

FY 2016 SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2016 to September 30, 2016)

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1. FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

(1) Consolidated Results of Operations

(Millions of yen)

	Net sales (percentage change from the previous year)	Operating income (percentage change from the previous year)	Ordinary income (percentage change from the previous year)	Profit attributable to owners of parent (percentage change from the previous year)
Six months ended Sep.30,2016	76,055 (-1.6%)	2,161 (-26.4%)	1,425 (-6.6%)	-72 (-)
Six months ended Sep.30,2015	77,328 (-0.1%)	2,937 (-43.2%)	1,525 (-69.3%)	109 (-96.8%)

Note: Comprehensive income: -5,610 million yen (-%) for the six months ended Sep.30, 2016 / -293 million yen (-%) for the six months ended Sep.30, 2015

	Net income per share (yen)	Diluted net income per share (yen)
Six months ended Sep.30,2016	-0.60	—
Six months ended Sep.30,2015	0.90	—

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2016	171,008	48,345	28.1%
As of March 31, 2016	184,711	53,959	29.0%

Reference: Shareholders' equity: 48,028 million yen as of Sep.30, 2016 / 53,572 million yen as of Mar.31, 2016

2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2015	—	3.50yen	—	0.00yen	3.50yen
Fiscal year 2016	—	0.00yen			
Fiscal year 2016 (forecast)			—	—	—

Note1: Revision to recently disclosed dividend forecast: No

Note2: Fiscal-year-end dividend for FY 2016 is not yet determined.

3. FISCAL YEAR 2016 CONSOLIDATED FINANCIAL FORECAST (April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Net sales (percentage change from the previous year)	Operating income (percentage change from the previous year)	Ordinary income (percentage change from the previous year)	Profit attributable to owners of parent (percentage change from the previous year)	Net income per share
Full Year	156,000 (0.1%)	7,000 (2.9%)	5,500 (45.0%)	2,500 —	20.62yen

Note: Revision to recently disclosed financial forecast: No

4. OTHER

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016 (changes in particular subsidiaries accompanying the change in scope of consolidation): No
- (2) Application of particular accounting method for quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, restatements
- Changes in accounting policies according to the revision of accounting standards, etc. : No
 - Changes in accounting policies due to reasons other than above : No
 - Changes in accounting estimates : No
 - Restatements : No
- (4) Number of shares outstanding (common share)
- Number of shares outstanding at the end of the period (including treasury stock)
 - Number of treasury stocks at the end of the period
 - Average number of shares outstanding during six months ended September 30

Sep./2016:	125,490,302	Mar./2016:	125,490,302
Sep./2016:	4,278,436	Mar./2016:	4,275,417
Apr./2016-Sep./2016	121,213,464	Apr./2015-Sep./2015	121,231,798

* The above description about future matters including financial forecast is based upon information available as of the present time and assumptions we considered valid. Due to various factors, our actual performance could greatly differ from the forecast. For assumptions and notes regarding the forecasts, refer to "Qualitative Information of Consolidated Financial Forecast".

1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

(1) QUALITATIVE INFORMATION OF CONSOLIDATED OPERATING RESULTS

During the six months ended September 30, 2016, there were favorable indications in the global economy, including the continued steady expansion of the US economy and increased personal consumption in Europe. The Japanese economy also continued its gradual recovery, as employee compensation increased progressively, and there were signs of a recovery in individual consumer confidence. On the other hand, the economic recovery of China was still sluggish, but the overall economy continued on its gradual recovery track, despite some bearish tendencies.

Under these circumstances, the Company maintained a basic policy stressing activities to “Focus on growing markets” and “Enhance financial performance,” strove to improve profitability by changing the composition of its product lineups, and worked to reduce inventory. In the six months ended September 30, 2016, sales of automotive products and products for white goods increased, while sales in the power systems segment remained stagnant. As a result, net sales were ¥76,055 million, a decrease of ¥1,273 million (1.6%) as compared to the same period in the previous year. In terms of income, affected by factors such as a stronger yen, operating income was ¥2,161 million, a decrease of ¥776 million (26.4%) year on year, and ordinary income was ¥1,425 million, a decrease of ¥100 million (6.6%) year on year. In addition, we recorded loss attributable to owners of parent of ¥72 million (profit attributable to owners of parent of ¥109 million in the same period in the previous year).

