

FY 2016 CONSOLIDATED FINANCIAL RESULTS

(April 1, 2016 to March 31, 2017)

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1. FINANCIAL RESULTS FOR THE FISCAL YEAR 2016 (April 1, 2016 to March 31, 2017)

(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)	
Fiscal Year 2016	158,772	(1.8%)	5,930	(-12.8%)	5,026	(32.6%)	1,739	(914.0%)
Fiscal Year 2015	155,919	(-3.0%)	6,803	(-39.3%)	3,791	(-63.3%)	171	(-97.8%)

Note: Comprehensive income: FY 2016: 788 million yen (- %) / FY 2015: -8,196 million yen (- %)

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
Fiscal Year 2016	14.35yen	-	3.2%	2.7%	3.7%
Fiscal Year 2015	1.41yen	-	0.3%	2.0%	4.4%

Reference: Equity in net income/loss non-consolidated subsidiaries and/or affiliates: FY 2016: -yen / FY 2015: -yen

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal Year 2016	182,700	54,736	29.8%	448.87 yen
Fiscal Year 2015	184,711	53,959	29.0%	441.96 yen

Reference: Shareholders' equity: Mar./2017: 54,401 million yen / Mar./2016: 53,572 million yen

(3) Consolidated Results of Cash Flows

(Millions of yen)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) Investing activities	Net cash provided by (used in) financing activities	Balance of cash and cash equivalents at the end of year
Fiscal Year 2016	19,237	-10,931	-3,360	22,237
Fiscal Year 2015	7,799	-11,344	5,044	17,646

2. DIVIDEND INFORMATION

	Dividend per share					Total amount of annual dividend (millions of yen)	Dividend payout ratio (consolidated)	Dividend to total net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal-year- end	Annual			
Fiscal year 2015	-	3.50yen	-	0.00yen	3.50yen	424	247.4%	0.7%
Fiscal year 2016	-	0.00yen	-	3.50yen	3.50yen	424	24.4%	0.8%
Fiscal year 2017 (forecast)	-	3.00yen	-	3.00yen	6.00yen		-	

Note1: The breakdown of the year end dividend for FY 2016 (Ordinary dividend of 3yen Commemorative dividend of 0.5yen)

Note2: For the details, please refer to "Notice of Difference between the Forecasted Consolidated Business Results and the Actual Business Results for the Fiscal Year and Distribution of Surplus (Resumed Dividend and Commemorative Dividend)" disclosed on May 10, 2017.

3. FISCAL YEAR 2017 CONSOLIDATED FINANCIAL FORECAST (April 1, 2017 to March 31, 2018)

(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
Second quarter (cumulative)	78,500	(3.2%)	2,700	(24.9%)	2,100	(47.3%)	200	-	1.65yen
Full Year	159,000	(0.1%)	7,300	(23.1%)	6,000	(19.4%)	2,500	(43.8%)	20.63yen

4. OTHER

- (1) Changes in significant subsidiaries during the fiscal year (changes in particular subsidiaries accompanying the change in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, restatement of revisions
- Changes in accounting policies according to revision of accounting standards, etc. : No
 - Changes in accounting policies due to reasons other than above : No
 - Changes in accounting estimates : No
 - Restatement of revisions : No

(3) 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 the fiscal year

Mar./2017:	125,490,302	Mar./2016:	125,490,302
Mar./2017:	4,293,460	Mar./2016:	4,275,417
Mar./2017:	121,209,587	Mar./2016:	121,225,653

(Reference) SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

1. NON-CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR 2016 (April 1, 2016 to March 31, 2017)

(1) Non-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)	Net income (percentage change from the previous year)
Fiscal Year 2016	102,824 (3.6%)	-2,448 -	2,793 -	2,711 -
Fiscal Year 2015	99,241 (-7.3%)	-344 -	-1,043 -	-1,178 -

	Net income per share	Diluted net income per share
Fiscal Year 2016	22.37yen	-
Fiscal Year 2015	-9.72yen	-

(2) Non-consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal Year 2016	139,803	30,323	21.7%	250.20yen
Fiscal Year 2015	137,134	27,447	20.0%	226.44yen

Reference: Shareholders' equity: Mar./2017: 30,323 million yen / Mar./2016: 27,447 million yen

* This financial report is not subject to the audit procedure.

* 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 concerning the Forecast of Consolidated Business Results".

