made in field testing.

In terms of power supply for LED lighting, we have developed standard outdoor-use power supplies that meet overseas safety standards.

Regarding the industrial machinery market, we have commenced mass production of HAS series standard AC/DC power supplies that realize a high degree of efficiency in our proprietary IC power controller and soft switching technologies.

### Power System

---

In the communication market, Shindengen has released high-voltage DC supply units

with improved features and user friendliness while augmenting its lineup of compact power supply equipment used in mobile base stations. In the information market, we have developed 1.5kW power supplies for storage equipment compatible with high-voltage DC input. Moreover, we have augmented our lineup of quick chargers for electric vehicles, acquired certification based on CHAdeMO Protocol standard specifications and also developed new regular-use chargers.



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

# Corporate Social Responsibility (CSR) Activities

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

The Shindengen Group strives to be a business that is trusted by all stakeholders, including customers, investors, local communities as well as employees and their families. At the same time, the Group engages in environmental management that fully considers the global environment, working conditions and society.

### Environmental Preservation Activities

Shindengen's corporate mission is expressed in the phrase: "maximizing energy conversion efficiency for the benefit of humanity and society."

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, chargers for electric vehicles and other items. Through such initiatives, we are helping to preserve the environment along with taking

steps to ensure continued growth.

Especially in terms of photovoltaic generation, we expect demand to increase following the introduction of the Feed-In Tariff for renewable energy. To meet this demand, Shindengen developed the industry's first highly efficient three-phase/three-wire 5kW power conditioners (PCS) for use in photovoltaic generation. Combining this technology with conventional 10 kW PCS will enable more effective electricity use in the morning and evening (when demand for power is low) and meet the needs of convenience stores and other locations that have limited panel installation space. Looking ahead, we will promote business strategies in environmental and new energy markets while stepping up efforts to help reduce environmental load even further.

In addition to developing innovative new products, we are engaging in independent environmental conservation activities based on the Shindengen Global Environmental Charter and its Environmental Policy.

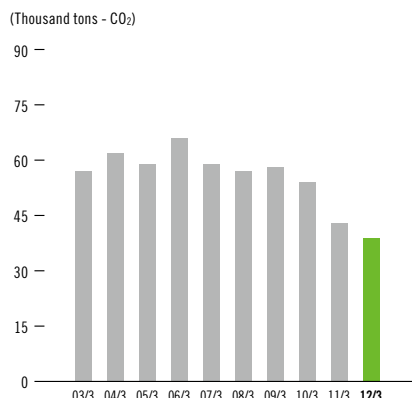
In fiscal 2011, we surpassed initial environmental targets thanks to activities undertaken based on the following pillars:

- Promoting energy conservation and reducing carbon dioxide emissions
- Encouraging Green Procurement
- Decreasing waste and encouraging recycling.

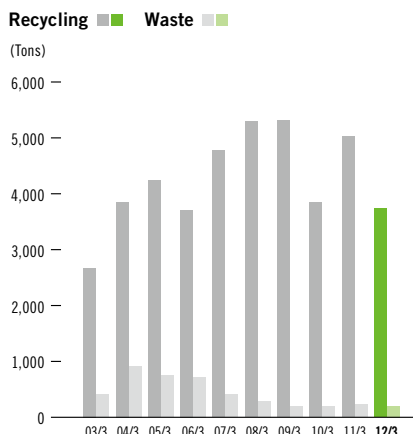
In addition, Shindengen disclosed environmental information, promoted related education and actively undertook environmental activities at its domestic and overseas facilities.

In fiscal 2012, the Group will continue

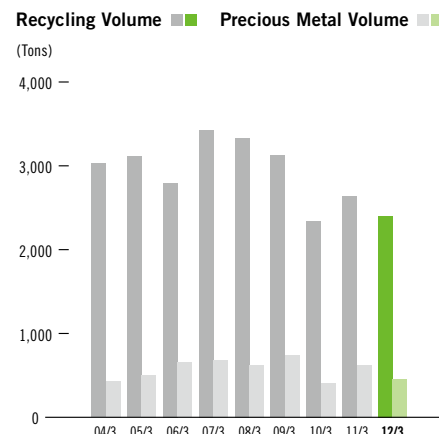
**Carbon Dioxide Emissions of The Group Companies In Japan**



**Recycling and Waste of The Group Companies**



**Recyclable Waste Generation of The Group Companies**



these activities while working together to promote initiatives that encourage biodiversity as part of our environmental policies. Shindengen will introduce environmental accounting practices to improve management effectiveness in this area. We will also work to ensure compliance with environmental laws by implementing internal audits, regular ISO 14001 audits and other measures.

### Working with Employees

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Ensuring that employees are healthy and work in safe, secure environments is the top priority of the Shindengen Group. To achieve this, we established a system to promote health and safety at all workplaces and levels while exchanging related information, performing site inspections and engaging in other related initiatives. Through these actions, Shindengen is taking steps to prevent occupational accidents. Specifically, we are providing the health and safety education required for every worksite. Such activities include conducting technical training with the purpose of preventing accidents caused by electrical leaks and shocks. Shindengen implements risk assessments to eliminate all workplace

hazards and, in turn, reduce overall risk. As a result of the combined efforts of every employee to identify these hazards, the number of accidents at domestic Group facilities decreased compared with the previous fiscal year.

Regarding our efforts to save electricity since last summer, we worked to identify power wastage and remove nonessential lights. Such actions were based on our efforts to secure an appropriate work environment for every employee. Consequently, Shindengen reduced energy use by a maximum of 20% compared with the previous fiscal year. In the years ahead, we will focus on maintaining the health and safety of every employee as we continue efforts to save energy.

Shindengen implements mental health-related education in response to recent social demands while conducting “trim activities” with the purpose of maintaining the physical health of employees.

### Working with Society

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Aiming to coexist and prosper with local communities, the Shindengen Group engages in social contribution activities as a corporate citizen to realize a healthy and abundant society.

In Japan, Group companies lent their support to events to help recovery efforts following the Great East Japan Earthquake; dispatched lecturers to environmental seminars; and participated in fire prevention and beautification activities in various regions. The Group also made independent efforts to clean up areas surrounding its facilities as well as coast lines. With R&D and production facilities located in the area, we sponsor and donate funds to the “Saitama Green Trust” in order to preserve Saitama Prefecture's abundant nature and rich cultural heritage for future generations to enjoy.

## 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 and assign 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 and monitoring functions, the effectiveness of the Company's internal control system is increased through audits undertaken from an independent standpoint by the Board of Corporate Auditors. Shindengen maintains functional operations through a management control structure primarily composed of the Board of Directors, Management Committee, Board of Corporate Auditors, 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 in areas including corporate and labor law, export control and environmental regulations. At the same time, 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 (presently three standing corporate auditors, two of whom are 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 Corporate Internal Audit Division 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) provide sufficient oversight functions from an external perspective, ensuring objective and appropriate management. In addition, the Tokyo Stock Exchange has been notified (based on its regulations) that the Company's outside corporate officer, Yuichiro Miyake, is an independent officer who has no conflict of interest with shareholders.