Overview of business by segment is as follows.

In the semiconductor devices segment, although sales of automotive products and products for white goods such as air conditioners and washing machines increased, affected by the stronger yen, consolidated net sales from this segment were ¥62,645 million, a decrease of ¥222 million (0.4%) as compared to the same period in the previous year. Due to the decrease in net sales, consolidated operating income was ¥4,376 million, a decrease of ¥40 million (0.9%) as compared to the same period in the previous year.

For the power modules segment, though sales of automotive products, the product category of focus for the Company, increased, sales of products for multi-function printers and audio products decreased. As a result, consolidated net sales from this segment were ¥8,199 million, a decrease of ¥147 million (1.8%) as compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥323 million (consolidated operating loss of ¥374 million in the same period in the previous year), mainly because the Company’s structural reform, which centers on establishing high value-added business portfolios and reducing fixed expenses, was still in progress.

For the power systems segment, regarding sales of products for the telecommunication market, sales of products for mobile phone base stations remained weak, and sales of products for the new energy market were sluggish as well. As a result, consolidated net sales from this segment were ¥5,210 million, a decrease of ¥903 million (14.8%) as compared to the same period in the previous year, and we recorded consolidated operating loss of ¥388 million (consolidated operating income of ¥237 million in the same period in the previous year).

(2) QUALITATIVE INFORMATION OF CONSOLIDATED FINANCIAL POSITION

1) Status of Assets, Liabilities and Net Assets

Assets as of the end of September 30, 2016 were ¥171,008 million, a decrease of ¥13,703 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in property, plant and equipment of ¥5,253 million, inventories of ¥3,718 million and notes and accounts receivable - trade of ¥2,045 million.

Liabilities were ¥122,663 million, a decrease of ¥8,088 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in commercial papers of ¥2,000 million, short-term loans payable of ¥1,839 million and net defined benefit liability of ¥1,202 million.

Net Assets were ¥48,345 million, a decrease of ¥5,614 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in foreign currency translation adjustment of ¥5,936 million, and an increase in remeasurements of defined benefit plans of ¥465 million.

2) Status of Cash Flows

Balance of cash and cash equivalents at the end of the six months ended September 30, 2016 was ¥17,427 million, a decrease of ¥218 million as compared to the end of the previous consolidated fiscal year.

Net cash provided by operating activities was ¥9,205 million, an increase of ¥9,415 million as compared to the same period in the previous fiscal year. This was mainly due to an increase in income by a decrease in inventories, and a decrease in cash outflow by an increase in notes and accounts payable-trade.

Net cash used in investing activities was ¥4,920 million, a decrease of ¥3,067 million as compared to the same period in the previous fiscal year. This was mainly due to a decrease in cash outflow by purchase of property, plant and equipment.

Net cash used in financing activities was ¥3,198 million, an increase of ¥9,118 million as compared to the same period in the previous fiscal year. This was mainly due to an increase in cash outflow by redemption of bonds.