1. OPERATING RESULTS

(1) ANALYSIS OF OPERATING RESULTS

GENERAL REVIEW

Economic conditions remained on a moderate recovery trend as a whole during the current consolidated fiscal year. The US economy continued to recover, Europe saw an increase in consumption, and the Chinese economy also recovered. The Japanese economy continued on a moderate recovery track, as well, backed by increased overseas demand. In the electronics market the Company mainly services with its products, the market expanded globally and sales remained brisk as a whole. These trends were driven by growing demand for energy-saving white goods with built-in inverters in China and other Asian countries, recovery in the automotive markets in Europe, and support from the extended subsidy policy in China, factors that together outweighed the decreased sales of audio and other AV related products and sluggish sales in the market for office equipment, including printers.

Under these circumstances, the Company established a basic policy stressing activities to “Focus on growing markets” and “Enhance financial performance” and concentrated its efforts on the development of new products with a focus on strategic markets related to the environment, energy saving, and green energy. Through these efforts, we strove to expand sales and enhance profitability while focusing on measures to reduce inventory and reduce interest-bearing debt.

For the business results of the consolidated fiscal year, consolidated net sales were ¥158,772 million, an increase of ¥2,852 million (1.8%) compared to the previous fiscal year. These results were a consequence of favorable sales of products for white goods and automotive products mainly in overseas markets in the semiconductor devices segment. For income, we recorded consolidated operating income of ¥5,930 million, a decrease of ¥873 million (12.8%) compared to the previous fiscal year due to the exchange rate influenced by a stronger yen. However, we recorded consolidated ordinary income of ¥5,026 million, an increase of ¥1,234 million (32.6%) compared to the previous fiscal year, because non-operating income and expenses improved and extraordinary losses decreased as compared to the previous fiscal year. Profit attributable to owners of parent was ¥1,739 million, an increase of ¥1,567 million (914.0%) compared to the previous fiscal year.

OVERVIEW OF THE BUSINESS BY SEGMENTS

Semiconductor Devices

In this segment, sales of products for white goods such as air conditioners and washing machines and automotive products increased favorably, while sales of AV-related products and products for printers and other office equipment fell. As a result, consolidated net sales for this segment were ¥129,322 million, an increase of ¥4,205 million (3.4%) as compared to the previous fiscal year. For income, consolidated operating income remained ¥9,251 million, almost unchanged from the previous year due to the exchange rate influenced by a stronger yen.

Power Modules

In this segment, sales of automotive products increased. As a result, consolidated net sales for this segment were ¥16,153 million, an increase of ¥230 million (1.5%) as compared to the previous fiscal year. For income, however, we recorded consolidated operating loss of ¥384 million (consolidated operating loss of ¥973 million in the same period in the previous year), mainly because the Company’s structural reform, which centers on conversion of product portfolios and reducing fixed expenses, was still in progress.

Power Systems

Sales in this segment declined, chiefly due to sluggish sales of products in the new energy market, in addition to ongoing declines in the sales of products in the telecommunication market. As a result, consolidated net sales were ¥13,296 million, a decrease of ¥1,583 million (10.6%) as compared to the previous fiscal year. For income, consolidated operating loss was ¥180 million (consolidated operating income of ¥973 million in the previous fiscal year), stemming from decreased net sales.

(2) ANALYSIS OF FINANCIAL CONDITIONS

Assets as of the end of the current consolidated fiscal year were ¥182,700 million, a decrease of ¥2,011 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥4,624 million, and a decrease in total non-current assets of ¥2,222 million, raw materials and supplies of ¥920 million, work in process of ¥759 million and other current assets of ¥2,555 million.

Total liabilities were ¥127,963 million, a decrease of ¥2,788 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in commercial papers of ¥11,000 million, in the mean time, a decrease of ¥15,900 million which was the net result of an increase in bonds payable and a decrease in current portion of bonds payable.

Net assets were ¥54,736 million, an increase of ¥776 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings of ¥1,739 million, and a decrease in foreign currency translation adjustment of ¥934 million.

(3) STATUS OF CASH FLOW

Balance of cash and cash equivalents as of the end of the current consolidated fiscal year was ¥22,237 million, an increase of ¥4,591 million as compared with the end of the previous consolidated fiscal year.

Net cash provided by operating activities was ¥19,237 million, an increase of ¥11,437 million as compared with the previous year. This was mainly due to an increase in profit before income taxes, and a decrease in cash outflow by an increase in notes and accounts payable-trade.

