

FY 2017 THIRD QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2017 to December 31, 2017)

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1. FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

(1) Consolidated Results of Operations

(Millions of yen)

	Net sales (percentage change from the previous year)	Operating profit (percentage change from the previous year)	Ordinary profit (percentage change from the previous year)	Profit attributable to owners of parent (percentage change from the previous year)
Nine months ended Dec.31,2017	130,242 (14.2%)	8,591 (173.4%)	8,893 (278.6%)	-10,997 (-)
Nine months ended Dec.31,2016	114,085 (0.4%)	3,142 (-18.7%)	2,348 (5.3%)	51 (-)

Note: Comprehensive income: -10,062 million yen (- %) for nine months ended Dec.31, 2017 / 2,035 million yen (- %) for nine months ended Dec.31, 2016

	Net income per share (yen)	Diluted net income per share (yen)
Nine months ended Dec.31,2017	-90.74	—
Nine months ended Dec.31,2016	0.43	—

Note: Diluted net income per share is not presented due to the net loss per share, although dilutive shares exist.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2017	190,634	75,692	30.8%
As of March 31, 2017	182,700	54,736	29.8%

Reference: Shareholders' equity: 58,736 million yen as of Dec.31, 2017 / 54,401 million yen as of Mar.31, 2017

2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2016	—	0.00yen	—	3.50yen	3.50yen
Fiscal year 2017	—	3.00yen	—		
Fiscal year 2017(forecast)				3.00yen	6.00yen

Note: Revision to recently disclosed dividend forecast: No

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 profit (percentage change from the previous year)	Ordinary profit (percentage change from the previous year)	Profit attributable to owners of parent (percentage change from the previous year)	Net income per share
Full Year	173,000 (9.0%)	10,000 (68.6%)	9,000 (79.0%)	-13,700 (-)	-113.04yen

Note: Revision to recently disclosed financial forecast: No

4. OTHER

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2017 (changes to specified 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, 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

- (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 nine months ended December 31

Dec./2017:	125,490,302	Mar./2017:	125,490,302
Dec./2017:	4,309,992	Mar./2017:	4,293,460
Apr./2017-Dec./2017	121,190,880	Apr./2016-Dec./2016	121,212,675

* This quarterly financial report is not subject to quarterly reviews.

* The above description about future matters including financial forecast is based upon information available as of the present time and assumptions we considered valid, and we do not promise that these forecasts will be accomplished. Due to various factors, our actual performance could greatly differ from the forecast. For assumptions and precautions to use the forecasts, refer to following "DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc".

1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

During the nine months ended December 31, 2017, the US economy and the European economy remained steady, and the Chinese economy continued stable growth thanks to government policies. The Japanese economy remained on a moderate recovery track mainly due to steady exports, a rise in capital investment, and recovery in personal consumption. Under these circumstances, the Company maintained a basic policy for the current fiscal year for realizing growth by stressing activities to “Focus on growing markets” and “Enhance financial performance.” Under the policy, we strove to expand sales of new products in the globally growing key strategic markets related to the environment and energy saving, while focusing on measures to improve our earnings structure drastically. Particularly, we launched new products to expand sales by catching growth opportunities including the development of the energy-saving trend in white goods in foreign countries and the progress of electrification and evolution of automatic driving in the automotive market. At the same time, the Group has worked on restructuring initiatives such as its withdrawal from the power module business, removal of unprofitable products in the semiconductor devices business, and reduction in fixed expenses at the headquarters, which are pivotal management challenges we have faced.

In the nine months ended December 31, 2017, sales of IC products for white goods for Chinese air conditioner manufacturers and South Korean washing machine and refrigerator manufacturers remained favorable in the semiconductor devices segment. In the same segment, sales of IC and sensor products used for automotive transmissions and power steering systems also performed well. As a result, net sales were ¥130,242 million, an increase of ¥16,156 million (14.2%) as compared to the same period in the previous year. For income, operating profit was ¥8,591 million, an increase of ¥5,448 million (173.4%) year on year resulting from increased net sales and the exchange rate influenced by a weaker yen compared with the exchange rate set at the beginning of the current fiscal period. Ordinary profit was ¥8,893 million, an increase of ¥6,544 million (278.6%) year on year. However, loss attributable to owners of parent was ¥10,997 million (loss attributable to owners of parent of ¥51 million in the same period in the previous year) due to the recording of extraordinary losses of ¥16,573 million resulting from the restructuring initiatives.