### 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.

# Management (As of June 28, 2012)

## DIRECTORS



President  
MASATO MORIKAWA



Director and Managing Officer  
MICHIO KOYAMA



Director and Managing Officer  
KO KAWAME



Director and Managing Officer  
MASANORI OGASAWARA



Director and Senior Officer  
YOSHIMITSU ARAHATA



Director and Officer  
YOSHINORI SUZUKI



Director and Officer  
YASUMI NEGISHI

## CORPORATE AUDITORS

Standing Corporate Auditor  
YOSHIHIDE YOKOSE

Corporate Auditor  
HIDEHIKO NAITO

Corporate Auditor  
YUICHIRO MIYAKE

## EXECUTIVE OFFICERS

Senior Officer  
TAKAHARU YOKOI

Officer  
SEIJI NIIZEKI

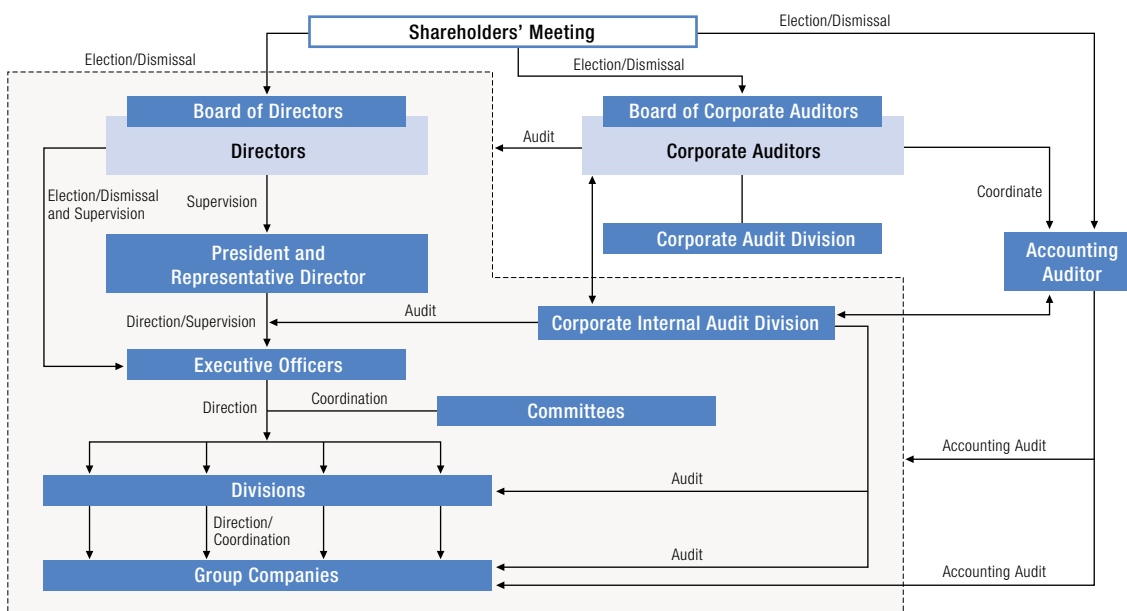
Officer  
NOBUYUKI SASAKI

Officer  
NOBUYOSHI TANAKA

Officer  
KENJI HORIGUCHI

Officer  
MASAHIRO SASAKI

## Status of Corporate Governance



# Financial Section

## Five-Year Summary

Shindengen Electric Manufacturing Co., Ltd. and its Subsidiaries  
(Years ended March 31)

	Millions of yen				
	2012	2011	2010	2009	2008
Net sales	¥ 82,562	¥ 87,331	¥77,935	¥ 85,239	¥100,827
Operating income (loss)	5,023	7,325	5,563	(4,036)	2,288
Income (loss) before income taxes and minority interests	2,606	5,645	2,389	(9,053)	(1,648)
Net income (loss)	1,503	4,576	(444)	(13,272)	(2,628)
					Yen
Net income (loss) per share—basic	¥ 13.73	¥ 42.70	¥ (4.66)	¥(152.99)	¥ (30.27)
Cash dividends per share for the period (Common stock)	3.50	2.50	—	3.50	7.00
					Millions of yen
Total assets	¥111,921	¥103,336	¥97,966	¥ 90,621	¥105,408
Total current assets	76,650	67,264	61,442	52,977	59,003
Property, plant and equipment	20,993	22,550	23,416	26,071	28,879
Total shareholders' equity	35,903	36,161	31,664	26,011	39,921
Net cash provided by (used in) operating activities	6,533	9,444	7,122	(821)	3,958
Net cash used in investing activities	(3,947)	(3,022)	(2,145)	(1,430)	(5,570)
Net cash provided by (used in) financing activities	4,642	(1,585)	4,498	8,586	358
Cash and cash equivalents at end of the year	35,255	28,179	23,842	14,244	8,948

## Management's Discussion and Analysis

### Consolidation

During the fiscal year ended March 31, 2012 (fiscal 2011), one consolidated subsidiary was removed from the scope of consolidation following the sale of a portion of that company's shares. In addition, Shindengen added an affiliated company accounted for under the equity-method to the scope of consolidation. As a result, the Company has 17 consolidated subsidiaries and two affiliated companies accounted for under the equity-method.

### Operating Results

#### Performance Overview

Economic conditions remained unclear in fiscal 2011. This was attributable to such overseas factors as flooding in Thailand, the European debt crisis, a slowdown of emerging economies and the ongoing strength of the yen. The uncertainty persisted despite such positive domestic factors as reconstruction activities in areas stricken by the Great East Japan Earthquake as well as signs of a partial recovery in personal consumption and capital spending.

Regarding the Shindengen Group's business fields, sales were strong in the mobility market, which includes automobiles and motorcycles. However, demand for electronic components in the domestic and overseas digital consumer electronics and other markets fell while the disaster-affected communications market in Japan remained stagnant as a full-fledged recovery failed to materialize.

Under these circumstances, consolidated net sales decreased 5.5% year on year to ¥82,562 million. Turning to profits, operating income in the fiscal year under review fell 31.4% year on year to ¥5,023 million due to lower revenues along with flooding in Thailand. Net income dropped 67.2% to ¥1,503 million year on year mainly as a result of a loss of inventories of a Group subsidiary following flooding in Thailand.

### Operating Conditions by Business Segment

Regarding business segment performance during the year under review, the Power Module segment experienced increases in both revenue and earnings year on year mainly owing to robust motorcycle markets in Asia. However, the Power Devices and Power System segments, along with Other sales, all saw revenue and earnings decrease largely due to the stagnant digital consumer electronics market and last-year's disaster.

For more details on the performance of each business segment, please refer to At a Glance and Segment Information on pages 12–16.

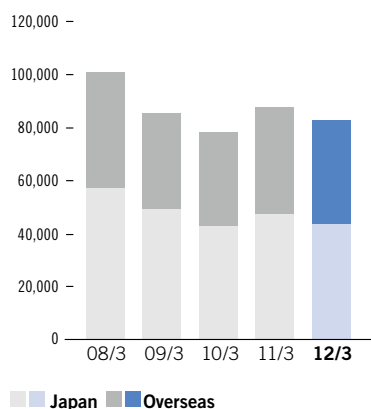
### Earnings and Expenses

Operating income in the fiscal year under review fell 31.4% year on year to ¥5,023 million, reflecting a higher ratio of selling, general and administrative expenses caused primarily by the aforementioned decrease in revenue and the impact of flooding in Thailand. In line with this decline, the operating income margin decreased from 8.4% to 6.1% compared with the previous fiscal year.

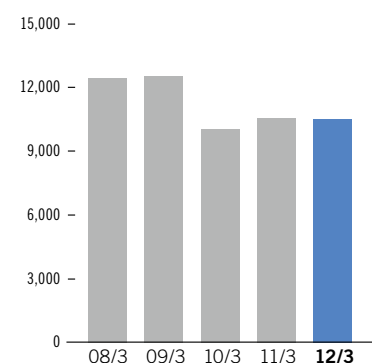
Net other income and expense resulted in higher expenses compared with the previous fiscal year because of the recording of a loss on disaster resulting from the previously mentioned disposal of inventories following flooding in Thailand. This resulted despite the absence of major year-on-year fluctuations in ordinary revenue, earnings and expenses, including the financial account balance (interest earned and dividends minus interest expenses). As a result, income before income taxes stood at ¥2,606 million, down 53.8% year on year.