Net cash used in investing activities was ¥10,931 million, a decrease of ¥413 million as compared with the previous year. This was mainly due to purchase of property, plant and equipment.

Net cash used in financing activities was ¥3,360 million, a decrease of ¥8,405 million as compared with the previous year. This was mainly due to redemption of bonds.

Our index trend concerning the financial conditions of the Company Group is as follows.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Equity ratio	26.4%	29.6%	32.4%	29.0%	29.8%
Equity ratio on the basis of market price	30.7%	53.7%	52.2%	22.2%	32.4%
Redemption years for liabilities	11.8 years	7.6 years	8.9 years	12.1 years	4.7 years
Interest coverage ratio	9.4 times	14.9 times	12.7 times	9.5 times	23.8 times

Equity ratio:	Equity / Total assets
Equity ratio on the basis of market price:	Total amount of market price of stocks / Total assets
Redemption years for liabilities:	Interest-bearing debts / Cash flow from operating activities
Interest coverage ratio:	Cash flow from operating activities / Interest paid

(4) FORECAST FOR THE FUTURE

In the markets the Company mainly services with its products, stable demand chiefly for products for white goods and automotive products is expected to continue throughout the next fiscal year, though uncertainties persist over the outlook for overseas economies. Under these circumstances, the Company will make concerted efforts to achieve goals towards improvements in performance and enhancement of our financial conditions in accordance with the "2015 Mid-term Business Plan." For the consolidated business results of fiscal 2017, we expect net sales of ¥159,000 million, operating income of ¥7,300 million, ordinary income of ¥6,000 million, and profit attributable to owners of parent of ¥2,500 million. These figures are based on an exchange rate of 1US\$=¥105 for the fiscal year ending March 31, 2018.

(Note)

The forecast described above is based upon information available as of the present time and assumptions we considered valid. Please be advised that there is a host of uncertain factors that could greatly impact actual performance, including global economic trends, the introduction of new products and their acceptance or lack thereof, and the impact of fair-market-value accounting.

(5) PROFIT DISTRIBUTION POLICY, AND DIVIDENDS OF THIS FISCAL YEAR AND NEXT FISCAL YEAR

The management of the Company has been placing distribution of profits to our shareholders as one of the most important corporate policies, and is committed to ensure a steady and stable stream of dividends through improvements in our profitability while securing the internal reserves necessary to develop businesses and strengthen a financial basis and an overall management foundation for the future.

For the business results of the current fiscal year, because non-operating income and expenses improved and extraordinary losses decreased as compared to the previous fiscal year, the individual non-consolidated net assets that would constitute the source of dividends increased. Based on the improved assumption, we have judged that we can resume dividends, in light of the outlook on future business conditions and other factors, while duly considering the securement of internal reserves as before.

As a result, we have set the year-end dividend for the current fiscal year of ¥3.00 per share. In commemoration of the 70th anniversary of our foundation celebrated last September, we decided to add a 70th anniversary commemorative dividend of ¥0.50. Combined with the ordinary dividend, we decided to resume dividends for the current fiscal year in the amount of ¥3.50 per share.

For the dividend in the next fiscal year, we expect it to be ¥6 per share (¥3 for both the interim and year-end dividends), considering the forecast of performance for the fiscal year ending March 31, 2018 and other factors.

(6) BUSINESS RISK, etc.

The Company has been developing business on a global scale in the electronics industry, in which technology advancement and changes in product cycles have been significant, allocating production and sales bases in Japan, and various countries in Asia, Europe and the United States. Under such circumstances, as major business risks identified by the Company, strategic risks, external environment risks, and internal environment risks can be pointed out. As strategic risks, there are such risks as success or failure in development of new products conforming to market needs, the capacity to respond to price competition, occurrence of overseas imitation goods and infringement on patent rights in relation to intellectual property rights and financing problems at the time of decreased credibility. As external environment risks, in addition to the impact of a deteriorating economic environment as a global economic trend, significant fluctuations in the exchange rate, occurrence of various disasters, including natural disasters, fires, disruption of social and communication infrastructures mainly at production bases and material suppliers. Further, it is a concern that such unexpected country risks will arise as regarding significant changes in laws and regulations and taxation systems of various countries, war and terrorism. As risks related to the internal environment, it is a concern that violations of laws and regulations, environmental problems, quality problems, fraudulent use and leakage of information in connection with expansion of information systems may occur. In the event that any one of these risks or several of them occur and result in a decrease in social credibility and stagnation of business activities or occurrence of great losses, it may adversely affect the performance and financial condition of the Company.