Overview of business by segment is as follows. From the first quarter consolidated fiscal period, the former power module business and power systems business are integrated into the power systems business, and reportable segments are changed into two segments, namely, the semiconductor devices segment and power systems segment. The following descriptions of financial performance for each reportable segment in comparison to the same period in the previous year are stated according to the segment after the change.

In the semiconductor devices segment, sales of products for white goods such as air conditioners, washing machines and refrigerators continued to increase, and sales of automotive products also remained favorable with the progress of electrification. As a result, consolidated net sales from this segment were ¥107,863 million, an increase of ¥13,919 million (14.8%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥10,772 million, an increase of ¥4,409 million (69.3%) as compared to the same period in the previous year, resulting from increased net sales.

For the power systems segment, sales of products for the AV and OA markets, including unprofitable adapters for TVs and small printers, decreased due to sales controls, while sales of products for mobile phone base stations in the telecommunication market recovered. As a result, consolidated net sales from this segment were ¥22,378 million, an increase of ¥2,237 million (11.1%) compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥26 million (consolidated operating loss of ¥1,021 million in the same period in the previous year) due to decreased sales of unprofitable products, resulting in improved operating performance.

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

Assets as of the end of December 31, 2017 were ¥190,634 million, an increase of ¥7,934 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥10,782 million, property, plant and equipment of ¥3,993 million, and a decrease in inventories ¥10,398 million.

Liabilities were ¥114,942 million, a decrease of ¥13,021 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in short-term loans payable including current portion of long-term loans payable of ¥15,254 million, commercial papers of ¥7,000 million, and an increase in long-term loans payable of ¥6,100 million, notes and accounts payable – trade of ¥2,459 million.

Net Assets were ¥75,692 million, an increase of ¥20,955 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in non-controlling interests of ¥16,620 million, capital surplus of ¥15,673 million, and a decrease retained earnings of ¥11,788 million.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

With regard to the consolidated financial forecast, we have not made revisions to the consolidated financial forecast for the full year ending March 31, 2018 disclosed on October 25, 2017.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2017	December 31 2017
ASSETS		
Current assets		
Cash and deposits	22,548	33,331
Notes and accounts receivable - trade	33,867	34,280
Merchandise and finished goods	18,227	14,306
Work in process	24,019	24,125
Raw materials and supplies	8,918	2,335
Deferred tax assets	2,080	1,424
Other	3,051	5,767
Allowance for doubtful accounts	(299)	(69)
Total current assets	<u>112,415</u>	<u>115,501</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,643	21,380
Machinery, equipment and vehicles, net	27,341	30,562
Tools, furniture and fixtures, net	1,024	1,247
Land	5,004	5,887
Leased assets, net	447	251
Construction in progress	4,743	4,868
Total property, plant and equipment	<u>60,204</u>	<u>64,197</u>
Intangible assets		
Software	3,298	3,039
Other	2,057	2,265
Total intangible assets	<u>5,355</u>	<u>5,304</u>
Investments and other assets		
Investment securities	1,457	1,541
Deferred tax assets	204	314
Net defined benefit asset	—	922
Other	3,304	3,093
Allowance for doubtful accounts	(242)	(242)
Total investments and other assets	<u>4,725</u>	<u>5,630</u>
Total non-current assets	<u>70,284</u>	<u>75,132</u>
Total assets	<u><u>182,700</u></u>	<u><u>190,634</u></u>