Net income decreased 67.2% year on year to ¥1,503 million, while net income per share fell from ¥42.70 recorded in fiscal 2010 to ¥13.73. In line with these results, the net income margin declined from 5.2% to 1.8% year on year, and ROE dropped from 13.7% to 4.3%. Comprehensive income amounted to ¥1,140 million, a decrease from ¥4,025 million recorded in previous fiscal year.

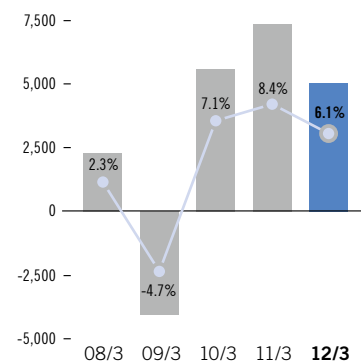
NET SALES (Millions of yen)



SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Millions of yen)



OPERATING INCOME (LOSS) (Millions of yen)/ OPERATING INCOME MARGIN (%)



## Financial Position

### Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2011 rose ¥8,585 million year on year to ¥111,921 million. Major factors for this increase included rises in cash and deposits, inventories and other current assets. Consequently, current assets as of March 31, 2012 improved ¥9,386 million from the previous fiscal year to ¥76,650 million. On the other hand, noncurrent assets decreased ¥801 million from the previous fiscal year end to ¥35,271 million due mainly to a decline in property, plant and equipment. Capital investment totaled ¥3,764 million, down ¥201 million compared with the previous fiscal year. This was mainly attributable to a decrease in facility maintenance- and upgrade-related capital investment (reflecting current business trends) that offset increases in production capacity primarily in the mobility area.

Total liabilities were ¥77,379 million at the end of the fiscal year under review, up ¥9,757 million from the previous fiscal year end. Of this, current liabilities rose ¥7,730 million from the previous fiscal year end to ¥33,360 million. This increase was primarily due to higher notes and accounts payable—trade and the transfer of the current portion of bonds from noncurrent liabilities to current liabilities. Noncurrent liabilities rose ¥2,027 million to ¥44,019 million year on year mainly because of higher long-term loans payable.

Total net assets at the end of the fiscal year under review stood at ¥34,542 million, down ¥1,172 million from the previous fiscal year end. Major factors for this decrease included a decline in capital surplus in line with the disposal of treasury stock as well as an increase in the negative effect of exchange rate changes on other comprehensive income. This result occurred despite a rise in retained earnings accompanying the recording of net income.

As a result, the equity ratio stood at 30.9% as of March 31, 2012, a decrease from 34.1% a year prior. Net assets per share increased from ¥316.06 year on year to ¥322.20.

### Cash Flows

Net cash provided by operating activities was ¥6,533 million, down from ¥9,444 million in the previous fiscal year. Contributing factors included ¥4,356 million in depreciation and amortization and a ¥4,232 million decrease in notes and accounts payable—trade.

Net cash used in investing activities was ¥3,947 million, up from an outflow of ¥3,022 million in the previous fiscal year. Contributing factors included higher year-on-year purchases of property, plant and equipment, which amounted to ¥2,925 million. Net cash provided by financing activities was ¥4,642 million, a positive turnaround from net cash used in financing activities of ¥1,585 million in the previous fiscal year. Contributing factors included fund-raising activities of ¥11,750 million in long-term loans payable that offset the repayment of long-term loans payable and the purchase of treasury stock.

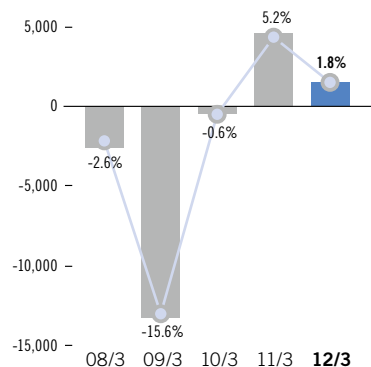
As a result, the balance of cash and cash equivalents excluding the effect of exchange rate changes at the end of fiscal 2011 was ¥35,255 million up ¥7,076 million compared with the previous fiscal year end.

### Basic Policy Regarding the Distribution of Profits as well as Cash Dividend Payments in Fiscal 2011

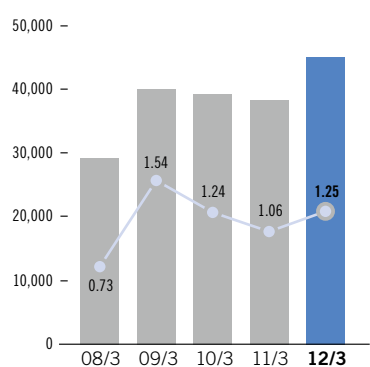
Shindengen views the return of profits to shareholders as an important management issue. Our basic policy is to pay cash dividends based on a comprehensive consideration of such factors as keeping retained earnings at levels necessary for maintaining and enhancing competitiveness as well as ROE and performance.

In line with this basic policy, Shindengen paid a year-end cash dividend of ¥3.50 per share during the year under review, an increase of ¥1.00 per share year on year. This rise occurred despite the postponement of interim cash dividend payments, as was the case during the previous fiscal year.

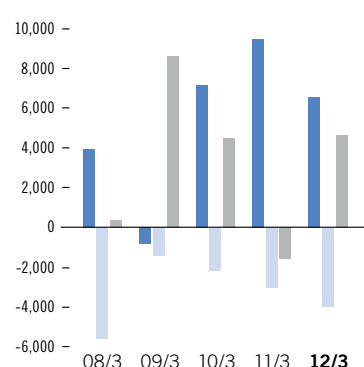
NET INCOME (LOSS) (Millions of yen)/  
NET INCOME MARGIN (%)



INTEREST-BEARING DEBT (Millions of yen)/  
D/E RATIO (Times)



CASH FLOWS (Millions of yen)



■ Operating cash flows  
■ Investing cash flows  
■ Financing cash flows

## Consolidated Balance Sheets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
At March 31, 2012 and 2011

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2012	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits (Notes 4, 6)	¥ 35,502	¥ 28,179    \$ 432,208
Notes and accounts receivable—trade (Note 6)	20,549	20,554    250,171
Less: Allowance for doubtful accounts	(24)	(14)    (297)
	20,525	20,540    249,874
Inventories (Note 5)	17,225	16,486    209,706
Deferred tax assets (Note 12)	280	228    3,413
Other	3,118	1,831    37,954
Total current assets	76,650	67,264    933,155
<b>Property, plant and equipment:</b>		
Buildings and structures (Note 8)	7,767	8,701    94,556
Machinery, equipment and vehicles (Note 8)	5,656	5,788    68,860
Land	4,824	4,868    58,732
Lease assets—tangible (Notes 8, 19)	1,466	1,844    17,848
Construction in progress	384	351    4,680
Other, net (Note 8)	896	998    10,903
Property, plant and equipment	20,993	22,550    255,579
<b>Investments and other assets:</b>		
Investment securities (Notes 6, 7)	10,668	9,972    129,875
Deferred tax assets (Note 12)	1,303	1,419    15,870
Software	510	380    6,210
Lease assets—intangible (Note 19)	78	98    945
Allowance for doubtful accounts	(49)	(35)    (601)
Other	1,768	1,688    21,526
Total investments and other assets	14,278	13,522    173,825
<b>Total assets</b>	<b>¥111,921</b>	<b>¥103,336    ¥1,362,559</b>

The accompanying notes are an integral part of the statements.