2. COMPANY GROUP

Our group, Sanken Electric Co., Ltd. and 34 consolidated subsidiaries, produces and sells Semiconductor Devices, Power Modules (PM), Power Systems (PS) and other related products and services associated therewith. Business lines of our group and roles of major subsidiaries are as follows.

Division	Major Products	Company Name
Semiconductor Devices	Semiconductor Devices Power IC Control IC Hall-effect IC Bipolar Transistor MOSFET IGBT Thyristor Rectifier Diode Light Emitting Diode (LED)	Sanken Electric Co., Ltd. Subsidiaries Ishikawa Sanken Co., Ltd. (Manufacturer) Yamagata Sanken Co., Ltd. (Manufacturer) Kashima Sanken Co., Ltd. (Manufacturer) Fukushima Sanken Co., Ltd. (Manufacturing and Sales) Sanken Optoproducts Co., Ltd. (Manufacturer) Dalian Sanken Electric Co., Ltd. (Manufacturer) Dalian Sanken Trade Co., Ltd. (Sales company) Sanken NorthAmerica, Inc. (Development, Manufacturing and Sales) Allegro MicroSystems, LLC. (Development, Manufacturing and Sales) Polar Semiconductor, LLC. (Manufacturer) Allegro MicroSystems Philippines, Inc. (Manufacturer) Allegro MicroSystems (Thailand) Co., Ltd. (Manufacturer) Allegro MicroSystems Europe Limited (Sales company) Allegro MicroSystems Argentina S.A. (IC design) Allegro MicroSystems Business Development, Inc. (Sales and Technical service) Allegro (Shanghai) Micro Electronics Commercial & Trading Co., Ltd. (Sales company) Sanken Power Systems (UK) Limited (Sales and Technical service) Korea Sanken Co., Ltd. (Manufacturing and Sales) Sanken Electric Korea Co., Ltd. (Sales and Technical service) Sanken Electric (Shanghai) Co., Ltd. (Sales and Technical service) Sanken Electric Hong Kong Co., Ltd. (Sales and Technical service) Taiwan Sanken Electric Co., Ltd. (Sales and Technical service) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Logistics Co., Ltd. (Logistics)
PM	Power Modules Switching Mode Power Supply unit Transformer	Sanken Electric Co., Ltd. Subsidiaries Dalian Sanken Electric Co., Ltd. (Manufacturing and Sales) Dalian Sanken Trade Co., Ltd. (Sales company) Sanken Power Systems (UK) Limited (Sales company) PT. Sanken Indonesia (Manufacturing and Sales) Sanken Electric (Shanghai) Co., Ltd. (Sales company) Sanken Electric Hong Kong Co., Ltd. (Sales company) Taiwan Sanken Electric Co., Ltd. (Sales company) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Electric (Malaysia) Sdn. Bhd. (Sales company) Sanken Logistics Co., Ltd. (Logistics)
PS	Power Systems Uninterruptible Power Supply (UPS) Inverter DC Power Supply Airway Beacon System General Purpose Power Supply	Sanken Electric Co., Ltd. Subsidiaries Sanken Optoproducts Co., Ltd. (Manufacturer) Sanken L.D. Electric (Jiangyin) Co., Ltd. (Manufacturing and Sales) Sanken Densetsu Co., Ltd. (Power supply sales and Installation work) Sanken Logistics Co., Ltd. (Logistics)
Others		Subsidiaries Sanken Business Service Co., Ltd. (Insurance agent and Business service)

3. MANAGEMENT POLICIES

(1) BASIC MANAGEMENT POLICY

The Company established its “Management Philosophy” in April 2003 in order to clarify the future direction of the Company. Extrapolating our philosophy and selecting semiconductor operations as our core business, we will continue our efforts to innovate our technical capabilities and creativity, and to extend our global business based on original technology. We will also strive to maintain a firm management foundation in order to maximize the corporate value of the Company and to become a socially and environmentally responsible corporate citizen.