(3) QUALITATIVE INFORMATION OF CONSOLIDATED FINANCIAL FORECAST

Uncertainty about the future of the global economy has been growing due to factors such as uncertainty about the direction in the US monetary policy, the effects of the UK's decision to depart from the EU, as well as concerns over trends in the Chinese financial market due to issues including its problem of excessive debt. Concern over the future of the Japanese economy has also been increasing despite improvements in the employment and income environment, stemming from signs of weakness in overseas economies such as those of emerging countries. Under these circumstances, the Company will continue working as one to achieve the enhancement of our financial conditions and secure profits. To accomplish this, the Company will strive to increase net sales of its strategic fields by developing new products, not only in automotive products and products for white goods, but also by focusing on fields related to the environment, energy saving, and green energy. The Company will also work on improving its product mix to better fit the markets that merit its focus.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2016	September 30 2016
ASSETS		
Current assets		
Cash and deposits	17,924	17,790
Notes and accounts receivable - trade	33,999	31,954
Merchandise and finished goods	17,971	17,038
Work in process	24,778	23,185
Raw materials and supplies	9,839	8,646
Deferred tax assets	2,095	1,926
Other	5,606	4,371
Allowance for doubtful accounts	(10)	(11)
Total current assets	<u>112,204</u>	<u>104,900</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,837	21,100
Machinery, equipment and vehicles, net	26,788	25,276
Tools, furniture and fixtures, net	1,105	967
Land	5,039	4,827
Leased assets, net	1,323	837
Construction in progress	4,921	3,750
Total property, plant and equipment	<u>62,015</u>	<u>56,761</u>
Intangible assets		
Software	3,717	3,505
Other	1,954	1,849
Total intangible assets	<u>5,671</u>	<u>5,354</u>
Investments and other assets		
Investment securities	1,204	1,204
Deferred tax assets	204	163
Net defined benefit asset	—	17
Other	3,656	2,851
Allowance for doubtful accounts	(244)	(244)
Total investments and other assets	<u>4,820</u>	<u>3,992</u>
Total non-current assets	<u>72,507</u>	<u>66,107</u>
Total assets	<u><u>184,711</u></u>	<u><u>171,008</u></u>

	March 31 2016	September 30 2016
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,120	15,614
Short-term loans payable	20,635	18,795
Current portion of long-term loans payable	—	5,000
Current portion of bonds	25,900	15,900
Commercial papers	4,000	2,000
Lease obligations	924	513
Income taxes payable	423	363
Accrued expenses	9,490	8,436
Other	2,004	1,181
Total current liabilities	<u>79,499</u>	<u>67,805</u>
Non-current liabilities		
Bonds payable	30,000	40,000
Long-term loans payable	12,500	7,500
Lease obligations	329	227
Deferred tax liabilities	2,668	2,439
Provision for directors' retirement benefits	17	22
Net defined benefit liability	4,104	2,902
Other	1,633	1,764
Total non-current liabilities	<u>51,252</u>	<u>54,857</u>
Total liabilities	<u>130,751</u>	<u>122,663</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	10,301	10,301
Retained earnings	27,437	27,364
Treasury shares	(3,994)	(3,995)
Total shareholders' equity	<u>54,641</u>	<u>54,567</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	249	249
Foreign currency translation adjustment	1,689	(4,247)
Remeasurements of defined benefit plans	(3,007)	(2,541)
Total accumulated other comprehensive income	<u>(1,068)</u>	<u>(6,538)</u>
Non-controlling interests	<u>387</u>	<u>316</u>
Total net assets	<u>53,959</u>	<u>48,345</u>
Total liabilities and net assets	<u><u>184,711</u></u>	<u><u>171,008</u></u>

**(2) QUARTERLY CONSOLIDATED STATEMENTS OF INCOME AND
QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Millions of yen

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME	Six months ended Sep.30, 2015	Six months ended Sep.30, 2016
Net sales	77,328	76,055
Cost of sales	56,728	57,206
Gross profit	20,600	18,848
Selling, general and administrative expenses	17,662	16,687
Operating income	2,937	2,161
Non-operating income		
Interest income	10	8
Dividend income	23	19
Subsidy income	—	162
Other	250	209
Total non-operating income	284	398
Non-operating expenses		
Interest expenses	424	369
Foreign exchange losses	814	269
Miscellaneous loss	457	496
Total non-operating expenses	1,696	1,135
Ordinary income	1,525	1,425
Extraordinary income		
Gain on sales of non-current assets	—	0
Total extraordinary income	—	0
Extraordinary losses		
Loss on sales of non-current assets	0	4
Loss on retirement of non-current assets	2	166
Total extraordinary losses	2	171
Profit before income taxes	1,522	1,254
Income taxes	1,373	1,346
Profit (loss)	149	(92)
Profit (loss) attributable to non-controlling interests	39	(19)
Profit (loss) attributable to owners of parent	109	(72)