	Millions of yen	Thousands of U.S. dollars (Note 3)	
	2012	2011	
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade (Note 6)	¥ 17,903	¥ 15,607	\$ 217,952
Short-term loans payable (Notes 6, 9)	4,788	4,753	58,288
Current portion of bonds (Notes 6, 9)	5,400	—	65,741
Lease obligations (Notes 6, 9)	660	608	8,039
Income taxes payable (Note 6)	—	289	—
Provision for bonuses	716	582	8,718
Deferred tax liabilities (Note 12)	4	—	47
Other	3,889	3,791	47,351
Total current liabilities	33,360	25,630	406,136
<b>Noncurrent liabilities:</b>			
Bonds payable (Notes 6, 9)	6,600	12,000	80,351
Long-term loans payable (Notes 6, 9)	26,458	19,411	322,115
Lease obligations (Notes 6, 9)	1,118	1,516	13,605
Deferred tax liabilities (Note 12)	428	454	5,216
Provision for retirement benefits (Note 10)	9,153	8,172	111,429
Provision for directors' retirement benefits	5	32	61
Asset retirement obligations	144	145	1,755
Other	113	262	1,371
Total noncurrent liabilities	44,019	41,992	535,903
<b>Contingent liabilities (Note 11)</b>			
<b>Net assets (Note 21):</b>			
Shareholders' equity:			
Capital stock	17,823	17,823	216,985
Capital surplus	9,010	10,336	109,690
Retained earnings	9,182	8,112	111,785
Treasury stock	(112)	(110)	(1,369)
Total shareholders' equity	35,903	36,161	437,091
Accumulated other comprehensive income (loss):			
Unrealized holding gain on available-for-sale securities	713	666	8,684
Foreign currency translation adjustment	(2,074)	(1,579)	(25,255)
Total accumulated other comprehensive income (loss)	(1,361)	(913)	(16,571)
Minority interests	—	466	—
Total net assets	34,542	35,714	420,520
<b>Total liabilities and net assets</b>	<b>¥111,921</b>	<b>¥103,336</b>	<b>\$1,362,559</b>
<b>Per share of common stock</b>			
Net assets	¥ 322.20	¥ 316.06	\$ 3.92

The accompanying notes are an integral part of the statements.

## Consolidated Statements of Income and Comprehensive Income

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
For the years ended March 31, 2012 and 2011

	2012	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2012
<b>Net sales</b>	<b>¥82,562</b>	¥87,331	<b>\$1,005,134</b>
<b>Cost of sales (Note 14)</b>	<b>67,056</b>	69,464	<b>816,363</b>
Gross profit	<b>15,506</b>	17,867	<b>188,771</b>
<b>Selling, general and administrative expenses (Notes 13, 14)</b>	<b>10,483</b>	10,542	<b>127,618</b>
Operating income	<b>5,023</b>	7,325	<b>61,153</b>
<b>Other income (expense):</b>			
Interest income	<b>89</b>	65	<b>1,086</b>
Dividends income	<b>190</b>	166	<b>2,310</b>
Rent income on noncurrent assets	<b>61</b>	106	<b>747</b>
Equity in earnings of affiliates	<b>191</b>	146	<b>2,327</b>
Royalty income	<b>132</b>	84	<b>1,607</b>
Gain on sales of shares of subsidiaries	<b>29</b>	—	<b>356</b>
Interest expenses	<b>(746)</b>	(738)	<b>(9,079)</b>
Foreign exchange gains (losses)	<b>(264)</b>	(212)	<b>(3,219)</b>
Amortization of net retirement benefit obligation at transition (Note 10)	<b>(619)</b>	(619)	<b>(7,532)</b>
Loss on disaster (Note 15)	<b>(1,059)</b>	(129)	<b>(12,895)</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations	<b>—</b>	(118)	<b>—</b>
Impairment loss (Note 16)	<b>(56)</b>	—	<b>(678)</b>
Loss on valuation of investment securities	<b>(8)</b>	(117)	<b>(102)</b>
Loss on sales of shares of subsidiaries	<b>—</b>	(87)	<b>—</b>
Loss on sales of investment securities	<b>—</b>	(3)	<b>—</b>
Other, net	<b>(357)</b>	(224)	<b>(4,357)</b>
	<b>(2,417)</b>	(1,680)	<b>(29,429)</b>
Income before income taxes and minority interests	<b>2,606</b>	5,645	<b>31,724</b>
<b>Income taxes (Note 12):</b>			
Current	<b>1,014</b>	1,010	<b>12,349</b>
Deferred	<b>4</b>	(32)	<b>47</b>
<b>Total income taxes</b>	<b>1,018</b>	978	<b>12,396</b>
<b>Income before minority interests</b>	<b>1,588</b>	4,667	<b>19,328</b>
<b>Minority interests</b>	<b>85</b>	91	<b>1,033</b>
Net income	<b>¥ 1,503</b>	¥ 4,576	<b>\$ 18,295</b>



## Consolidated Statements of Changes in Net Assets

Shindengen Electric Manufacturing Co., Ltd. and its subsidiaries  
For the years ended March 31, 2012 and 2011

	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, 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>	114,751	17,823	10,336	8,112	(110)	36,161
Cash dividends paid				(433)		(433)
Net income				1,503		1,503
Purchase of treasury stock					(1,328)	(1,328)
Retirement of treasury stock	(5,681)		(1,326)		1,326	—
Net changes in items other than those in shareholders' equity						
<b>Balance at March 31, 2012</b>	<b>109,070</b>	<b>¥17,823</b>	<b>¥ 9,010</b>	<b>¥9,182</b>	<b>¥ (112)</b>	<b>¥35,903</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, 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>	666	(1,579)	(913)	466	35,714
Cash dividends paid					(433)
Net income					1,503
Purchase of treasury stock					(1,328)
Retirement of treasury stock					—
Net changes in items other than those in shareholders' equity	47	(495)	(448)	(466)	(914)
<b>Balance at March 31, 2012</b>	<b>¥713</b>	<b>¥(2,074)</b>	<b>¥(1,361)</b>	<b>¥ —</b>	<b>¥34,542</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, 2011</b>	\$216,985	\$125,839	\$ 98,757	\$(1,339)	\$440,242
Cash dividends paid			(5,267)		(5,267)
Net income			18,295		18,295
Purchase of treasury stock				(16,179)	(16,179)
Retirement of treasury stock		(16,149)		16,149	—
Net changes in items other than those in shareholders' equity					
<b>Balance at March 31, 2012</b>	<b>\$216,985</b>	<b>\$109,690</b>	<b>\$111,785</b>	<b>\$(1,369)</b>	<b>\$437,091</b>