(2) MANAGEMENT GOALS

The Company has established a mid-term business plan for the three-year period commencing in April 2015 (the “2015 Mid Plan”). For the fiscal period ending March 31, 2018, the last year of the plan, we have set the goal of consolidated net sales of ¥159 billion and consolidated operating income of ¥7.3 billion, in view of performance for the fiscal year ended March 31, 2017 and business conditions forecast for the next fiscal year, including foreign exchange rates and other factors. From now on we will make concerted efforts throughout the Company Group toward achieving the plan.

The Company Group has started to formulate a mid-term business plan for the next period aiming at the realization of further growth objectives.

(3) MID AND LONG-TERM MANAGEMENT STRATEGIES

“Power Electronics” has been established as a business domain in the 2015 Mid Plan to succeed to the strategy and overall spirit enunciated earlier in the 2012 Mid Plan. The Company is taking thorough measures in the Power Electronics domain to expand global markets (Expansion), evolve its development, production, sales, and human resources (Evolution), and pursue a corporate image at a higher stage (Next stage), by taking full advantage of eco-friendly and energy saving solutions (Eco-Solutions). It accordingly has selected the following as the plan slogan: “Power Electronics for Next “E” Stage.” The 2015 Mid Plan set forth a long-term scenario of attaining higher status in the industry and competitive-scale operations ten years in the future and set mid-term goals to realize the scenario. The following describes the basic policy towards achieving the goal of the 2015 Mid Plan.

FUNDAMENTAL POLICY OF THE PLAN

1. Foster a Corporate Culture with Global Vision

- 1) Develop business strategies to expand the markets we serve globally.
- 2) Improve earnings capability through establishing high value-added business portfolios.
- 3) Materialize return on investment for all manufacturing locations and implement optimized operations.
- 4) Meet customer expectations through continuous improvement in automotive quality and developing a global quality management structure.
- 5) Enhance the global purchasing structure and implement optimized procurement solutions.
- 6) Develop talent and make maximum use of resources within the Sanken Group.
- 7) Improve talent management in Engineering, Manufacturing and Sales functions through coordinated initiatives of the Sanken Group Companies.

2. Realize a Growth Strategy Focused on the Environmentally-Friendly and Energy-Saving Market

- 1) Develop an aggressive business strategy to increase share of the growing environmentally-friendly and energy-saving market such as Automotive, White Goods, Motor, Industrial equipment, Communications and LED Lighting.
- 2) Define and apply appropriate organizational resources, and develop new products targeted for growth markets.
- 3) Promote business with Power Semiconductor Devices such as MOSFET, IGBT, SiC and GaN and utilize these devices to develop a new module business.
- 4) Maintain continuous growth of sensor business through new product development, expanding manufacturing and sales locations.
- 5) Increase standard product for specific markets such as industrial and communications.
- 6) Promote products into the new energy application and environmentally-friendly infrastructure market .
- 7) Differentiate Sanken Group product offerings by providing customers with total solutions.

3. Enhance New Product Development through Expanded Technical Marketing and Program Management

- 1) Develop new application segments and expand served markets through technical marketing activities.
- 2) Define and focus development themes, enhance program management.
- 3) Improve development efficiency by separating technology development and product development.
- 4) Improve return on investment and shorten development cycle time by utilizing standard packages.
- 5) Develop new products utilizing technology synergy of all business units.
- 6) Accelerate technology and product development of next generation semiconductor devices.

4. Improve Global Competitiveness by Enhancing Design, Manufacturing, Sales and FAE Functions

- 1) Enhance cost competitiveness and improve production efficiency by realizing the combined capabilities of design, manufacturing and production technologies.
- 2) Utilize technologies from external partners and establish more efficient and automated manufacturing lines.
- 3) Enhance Business Continuity Plan (BCP) at production sites and along the supply chain.
- 4) Improve global sales capability through enhancing sales and FAE functions in customers' locations.
- 5) Develop new customers by expanding sales channels.
- 6) Stimulate new demand in current markets with existing devices through enhanced marketing activities.

5. Maximize the Use of Resources within the Sanken Group, and Enhance Financial Performance

- 1) Improve management efficiency through maximum utilization of Sanken Group resources.
- 2) Enrich the corporate culture through targeted employee education programs.
- 3) Improve the productivity of every employee.
- 4) Develop high value-added products through collaboration of Sanken, Allegro and Polar.
- 5) Maximize the Use of the new Sanken ERP system.
- 6) Reduce interest bearing debt by realizing return on investments in short term, and reducing inventory.
- 7) Enhance Corporate Social Responsibility (CSR) activities within the Sanken Group.