	March 31 2017	December 31 2017
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,391	20,851
Short-term loans payable	23,151	14,497
Current portion of long-term loans payable	7,500	900
Commercial papers	15,000	8,000
Lease obligations	220	100
Income taxes payable	492	393
Deferred tax liabilities	—	226
Accrued expenses	9,441	10,422
Other	1,770	2,144
Total current liabilities	<u>75,967</u>	<u>57,536</u>
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	5,000	11,100
Lease obligations	156	96
Deferred tax liabilities	2,178	1,931
Provision for directors' retirement benefits	25	23
Net defined benefit liability	2,627	2,245
Other	2,009	2,009
Total non-current liabilities	<u>51,995</u>	<u>57,406</u>
Total liabilities	<u>127,963</u>	<u>114,942</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	10,301	25,974
Retained earnings	29,176	17,388
Treasury shares	(4,003)	(4,012)
Total shareholders' equity	<u>56,371</u>	<u>60,247</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	425	483
Foreign currency translation adjustment	754	799
Remeasurements of defined benefit plans	(3,150)	(2,794)
Total accumulated other comprehensive income	<u>(1,970)</u>	<u>(1,510)</u>
Non-controlling interests	<u>335</u>	<u>16,955</u>
Total net assets	<u>54,736</u>	<u>75,692</u>
Total liabilities and net assets	<u>182,700</u>	<u>190,634</u>

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

Millions of yen

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME	Nine months ended Dec.31, 2016	Nine months ended Dec.31, 2017
Net sales	114,085	130,242
Cost of sales	<u>85,703</u>	<u>93,980</u>
Gross profit	<u>28,382</u>	<u>36,261</u>
Selling, general and administrative expenses	<u>25,240</u>	<u>27,670</u>
Operating profit	<u>3,142</u>	<u>8,591</u>
Non-operating income		
Interest income	13	44
Dividend income	36	39
Foreign exchange gains	—	1,010
Subsidy income	162	—
Miscellaneous income	<u>345</u>	<u>309</u>
Total non-operating income	<u>558</u>	<u>1,404</u>
Non-operating expenses		
Interest expenses	550	476
Foreign exchange losses	255	—
Miscellaneous loss	<u>546</u>	<u>625</u>
Total non-operating expenses	<u>1,351</u>	<u>1,101</u>
Ordinary profit	<u>2,348</u>	<u>8,893</u>
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on abolishment of retirement benefit plan	—	69
Compensation income	—	589
Total extraordinary income	<u>0</u>	<u>659</u>
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on disposal of non-current assets	356	41
Special retirement expenses	—	190
Loss on liquidation of subsidiaries and associates	—	365
Business structure reform cost	—	16,573
Total extraordinary losses	<u>360</u>	<u>17,171</u>
Profit (loss) before income taxes	<u>1,988</u>	<u>(7,618)</u>
Income taxes	<u>1,949</u>	<u>3,005</u>
Profit (loss)	<u>39</u>	<u>(10,623)</u>
Profit (loss) attributable to non-controlling interests	<u>(12)</u>	<u>373</u>
Profit (loss) attributable to owners of parent	<u>51</u>	<u>(10,997)</u>

Millions of yen

QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Nine months ended Dec.31, 2016	Nine months ended Dec.31, 2017
Profit (loss)	39	(10,623)
Other comprehensive income		
Valuation difference on available-for-sale securities	181	58
Foreign currency translation adjustment	1,264	147
Remeasurements of defined benefit plans, net of tax	550	355
Total other comprehensive income	<u>1,996</u>	<u>561</u>
Comprehensive income	<u><u>2,035</u></u>	<u><u>(10,062)</u></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,062	(10,537)
Comprehensive income attributable to non-controlling interests	(26)	475

(3) NOTES TO THE QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS
[Information about Sales and Operating Income (Loss) by Reporting Segment]

NINE MONTHS ENDED DECEMBER 31, 2016

Millions of yen

	Reportable Segments		Total	Adjusted Amount	Amount stated in Quarterly Consolidated Statements of Income
	Semiconductor Devices	Power Systems			
Sales					
(1) Sales to Customers	93,944	20,141	114,085	—	114,085
(2) Intersegment Sales or Transfer	568	101	670	(670)	—
Total	94,512	20,243	114,756	(670)	114,085
Operating Income (loss) by segment	6,362	(1,021)	5,341	(2,199)	3,142

NINE MONTHS ENDED DECEMBER 31, 2017

Millions of yen

	Reportable Segments		Total	Adjusted Amount	Amount stated in Quarterly Consolidated Statements of Income
	Semiconductor Devices	Power Systems			
Sales					
(1) Sales to Customers	107,863	22,378	130,242	—	130,242
(2) Intersegment Sales or Transfer	626	45	671	(671)	—
Total	108,489	22,424	130,913	(671)	130,242
Operating Income (loss) by segment	10,772	(26)	10,746	(2,154)	8,591