Thousands of U.S. dollars (Note 3)					
Accumulated other comprehensive income (loss) and other					
	Unrealized holding gain 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, 2011</b>	\$8,112	\$(19,224)	\$(11,112)	\$5,668	\$434,798
Cash dividends paid					(5,267)
Net income					18,295
Purchase of treasury stock					(16,179)
Retirement of treasury stock					—
Net changes in items other than those in shareholders' equity	572	(6,031)	(5,459)	(5,668)	(11,127)
<b>Balance at March 31, 2012</b>	<b>\$8,684</b>	<b>\$(25,255)</b>	<b>\$(16,571)</b>	<b>\$ —</b>	<b>\$420,520</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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥ 2,606	¥ 5,645	\$ 31,724
Depreciation and amortization	4,356	4,176	53,026
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	118	—
Impairment loss	56	—	678
Loss on disaster	1,059	129	12,895
Increase (decrease) in allowance for doubtful accounts	26	(67)	322
Increase (decrease) in provision for bonuses	155	64	1,891
Increase (decrease) in provision for retirement benefits	1,104	851	13,438
Interest and dividends income	(279)	(230)	(3,396)
Interest expenses	746	738	9,079
Decrease (increase) in notes and accounts receivable-trade	(1,813)	(427)	(22,071)
Decrease (increase) in inventories	(2,993)	(2,361)	(36,434)
Decrease (increase) in consumption taxes refund receivable	(81)	(496)	(992)
Decrease (increase) in accounts receivable-other	(438)	572	(5,337)
Increase (decrease) in notes and accounts payable-trade	4,232	304	51,531
Increase (decrease) in accounts payable-other	353	191	4,297
Loss (gain) on sales of investment securities	(0)	3	(4)
Loss (gain) on sales of shares of subsidiaries	(29)	87	(356)
Loss on valuation of investment securities	8	117	102
Loss on disposal of property, plant and equipment	89	168	1,079
Other, net	(908)	1,327	(11,044)
Sub total	8,249	10,909	100,428
Interest and dividends received	300	237	3,653
Interest paid	(736)	(735)	(8,958)
Income taxes paid	(1,280)	(967)	(15,588)
Net cash provided by operating activities	6,533	9,444	79,535
<b>Investing activities:</b>			
Purchase of investment securities	(1)	(100)	(5)
Proceeds from sales of investment securities	30	7	359
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	29	—
Payments for investments in capital of subsidiaries	(245)	(740)	(2,987)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(432)	—	(5,262)
Purchase of property, plant and equipment	(2,925)	(2,195)	(35,614)
Proceeds from sales of property, plant and equipment	65	40	788
Purchase of intangible assets	(257)	(323)	(3,130)
Other, net	(182)	260	(2,206)
Net cash used in investing activities	(3,947)	(3,022)	(48,057)
<b>Financing activities:</b>			
Net decrease in short-term loans payable	(246)	(3,146)	(2,985)
Proceeds from long-term loans payable	11,750	6,500	143,048
Repayment of long-term loans payable	(4,414)	(4,254)	(53,738)
Purchase of treasury stock	(1,329)	(4)	(16,180)
Repayment for finance lease obligations	(682)	(602)	(8,304)
Cash dividends paid	(433)	(74)	(5,267)
Cash dividends paid to minority shareholders	(4)	(5)	(49)
Other, net	-	(0)	-
Net cash provided by (used in) financing activities	4,642	(1,585)	56,525
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(152)</b>	<b>(527)</b>	<b>(1,849)</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,076</b>	<b>4,310</b>	<b>86,154</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>28,179</b>	<b>23,842</b>	<b>343,057</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	<b>—</b>	<b>27</b>	<b>—</b>
<b>Cash and cash equivalents at end of the year (Note 4)</b>	<b>¥35,255</b>	<b>¥28,179</b>	<b>\$429,211</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 20 subsidiaries (controlling companies-companies whose decision-making is controlled) as of March 31, 2012 and had 21 subsidiaries as of March 31, 2011.

The consolidated financial statements for the year ended March 31, 2012 and 2011 include the accounts of the Company and its 17 subsidiaries and 18 subsidiaries respectively.

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%

The following 1 company was excluded from consolidation due to sales of shares of subsidiary result in the loss of control for the year ended March 31, 2012.

- Shindengen Mechatronics Co., Ltd.

In the accompanying consolidated financial statements, the accounts of the 9 overseas subsidiaries at December 31, 2011 and for the year then ended were consolidated with the accounts of the Company at March 31, 2012 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, 2012, 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 2 affiliates (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, 2012.

The investment in 2 affiliates are accounted for using the equity method. Investments in unconsolidated subsidiaries not accounted for using the equity method are stated at cost less impairment loss, due to their insignificant effect on the consolidated financial statements.

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

- Shindengen Mechatronics Co., Ltd.

Shindengen Mechatronics Co., Ltd. was excluded from consolidation due to sales of shares of subsidiary result in the loss of control for the year ended March 31, 2012. Therefore, Shindengen Mechatronics Co., Ltd. is applied the equity method as an affiliate.

### (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 adjustment” 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 standards for accounting changes and error corrections**

Effective from the year ended March 31, 2012, the Companies have adopted "Accounting Standard for Accounting Changes and Error Corrections" (the Accounting Standards Board of Japan "ASBJ", Statement No. 24 issued on December 4, 2009), and "Guidance on Accounting Standard for Accounting Changes and Errors Corrections" (ASBJ, Guidance No. 24 issued on December 4, 2009). There was no effect on operating income or income before income taxes and minority interests for the year ended March 31, 2012.

## **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.

### **(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) Amortization method for intangible assets (excluding lease assets)**

Amortization 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) 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.

### **(7) Provision for bonuses**

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

### **(8) 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.

#### (9) 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.

#### (10) 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.

#### (11) 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.

#### (12) 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.

#### (13) 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.

#### (14) 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 Income 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 ¥82.14=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2012 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, 2012 and 2011 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and deposits	¥35,502	¥28,179	\$432,208
Time deposits with deposit term of over 3 months	(247)	—	(2,997)
Cash and cash equivalents	¥35,255	¥28,179	\$429,211

The decrease in assets and liabilities of Shindengen Mechatronics Co., Ltd. due to sales of the stocks is as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,465	\$30,011
Fixed assets	495	6,027
Total assets	2,960	36,038
Current liabilities	(1,437)	(17,492)
Noncurrent liabilities	(163)	(1,987)
Total liabilities	(1,600)	(19,479)

Significant finance lease transactions without cash flow for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease assets	¥357	¥797	\$4,342
Lease obligations	375	839	4,562

## 5. Inventories

Inventories held by the Companies as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products	¥ 4,754	¥ 5,391	\$ 57,878
Raw materials	9,150	7,389	111,398
Work in process	3,321	3,706	40,430
	¥17,225	¥16,486	\$209,706

The cost of sales includes the write-down of inventories by ¥412 million (\$5,018 thousand), and ¥190 million for the years ended March 31, 2012 and 2011, 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 position limits. Based on this rule, the 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 their 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, 2012 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			
2012			
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	¥35,502	¥35,502	¥ —
(2) Notes and accounts receivable—trade	20,549	20,549	—
(3) Investment securities	9,062	9,062	—
Assets total	¥65,113	¥65,113	¥ —
(1) Notes and accounts payable—trade	17,903	17,903	—
(2) Short-term loans payable	4,788	4,788	—
(3) Current portion of bonds	5,400	5,400	—
(4) Lease obligations (short-term)	660	660	—
(5) Bonds payable	6,600	6,687	87
(6) Long-term loans payable	26,458	26,575	117
(7) Lease obligations (long-term)	1,118	1,078	(40)
Liabilities total	¥62,927	¥63,091	¥164
Derivatives (Note)	¥ (20)	¥ (20)	¥ —

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	¥ —

Thousands of U.S. dollars			
2012			
	Carrying value	Estimated fair value	Unrealized gain (loss)
(1) Cash and deposits	\$432,208	\$432,208	\$ —
(2) Notes and accounts receivable—trade	250,171	250,171	—
(3) Investment securities	110,320	110,320	—
Assets total	\$792,699	\$792,699	\$ —
(1) Notes and accounts payable—trade	217,952	217,952	—
(2) Short-term loans payable	58,288	58,288	—
(3) Current portion of bonds	65,741	65,741	—
(4) Lease obligations (short-term)	8,039	8,039	—
(5) Bonds payable	80,351	81,410	1,059
(6) Long-term loans payable	322,115	323,533	1,418
(7) Lease obligations (long-term)	\$ 13,605	\$ 13,128	\$ (477)
Liabilities total	766,091	768,091	2,000
Derivatives (Note)	\$ (250)	\$ (250)	\$ —

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) Current portion of bonds, and (4) Lease obligations (short-term) at March 31, 2012, and (1) Notes and accounts payable—trade, (2) Short-term loans payable, (3) Lease obligations (short-term), and (4) Income taxes payable at March 31, 2011

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
	2012	2011	2012
Unlisted stocks	¥1,606	¥903	\$19,555

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, 2012</b>				
Cash and deposits	¥35,492	¥—	¥—	¥—
Notes and accounts receivable—trade	20,549	—	—	—
<b>Total</b>	<b>¥56,041</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, 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>