(4) TASKS TO BE ADDRESSED

Looking into the future of the global economy in general, we expect steady recovery in personal consumption in the US and Europe, while growing uncertainty over future events is expected to remain. Stable economic recovery is projected in China, though uncertainty has been expressed over the peril that financial risk will spread throughout the total economy. The economic recovery is expected to continue in Japan, but we must say that the outlook remains uncertain due to many unstable factors overseas. In the markets the Company mainly services with its products, however, demand is expanding for automotive products aiming at fuel-efficiency solutions, lower exhaust gas emission, and strengthened safety. The number of semiconductors used per vehicle has increased as a result, which supports the expectation that the global demand for automotive products will remain stable. In addition, as the growing adoption of inverters is expected to drive rising demand for products for white goods in the emerging economies, demand for relevant electronic products is forecasted to increase steadily as well.

Under these circumstances, the Company established an improved organizational base effective on April 1, 2017 with the aim of (1) enhancing development capabilities, manufacturing capabilities and sales capabilities and (2) strengthening its quality assurance system, in order to achieve the plan for the current fiscal year and accomplish growth strategy for the future, in the last year of the "2015 Mid-term Business Plan." First, in the semiconductor devices business sector, we will reinforce our technology development resources and concurrently strive to make our technology development more efficient and shorten lead times by narrowing down development activities for new products to strategic markets and products. We have also developed functions to promote cost-reduction activities and production reform activities, in order to strengthen our capacity to generate profits for production. For quality assurance, we have carried out organizational realignments for functions applicable to product quality and manufacturing quality, in order to further strengthen our quality assurance system. Next, in the power systems business sector, we will eliminate redundant functions by integrating the power module department and power systems department. We have been implementing organizational realignments and other additional changes with a view to concentrating our development resources into strategic products and strengthening the marketing functions for each market, in order to convert to an optimal business structure by taking advantage of each department's strengths, such as the cost-reduction capabilities of the power module department and quality-enhancement capabilities of the power systems department. For marketing and sales, we will conduct organizational rearrangements with a view to strengthening and expanding sales channels and improve our management system for customers and orders. Through these efforts, we will aim to increase sales in the strategic markets.

Under this new organizational structure, we will promote structural reforms for expanding profits and operational reforms with an aim to reduce time-to-market. In the markets on which we should strategically focus, mainly the emerging markets related to the environment and energy saving, and global markets for automotive products, white goods, and industrial machinery, we will concentrate our efforts on urgent issues such as: (1) accomplishing sales expansion for new products, (2) ensuring profits through cost reduction activities, and (3) strengthening financial conditions by curtailing inventories and interest-bearing debt. Through these efforts, the Company Group will band together and move ahead to achieve the plan for the current fiscal year.

4. BASIC CONCEPT OF SELECTING ACCOUNTING STANDARD

The Company adopts Japanese accounting standard in consideration of the comparability of consolidated financial statements over different accounting periods and the comparability among the consolidated financial statements of different companies. The Company will appropriately respond to the adoption of the IFRS in consideration of various conditions in Japan and overseas.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BLANCE SHEETS

Millions of yen

	March 31 2016	March 31 2017
ASSETS		
Current assets		
Cash and deposits	17,924	22,548
Notes and accounts receivable - trade	33,999	33,867
Merchandise and finished goods	17,971	18,227
Work in process	24,778	24,019
Raw materials and supplies	9,839	8,918
Deferred tax assets	2,095	2,080
Other	5,606	3,051
Allowance for doubtful accounts	(10)	(299)
Total current assets	112,204	112,415
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,837	21,643
Machinery, equipment and vehicles, net	26,788	27,341
Tools, furniture and fixtures, net	1,105	1,024
Land	5,039	5,004
Leased assets, net	1,323	447
Construction in progress	4,921	4,743
Total property, plant and equipment	62,015	60,204
Intangible assets		
Software	3,717	3,298
Other	1,954	2,057
Total intangible assets	5,671	5,355
Investments and other assets		
Investment securities	1,204	1,457
Deferred tax assets	204	204
Other	3,656	3,304
Allowance for doubtful accounts	(244)	(242)
Total investments and other assets	4,820	4,725
Total non-current assets	72,507	70,284
Total assets	184,711	182,700