Millions of yen

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Six months ended Sep.30, 2015	Six months ended Sep.30, 2016
Profit (loss)	149	(92)
Other comprehensive income		
Valuation difference on available-for-sale securities	45	0
Foreign currency translation adjustment	(387)	(5,984)
Remeasurements of defined benefit plans, net of tax	(101)	465
Total other comprehensive income	(443)	(5,518)
Comprehensive income	<u>(293)</u>	<u>(5,610)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(320)	(5,542)
Comprehensive income attributable to non-controlling interests	26	(68)

(3) QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

	Six months ended Sep.30, 2015	Six months ended Sep.30, 2016
Cash flows from operating activities		
Profit before income taxes	1,522	1,254
Depreciation	5,721	5,645
Increase (decrease) in allowance for doubtful accounts	11	2
Increase (decrease) in net defined benefit liability	(415)	(191)
Increase (decrease) in net defined benefit asset	(653)	(489)
Interest and dividend income	(33)	(27)
Interest expenses	424	369
Decrease (increase) in notes and accounts receivable - trade	3,965	508
Decrease (increase) in inventories	(4,107)	1,561
Increase (decrease) in notes and accounts payable - trade	(3,503)	764
Other, net	(1,039)	524
Subtotal	<u>1,892</u>	<u>9,920</u>
Interest and dividend income received	34	15
Interest expenses paid	(392)	(408)
Income taxes paid	(1,744)	(322)
Net cash provided by (used in) operating activities	<u>(209)</u>	<u>9,205</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,281)	(4,310)
Proceeds from sales of property, plant and equipment	50	17
Purchase of intangible assets	(552)	(507)
Payments of loans receivable	(1)	(1)
Collection of loans receivable	3	5
Other, net	(207)	(123)
Net cash provided by (used in) investing activities	<u>(7,988)</u>	<u>(4,920)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(427)	(593)
Increase (decrease) in commercial papers	(7,500)	(2,000)
Repayments of finance lease obligations	(645)	(553)
Proceeds from long-term loans payable	5,000	—
Repayments of long-term loans payable	(5,000)	—
Proceeds from issuance of bonds	14,928	9,950
Redemption of bonds	—	(10,000)
Proceeds from sales of treasury shares	0	—
Purchase of treasury shares	(9)	(1)
Cash dividends paid	(424)	(0)
Net cash provided by (used in) financing activities	<u>5,920</u>	<u>(3,198)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(415)</u>	<u>(1,305)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,692)</u>	<u>(218)</u>
Cash and cash equivalents at beginning of period	<u>17,225</u>	<u>17,646</u>
Cash and cash equivalents at end of period	<u>14,533</u>	<u>17,427</u>

(4) SEGMENT INFORMATION**[Information on Net Sales, Incomes or Losses by Individual Reportable Segments]****SIX MONTHS ENDED SEPTEMBER 30, 2015**

Millions of yen

	Reportable Segments			Total	Adjusted Amount	Amount stated in Quarterly Consolidated Statements of Income
	Semiconductor Devices	PM	PS			
Sales						
(1) Sales to Customers	62,867	8,347	6,113	77,328	—	77,328
(2) Intersegment Sales or Transfer	397	266	0	663	(663)	—
Total	63,264	8,613	6,114	77,992	(663)	77,328
Operating Income (loss) by segment	4,417	(374)	237	4,280	(1,342)	2,937

SIX MONTHS ENDED SEPTEMBER 30, 2016

Millions of yen

	Reportable Segments			Total	Adjusted Amount	Amount stated in Quarterly Consolidated Statements of Income
	Semiconductor Devices	PM	PS			
Sales						
(1) Sales to Customers	62,645	8,199	5,210	76,055	—	76,055
(2) Intersegment Sales or Transfer	382	117	1	501	(501)	—
Total	63,028	8,316	5,212	76,556	(501)	76,055
Operating Income (loss) by segment	4,376	(323)	(388)	3,664	(1,503)	2,161