	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, 2012</b>				
Cash and deposits	\$432,093	\$—	\$—	\$—
Notes and accounts receivable—trade	250,171	—	—	—
<b>Total</b>	<b>\$682,264</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, 2012 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	¥—	¥ 6,600	¥ —	¥—
Long-term loans payable	—	21,844	4,614	—
lease obligations (long-term)	—	1,112	6	—
<b>Total</b>	<b>¥—</b>	<b>¥29,556</b>	<b>¥4,620</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	\$—	\$ 80,351	\$ —	\$—
Long-term loans payable	—	265,942	56,173	—
lease obligations (long-term)	—	13,536	69	—
<b>Total</b>	<b>\$—</b>	<b>\$ 359,829</b>	<b>\$56,242</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, 2012 and 2011 were as follows:

Other securities (stock)

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
<b>2012</b>			
Other securities with carrying values exceeding acquisition costs	¥8,467	¥7,154	¥1,313
Other securities with carrying values not exceeding acquisition costs	595	768	(173)
<b>Total</b>	<b>¥9,062</b>	<b>¥7,922</b>	<b>¥1,140</b>

	Millions of yen		
	2011		
	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>

	Thousands of U.S. dollars		
	2012		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Other securities with carrying values exceeding acquisition costs	\$103,074	\$87,098	\$15,976
Other securities with carrying values not exceeding acquisition costs	7,246	9,343	(2,097)
<b>Total</b>	<b>\$110,320</b>	<b>\$96,441</b>	<b>\$13,879</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, 2012 and 2011 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted stocks	¥81	¥89	\$985

Proceeds, gross realized gains and gross realized losses from the sales of other securities for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Proceeds	¥30	¥8	\$359
Gross realized gain (loss)	0	(3)	4

The Companies recognized impairment loss for stocks in other securities by ¥8 million (\$102 thousand), and ¥117 million for the year ended March 31, 2012 and 2011, respectively.

## 8. Accumulated depreciation

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Property, plant and equipment	¥73,721	¥73,977	\$897,507

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

Short-term borrowings and Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term borrowings from banks	¥ 86	¥ 339	\$ 1,043
Current portion of long-term debt	4,702	4,414	57,245
Current portion of bonds	5,400	—	65,741
Current portion of lease obligations	660	608	8,039
Long-term debt	34,176	32,927	416,071
	<b>¥45,024</b>	<b>¥38,288</b>	<b>\$548,139</b>

The approximate weighted average interest rate of short-term borrowings from banks as of March 31, 2012 is 1.1%.

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Long-term loans from banks and other financial institutions	¥31,160	¥23,826	\$379,360
1.55% bonds due August 10, 2012	3,000	3,000	36,524
1.49% bonds due August 10, 2012	1,000	1,000	12,174
1.46% bonds due August 10, 2012	1,000	1,000	12,174
2.02% bonds due August 29, 2014	2,000	2,000	24,350
2.13% bonds due August 29, 2014	1,000	1,000	12,174
2.00% bonds due August 19, 2016	1,000	1,000	12,174
2.00% bonds due August 19, 2016	1,000	1,000	12,174
1.43% bonds due March 31, 2017	1,000	1,000	12,174
1.42% bonds due December 30, 2016	1,000	1,000	12,174
Lease obligations	1,778	2,124	21,644
	<b>44,938</b>	<b>37,950</b>	<b>547,096</b>
Less: Current portion	(10,762)	(5,023)	(131,025)
	<b>¥34,176</b>	<b>¥32,927</b>	<b>\$416,071</b>

The approximate weighted average interest rate of long-term loans from banks as of March 31, 2012 is 1.8%.

The aggregate annual maturity of long-term debt outstanding as of March 31, 2012 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
2014	¥ 6,690	\$ 81,442
2015	10,949	133,292
2016	5,529	67,308
2017	6,389	77,787

## 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, 2012 and 2011 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligations	¥(18,640)	¥(16,944)	\$(226,937)
Plan assets	3,896	3,353	47,436
	(14,744)	(13,591)	(179,501)
Unrecognized transition amount	1,856	2,475	22,597
Unrecognized prior service costs	(76)	(113)	(920)
Unrecognized actuarial differences	3,812	3,057	46,403
	(9,152)	(8,172)	(111,421)
Prepaid pension expenses	(1)	—	(8)
Net liability recognized in balance sheets	¥ (9,153)	¥ (8,172)	\$(111,429)

Net pension expenses related to retirement benefits for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service costs	¥1,097	¥ 971	\$13,361
Interest costs	375	367	4,562
Expected return on plan assets	(64)	(63)	(780)
Amortization of net retirement benefit obligation at transition	619	619	7,532
Amortization of actuarial differences	390	359	4,746
Amortization of prior service costs	(42)	(37)	(505)
Payments for defined contribution pension plan	7	23	80
	¥2,382	¥2,239	\$28,996

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

	2012	2011
Discount rate	1.65-2.0%	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, 2012 and 2011 as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Housing loans of employees	¥153	¥179	\$1,866

## 12. Income taxes

At March 31, 2012 and 2011, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Deferred tax assets:</b>			
Provision for retirement benefits	¥3,250	¥3,320	\$39,563
Loss carried forward for tax purposes	1,562	2,672	19,018
Depreciation and amortization	485	546	5,905
Provision for bonuses	272	237	3,314
Loss on valuation of inventories	262	335	3,189
Impairment loss	185	210	2,251
Allowance for doubtful accounts	26	11	315
Lease rental expenses	73	123	893
Loss on disaster	297	—	3,613
Other	1,091	1,158	13,284
Subtotal of deferred tax assets	7,503	8,612	91,345
Less valuation allowance	(5,920)	(6,965)	(72,062)
Total of deferred tax assets	1,583	1,647	19,283
<b>Deferred tax liabilities:</b>			
Valuation difference on available-for-sale securities	(423)	(448)	(5,156)
Asset retirement obligations	(5)	(6)	(58)
Reserve for special depreciation	(4)	—	(49)
Total of deferred tax liabilities	(432)	(454)	(5,263)
Net deferred tax assets	¥1,151	¥1,193	\$14,020

For the year ended March 31, 2012, the difference between the effective tax rates reflected in the Consolidated Statements of Income and Comprehensive Income and the statutory tax rate was less than 5%, so the reconciliation has been omitted.

For the year ended March 31, 2011, the reconciliation was as follows:

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

The “Act for the Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures”(Act No.114 of 2011) and the “Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake”(Act No.117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective for fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 40.70% to 38.01% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015 and from 40.70% to 35.64% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, net by ¥109 million (\$1,337 thousand), increase deferred income taxes by ¥169 million (\$2,069 thousand) and increase unrealized holding gain on available-for-sale securities by ¥60 million (\$733 thousand) as of and for the year ended March 31, 2012.

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

Major items in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Freight and transportation	<b>¥2,183</b>	¥2,313	<b>\$26,576</b>
Employees' salaries and wages	<b>2,219</b>	2,203	<b>27,020</b>
Provision for bonuses	<b>112</b>	102	<b>1,363</b>
Net pension expenses related to retirement benefits	<b>373</b>	332	<b>4,547</b>
Provision for accrued directors' retirement benefits	<b>6</b>	8	<b>69</b>
Research and development expenses	<b>1,975</b>	2,080	<b>24,040</b>

### 14. Research and development expenses

Research and development expenses charged to income for the years ended March 31, 2012 and 2011 were ¥4,177 million (\$50,855 thousand) and ¥4,166 million, respectively.