	March 31 2016	March 31 2017
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,120	18,391
Short-term loans payable	20,635	23,151
Current portion of long-term loans payable	—	7,500
Current portion of bonds	25,900	—
Commercial papers	4,000	15,000
Lease obligations	924	220
Income taxes payable	423	492
Accrued expenses	9,490	9,441
Other	2,004	1,770
Total current liabilities	<u>79,499</u>	<u>75,967</u>
Non-current liabilities		
Bonds payable	30,000	40,000
Long-term loans payable	12,500	5,000
Lease obligations	329	156
Deferred tax liabilities	2,668	2,178
Provision for directors' retirement benefits	17	25
Net defined benefit liability	4,104	2,627
Other	1,633	2,009
Total non-current liabilities	<u>51,252</u>	<u>51,995</u>
Total liabilities	<u>130,751</u>	<u>127,963</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	10,301	10,301
Retained earnings	27,437	29,176
Treasury shares	(3,994)	(4,003)
Total shareholders' equity	<u>54,641</u>	<u>56,371</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	249	425
Foreign currency translation adjustment	1,689	754
Remeasurements of defined benefit plans	(3,007)	(3,150)
Total accumulated other comprehensive income	<u>(1,068)</u>	<u>(1,970)</u>
Non-controlling interests	<u>387</u>	<u>335</u>
Total net assets	<u>53,959</u>	<u>54,736</u>
Total liabilities and net assets	<u><u>184,711</u></u>	<u><u>182,700</u></u>

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

Millions of yen

	Fiscal Year 2015	Fiscal Year 2016
CONSOLIDATED STATEMENTS OF INCOME		
Net sales	155,919	158,772
Cost of sales	115,113	117,869
Gross profit	40,806	40,902
Selling, general and administrative expenses	34,003	34,972
Operating profit	6,803	5,930
Non-operating income		
Interest income	11	26
Dividend income	41	36
Subsidy income	—	162
Gain on insurance adjustment	110	—
Gain on sales of scraps	94	84
Miscellaneous income	226	387
Total non-operating income	483	698
Non-operating expenses		
Interest expenses	843	716
Foreign exchange losses	1,058	14
Compensation expense	646	83
Miscellaneous loss	946	787
Total non-operating expenses	3,495	1,601
Ordinary profit	3,791	5,026
Extraordinary income		
Gain on sales of non-current assets	—	0
Total extraordinary income	—	0
Extraordinary losses		
Loss on sales of non-current assets	24	4
Loss on disposal of non-current assets	39	440
Loss on valuation of investment securities	4	—
Business structure reform cost	621	—
Loss on countermeasures against abnormal properties of chemicals	1,032	—
Total extraordinary losses	1,723	444
Profit before income taxes	2,068	4,582
Income taxes - current	1,886	4,062
Income taxes - deferred	13	(1,196)
Total income taxes	1,900	2,866
Profit	168	1,716
Profit (loss) attributable to non-controlling interests	(3)	(22)
Profit attributable to owners of parent	171	1,739

	Fiscal Year 2015	Fiscal Year 2016
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Profit	168	1,716
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	175
Foreign currency translation adjustment	(4,132)	(960)
Remeasurements of defined benefit plans, net of tax	(4,109)	(142)
Total other comprehensive income	<u>(8,364)</u>	<u>(927)</u>
Comprehensive income	<u>(8,196)</u>	<u>788</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(8,150)	837
Comprehensive income attributable to non-controlling interests	(46)	(48)

(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL YEAR 2014 (April 1, 2015 to March 31, 2016)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,896	10,301	28,114	(3,981)	55,331
Changes of items during period					
Dividends of surplus			(848)		(848)
Profit attributable to owners of parent			171		171
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		(0)		0	0
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(0)	(677)	(13)	(690)
Balance at end of current period	20,896	10,301	27,437	(3,994)	54,641

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	371	5,778	1,102	7,252	437	63,021
Changes of items during period						
Dividends of surplus				—		(848)
Profit attributable to owners of parent				—		171
Purchase of treasury shares				—		(13)
Disposal of treasury shares				—		0
Net changes of items other than shareholders' equity	(121)	(4,089)	(4,109)	(8,321)	(49)	(8,371)
Total changes of items during period	(121)	(4,089)	(4,109)	(8,321)	(49)	(9,061)
Balance at end of current period	249	1,689	(3,007)	(1,068)	387	53,959

FISCAL YEAR 2015 (April 1, 2016 to March 31, 2017)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,896	10,301	27,437	(3,994)	54,641
Changes of items during period					
Profit attributable to owners of parent			1,739		1,739
Purchase of treasury shares				(9)	(9)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	1,739	(9)	1,730
Balance at end of current period	20,896	10,301	29,176	(4,003)	56,371

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	249	1,689	(3,007)	(1,068)	387	53,959
Changes of items during period						
Profit attributable to owners of parent				—		1,739
Purchase of treasury shares				—		(9)
Net changes of items other than shareholders' equity	175	(934)	(142)	(901)	(51)	(953)
Total changes of items during period	175	(934)	(142)	(901)	(51)	776
Balance at end of current period	425	754	(3,150)	(1,970)	335	54,736

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

	Fiscal Year 2015	Fiscal Year 2016
Cash flows from operating activities		
Profit before income taxes	2,068	4,582
Depreciation	11,593	11,045
Increase (decrease) in allowance for doubtful accounts	(6)	285
Decrease (increase) in net defined benefit asset	(1,326)	981
Increase (decrease) in net defined benefit liability	(652)	(2,303)
Interest and dividend income	(52)	(63)
Interest expenses	843	716
Loss (gain) on sales of property, plant and equipment	24	3
Decrease (increase) in notes and accounts receivable - trade	2,509	(43)
Decrease (increase) in inventories	(152)	1,243
Increase (decrease) in notes and accounts payable - trade	(3,880)	2,436
Other, net	462	3,777
Subtotal	11,431	22,662
Interest and dividend income received	47	68
Interest expenses paid	(818)	(809)
Income taxes paid	(2,860)	(2,682)
Net cash provided by (used in) operating activities	7,799	19,237
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,239)	(9,896)
Proceeds from sales of property, plant and equipment	172	27
Purchase of intangible assets	(1,042)	(1,030)
Payments of loans receivable	(1)	(1)
Collection of loans receivable	5	8
Other, net	(239)	(38)
Net cash provided by (used in) investing activities	(11,344)	(10,931)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(110)	2,572
Increase (decrease) in commercial papers	(18,500)	11,000
Repayments of finance lease obligations	(1,249)	(973)
Proceeds from long-term loans payable	5,000	—
Repayments of long-term loans payable	(5,000)	—
Proceeds from issuance of bonds	29,867	9,950
Redemption of bonds	(4,100)	(25,900)
Proceeds from sales of treasury shares	(0)	—
Purchase of treasury shares	(13)	(9)
Cash dividends paid	(849)	(1)
Net cash provided by (used in) financing activities	5,044	(3,360)
Effect of exchange rate change on cash and cash equivalents	(1,078)	(354)
Net increase (decrease) in cash and cash equivalents	421	4,591
Cash and cash equivalents at beginning of period	17,225	17,646
Cash and cash equivalents at end of period	17,646	22,237

6. SEGMENT INFORMATION

FISCAL YEAR 2015 (April 1, 2015 to March 31, 2016)

Millions of yen

	Reporting Segment			Total	Adjustment	Amount stated in CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	PM	PS			
Sales						
(1) Sales to customer	125,117	15,922	14,879	155,919	—	155,919
(2) Intersegment Sales or Transfer	725	495	0	1,220	(1,220)	—
Total	125,842	16,417	14,880	157,140	(1,220)	155,919
Operating income (loss) by segment	9,247	(973)	973	9,247	(2,444)	6,803
Assets	140,645	16,194	11,902	168,742	15,969	184,711
Other						
Depreciation	10,676	111	144	10,932	660	11,593
Impairment loss	—	107	—	107	—	107
Increase in property, plant, equipment and intangible assets	10,070	269	176	10,515	306	10,821

FISCAL YEAR 2015 (April 1, 2016 to March 31, 2017)

Millions of yen

	Reporting Segment			Total	Adjustment	Amount stated in CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	PM	PS			
Sales						
(1) Sales to customer	129,322	16,153	13,296	158,772	—	158,772
(2) Intersegment Sales or Transfer	750	502	2	1,256	(1,256)	—
Total	130,073	16,656	13,299	160,028	(1,256)	158,772
Operating income (loss) by segment	9,251	(384)	(180)	8,686	(2,755)	5,930
Assets	139,878	16,238	11,363	167,480	15,219	182,700
Other						
Depreciation	10,153	75	143	10,373	672	11,045
Impairment loss	—	135	—	135	—	135
Increase in property, plant, equipment and intangible assets	8,635	174	170	8,980	131	9,112