### 15. Loss on disaster

Major items included in loss on disaster for the year ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loss on disposal of inventories	<b>¥1,265</b>	¥—	<b>\$15,402</b>
Loss on disposal of property, plant and equipment	<b>338</b>	—	<b>4,116</b>
Severance payment	<b>105</b>	—	<b>1,282</b>
Fixed expenses for idled factories	<b>86</b>	63	<b>1,043</b>
Insurance income	<b>(735)</b>	—	<b>(8,948)</b>
Restoration expenses	<b>—</b>	47	<b>—</b>
Other	<b>—</b>	19	<b>—</b>

### 16. Impairment loss

For the year ended March 31, 2012, the Companies recognized impairment loss on the following asset groups.

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

Use	Type of assets	Location	Millions of Yen	Thousands of U.S. dollars
Manufacturing equipment of "Module" product	Lease assets-tangible etc.	Hanno-shi Saitama-ken etc.	¥34	\$410
Manufacturing equipment of "System" product	Machinery, equipment and vehicles etc.	Hanno-shi Saitama-ken etc.	17	201
Idle assets	Land	Katsuura-shi Chiba-ken	5	67

#### (Recognition of the impairment loss)

For the year ended March 31, 2012, the carrying amounts of manufacturing equipment of "Module" product and "System" product were reduced to the recoverable amount, due to the significant decline of the profitability of the asset groups. 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
Other, net (Property, plant and equipment)	¥26	\$313
Machinery, equipment and vehicles	13	164
Lease assets—tangible	7	80
Land	6	67
Software	4	54
<b>Total</b>	<b>¥56</b>	<b>\$678</b>

#### (Asset grouping)

The asset 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 "Module" product, "System" product and rental properties were measured at the higher of the net sales value or the value in use. The discount rate used for computation of the present value was 4.95%.

The recoverable amount of the idle assets was measured at the net sales value primarily calculated in accordance with "Japanese Real Estate Appraisal Standards" and adjusted by "assessed value of fixed assets under properties tax".

## 17. Comprehensive income

Reclassifications adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized holding gain (loss) on available-for-sale securities		
Amount arising during the year	¥ 24	\$ 287
Reclassification adjustments to profit or loss	(1)	(5)
Amount before income tax effect	23	282
Income tax effect	24	292
Total	47	574
Foreign currency translation adjustment		
Amount arising during the year	(388)	(4,726)
Share of other comprehensive income of affiliates accounted for using the equity method		
Amount arising during the year	(107)	(1,305)
Total other comprehensive income (loss)	(448)	(5,457)

## 18. Derivatives and hedging activities

Outstanding forward currency exchange and currency option contracts at March 31, 2012 and 2011 are shown below, except for transactions using hedge accounting.

	Millions of yen		
	Notional principal amount	Fair value	Unrealized gain (loss)
<b>At March 31, 2012</b>			
Forward currency exchange contracts:			
Sell			
U.S. dollars	¥720	¥(19)	¥(19)
Indonesia rupiah	767	(1)	(1)
<b>At March 31, 2011</b>			
Forward currency exchange contracts:			
Sell			
U.S. dollars	¥414	¥ (2)	¥ (2)
Indonesia rupiah	866	12	12

	Thousands of U.S. dollars		
	Notional principal amount	Fair value	Unrealized gain (loss)
<b>At March 31, 2012</b>			
Forward currency exchange contracts:			
Sell			
U.S. dollars	\$8,763	\$(232)	\$(232)
Indonesia rupiah	9,339	(18)	(18)

### Calculation of fair value

- Forward currency exchange contracts  
The estimated fair value of these forward currency exchange contracts were determined using forward foreign exchange rate at March 31, 2012 and 2011.
- Currency option contracts  
The estimated fair value of these currency option contracts were determined using the value calculated by major transaction partners at March 31, 2012 and 2011.

Interest rate swap contracts using hedge accounting at March 31, 2012 and 2011 are shown below.

	Millions of yen		
	Notional amount	Maturing after one year	Fair value
<b>At March 31, 2012</b>			
Interest rate swap contracts:			
Receive floating and pay fixed:			(Note)
Long-term loans payable	¥17,260	¥15,120	¥—

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

	Thousands of U.S. dollars		
	Notional amount	Maturing after one year	Fair value
<b>At March 31, 2012</b>			
Interest rate swap contracts:			
Receive / floating and pay / fixed:			(Note)
Long-term loans payable	\$210,129	\$184,076	\$—

Note: Interest rate swap contracts which qualify for hedge accounting and meet specific matching criteria were not remeasured at market value and the fair value of such interest rate swap contracts were included in that of the Long-term loans payable.

## 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, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease rental expenses for the year	¥ 82	¥202	\$1,002
The scheduled maturities of future lease rental payments:			
Due within one year	¥ 31	¥79	\$ 378
Due over one year	17	49	209
	¥ 48	¥128	\$ 587
Leased assets:			
Assumed purchase cost	¥216	¥503	\$2,632
Assumed accumulated depreciation	167	382	2,031
Assumed net book value	¥ 49	¥121	\$ 601
Depreciation and amortization	¥ 76	¥188	\$ 921
Interest expenses	3	8	37

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

For the year ended March 31, 2012	Millions of yen						
	Device business	Module business	System business	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Consolidated (Note 3)
Sales:							
Outside customers	¥30,933	¥36,500	¥10,700	¥4,429	¥82,562	¥ —	¥82,562
Inter-segment	4,756	60	—	—	4,816	(4,816)	—
Total	35,689	36,560	10,700	4,429	87,378	(4,816)	82,562
Segment income	4,440	2,403	338	461	7,642	(2,619)	5,023
Segment assets	30,636	22,713	7,602	1,281	62,232	49,689	111,921
Depreciation and amortization	2,531	1,010	338	54	3,933	423	4,356
Increase in property, plant and equipment and intangible assets	2,197	847	51	62	3,157	607	3,764

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 Company's formulates comprehensive domestic and overseas strategies for the products that its business divisions provide.

The Company'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, MOSFETs 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 the 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.

Thousands of U.S. dollars							
For the year ended March 31, 2012	Device business	Module business	System business	Other (Note 1)	Total	Adjustments and eliminations (Note 2)	Consolidated (Note 3)
Sales:							
Outside customers	\$376,588	\$444,368	\$130,259	\$53,919	\$1,005,134	\$ —	\$1,005,134
Inter-segment	57,905	735	—	—	58,640	(58,640)	—
Total	434,493	445,103	130,259	53,919	1,063,774	(58,640)	1,005,134
Segment income	54,046	29,259	4,111	5,616	93,032	(31,879)	61,153
Segment assets	372,971	276,512	92,551	15,594	757,628	604,931	1,362,559
Depreciation and amortization	30,814	12,297	4,120	657	47,888	5,138	53,026
Increase in property, plant and equipment and intangible assets	26,745	10,315	617	759	38,436	7,393	45,829

- Notes: 1. The "Other" category includes business activities not included in the reportable segments, such as solenoid business.
2. Details of adjustments and eliminations are below:
- (1) Segment loss totaling ¥2,619 million (\$31,879 thousand) posted under "Adjustments and eliminations" 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 ¥49,689 million (\$604,931 thousand) posted under "Adjustments and eliminations" comprise corporate assets of ¥50,058 million (\$609,423 thousand) not allocated to the reportable segments and other adjustments of ¥(369) million (\$4,492 thousand).
  - (3) Depreciation and amortization totaling ¥423 million (\$5,138 thousand) posted under "Adjustments and eliminations" mainly comprises corporate expenses not attributable to the reportable segments.
  - (4) The increase in property, plant and equipment and intangible assets amounting to ¥607 million (\$7,393 thousand) posted under "Adjustments and eliminations" 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 Income and Comprehensive Income for the year ended March 31, 2012.

Millions of yen							
For the year ended March 31, 2011	Device business	Module business	System business	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 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

- 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 posted under "Adjustments and eliminations" 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 posted under "Adjustments and eliminations" comprise corporate assets of ¥41,658 million not allocated to the reportable segments and other adjustments of ¥(260) million.
  - (3) Depreciation and amortization totaling ¥421 million posted under "Adjustments and eliminations" 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 posted under "Adjustments and eliminations" 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 Income and Comprehensive Income for the year ended March 31, 2011.

**(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, 2012

Millions of yen				
Japan	Indonesia	Asia (other)	Other areas	Total
¥43,483	¥9,718	¥25,021	¥4,340	¥82,562

For the year ended March 31, 2011

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

For the year ended March 31, 2012

Thousands of U.S. dollars				
Japan	Indonesia	Asia (other)	Other areas	Total
\$529,379	\$118,310	\$304,610	\$52,835	\$1,005,134

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

**(3) Information by major customer**

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

**(Information of impairment loss on property, plant and equipment by reportable segment)**

For the year ended March 31, 2012

	Millions of yen					
	Device business	Module business	System business	Other	Adjustments and eliminations	Total
Impairment loss	¥—	¥34	¥17	¥—	¥5	¥56

	Thousands of U.S. dollars					
	Device business	Module business	System business	Other	Adjustments and eliminations	Total
Impairment loss	\$—	\$410	\$201	\$—	\$67	\$678

Note: The amount of "Adjustments and eliminations" is related idle assets which are not classified specific reportable segments.

**(b) Property, plant and equipment**

For the year ended March 31, 2012

Millions of yen			
Japan	Asia	Other areas	Total
¥17,973	¥3,017	¥3	¥20,993

For the year ended March 31, 2011

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

For the year ended March 31, 2012

Thousands of U.S. dollars			
Japan	Asia	Other areas	Total
\$218,815	\$36,732	\$32	\$255,579

## 21. Consolidated statements of changes in net assets

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

	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)
<b>For the year ended March 31, 2012</b>				
(Shares issued)				
Common stock	103,389	—	—	103,389
Class A preferred shares (Note)	11,362	—	5,681	5,681
<b>Total</b>	<b>114,751</b>	<b>—</b>	<b>5,681</b>	<b>109,070</b>

Note: Decrease of Class A preferred shares is due to retirement of Class A preferred shares.

	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)
<b>For the year ended March 31, 2011</b>				
(Shares issued)				
Common stock	103,389	—	—	103,389
Class A preferred shares	11,362	—	—	11,362
<b>Total</b>	<b>114,751</b>	<b>—</b>	<b>—</b>	<b>114,751</b>

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

	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)
<b>For the year ended March 31, 2012</b>				
(Shares of treasury stock)				
Common stock	326	7	—	333
Class A preferred shares (Note)	—	5,681	5,681	—
<b>Total</b>	<b>326</b>	<b>5,688</b>	<b>5,681</b>	<b>333</b>

Note: Increase and decrease of Class A preferred shares are due to purchase and retirement of Class A preferred shares

	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)
<b>For the year ended March 31, 2011</b>				
(Shares of treasury stock)				
Common stock	315	12	1	326
<b>Total</b>	<b>315</b>	<b>12</b>	<b>1</b>	<b>326</b>

### (3) Dividends

#### (a) Dividends paid for the year ended March 31, 2012

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

**(b) 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

**(c) Dividends with the cut-off date in the year ended March 31, 2012 and the effective date in the year ending March 31, 2013**

Resolution	Share class	Cash dividends paid	Cash dividends per share	Term end	Dividend effective date
Ordinary general meeting of shareholders on June 28, 2012	Common stock	¥361 million	¥3.5	March 31, 2012	June 29, 2012
Ordinary general meeting of shareholders on June 28, 2012	Class A preferred shares	¥87 million	¥15.4	March 31, 2012	June 29, 2012

**(d) Dividends with the cut-off date in the year ended March 31, 2011 and the effective date in the year ending March 31, 2012**

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

**22. Net income per share**

Calculation of net income (loss) per share for the years ended March 31, 2012 and 2011 was as follows.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income	¥ 1,503	¥ 4,576	\$18,295
Amounts not attributable to common stock	88	175	1,065
(Class A preferred shares)	(88)	(175)	(1,065)
Net income attributable to common stock	1,415	4,401	17,230
Weighted average number of ordinary shares (thousands)	103,059	103,069	

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

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Shindengen Electric Manufacturing Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shindengen Electric Manufacturing Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

*Ernst & Young ShinNihon LLC*

June 28, 2012

A member firm of Ernst & Young Global Limited

# Corporate Information

## CORPORATE DATA

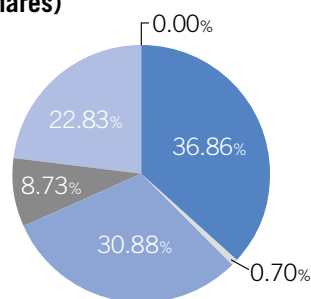
**Company Name:** Shindengen Electric Manufacturing Co., Ltd.  
**Established:** August 16, 1949  
**Capital:** ¥17,823,148,008 (As of March 31, 2012)  
**Number of Employees:** 5,437 (Consolidated basis)  
 1,080 (Nonconsolidated basis)  
 (As of March 31, 2012)

## 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, 2012)  
**Ordinary General Meeting of Shareholders:** June  
**Accounting Auditors:**  
 Ernst & Young ShinNihon LLC  
**Number of Shareholders:**  
 6,877 (As of March 31, 2012)

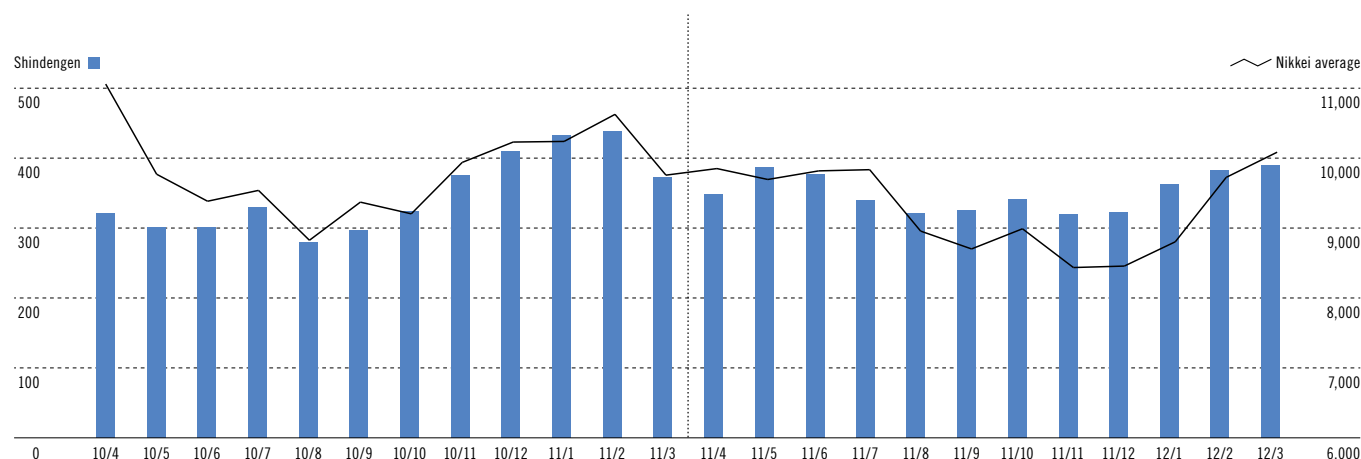
## SHAREHOLDER COMPOSITION

(Number of shares)



□ National and local governments .....	0.00%
■ Financial institutions .....	36.86%
■ Securities companies .....	0.70%
■ Japanese corporations .....	30.88%
■ Foreign investors .....	8.73%
■ Individuals .....	22.83%

## 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:**  
Flora Bldg., 1-9-15, Higashi Syukugou  
Utsunomiya City,  
Tochigi 321-0953, 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  
Sukhumvit 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: 47.5%)

