



July 18, 2017

To Whom It May Concern

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Announcement regarding new issuance of stock through a private placement at a subsidiary and a restructuring in the Sanken Group

The Board of Directors of Sanken Electric Co., Ltd (hereinafter “Sanken” or “the Company”) decided at the Board of Directors meeting held today that Sanken North America, Inc. (“SKN”) shall issue new shares through a private placement which shall be subscribed by One Equity Partners (“OEP”) and the Company shall take a series of actions to accomplish restructuring of the Sanken Group.

1. Background and Rationale: Accelerating growth for the Sanken Group.

The Sanken Group now faces a number of management challenges such as improving non-consolidated financial performance, improving the Company’s financial condition and accelerating execution of growth strategies of SKN which occupies a pivotal position in the consolidated financial performance. In order to address these challenges, and on top of what Sanken and the Sanken Group have worked on realigning its businesses within the group, Sanken now pursue mid to longer term growth of the Sanken Group’s corporate value through improving financial conditions by furthering the business restructuring activities and strengthening the infrastructure for executing the growth strategy for a next version of the mid-term business plan.

Aiming for further growth of the entire Sanken Group, Sanken will implement the restructuring plans to improve profitability of its business units through accelerating portfolio shifts to discontinue non-strategic and non-profitable markets and to optimize the size of its resources such as head count at the Sanken headquarters, and at the same time to put into action the strategic initiatives to accelerate growth of Allegro Microsystems, LLC (“AML”) and Polar Semiconductor, LLC (“PSL”), the two business units owned by SKN.

In order to execute the above initiatives, the Company decided to take the following actions. Sanken shall raise funds for future growth through a private placement of new shares at SKN subscribed by OEP and use the funds for actions to improve Sanken’s non-consolidated financial performance as well as to make better its financial conditions. SKN shall accelerate its speed to achieve the objectives of its growth strategy and to reinforce its restructuring efforts while partnering with OEP, as well as to create more value by collaborations such as joint product development programs between Sanken and SKN.

2. Overview of Actions

(1) SKN issues new shares amounting to 2,880,000 shares by a private placement and OEP subscribes to all of the newly issued shares.

SKN also plans to issue new shares to be used for equity-based compensation for SKN officers.

As a result, the shareholder composition of SKN and the ratios representing the holdings are as follows.

Sanken : 67.2%

OEP : 28.8%

Treasury stock : 4.0% (To be allocated as equity-based compensation for SKN's management)

Sanken retains a majority of SKN's outstanding shares after this transaction, so SKN stays as a consolidated entity under Sanken's consolidated financial statements after the transaction. And as such, there shall be no change whatsoever in Sanken's fundamental management policy on AML and PSL.

(2) SKN pays dividend of \$291 million to Sanken by applying the funds from the issuance of the new shares and Sanken takes actions for its future growth and improves its financial conditions by use of the funds.

3. Overview of the private placement by SKN

(1)	Number of new shares to be issued	2,880,000 shares
(2)	Total value of the new stock	\$291 million
(3)	subscriber of the new shares	One Equity Partners
(4)	End date of subscription period	August 24, 2017 (US Time)
(5)	Number of the issued and outstanding shares	10,000,000 shares SKN will increase the total number of issued shares from 1,000 shares to 10,000,000 shares, and change the ownership ratio as in 2 (1) above.
(6)	Number of shares which Sanken keeps	6,720,000 shares
(7)	Sanken's ownership of SKN's shares	Decreased from 100% to 67.2%

4. SKN's Corporate Overview

(1)	Name	Sanken North America, Inc.
(2)	Location	115 Northeast Cutoff, Worcester, MA 01606, U.S.A.
(3)	Name and title of the Representative	Director, Chairman Yoshihiro Suzuki
(4)	Description of Business	Development, manufacture and sales of semiconductor devices.
(5)	Common Stock	\$10,250 thousand
(6)	Date of Establishment	March 30, 2013
(7)	Major Shareholder and its % of share	Sanken Electric Co., Ltd. 100%
(8)	Relationship between the Company and SKN.	Capital Relationship: The Company owns 100% of the outstanding stock of SKN.
		Human Resource Relationship: Three board members of the Company are also the board members of SKN.
		Business Relationship: The Company has business relationship with SKN including manufacturing and selling of product, and a joint development.

5. Overview of the subscriber for the private placement

(1) Name	One Equity Partners (URL : www.oneequity.com)
(2) Location	510 Madison Ave., 19 th Floor, New York, NY 10022
(3) Year of formation	2001
(4) Office	New York, Chicago, Frankfurt
(5) Relationship between the Company and the subscriber.	Capital Relationship: N/A
	Human Resource Relationship: N/A
	Business Relationship: N/A

6. Schedule (From (2) to (4) below are subject to awarding of approvals under the Anti-trust statutes of each of the relevant countries.)

- (1) Sanken Board of Directors authorization for the private placement. July 18, 2017
- (2) Execution of agreement with OEP. August 24, 2017 (US Time)
- (3) Payment of the funds by OEP. August 24, 2017 (US Time)
- (4) Payment of dividend from SKN to the Company. August 24, 2017 (US Time)

7. Overview of the Growth Strategy and the Restructuring Initiatives.

(1) Growth Strategy

Sanken puts into action the following initiatives during this final year of the Company's Mid-Term Plan ("the MTP") for FY March 2016 to 2018, at the same time as we develop the next set of strategic initiatives for a new MTP for FY March 2019-2021.

i) Draw a long term growth strategy for the Sanken Group

- Sanken focuses further on automotive, motor, white goods, industrial machinery, telecommunication and renewable energy markets that it defined as its strategic focus markets and achieve even stronger growth to get to the next level of corporate stature.
- The Sanken Group widens the scope of its activities by developing a growing number of proprietary differentiating technologies focusing on innovation in power electronics and the surrounding areas through such corporate actions as acquisitions of technologies from outside through M&A or strategic alliance, and/or through joint research activities with academic organizations and/or research and development institutions.
- Sanken accelerates its endeavor to grow into a global enterprise by strengthening the collaborative relationships between Sanken and SKN in each phase of corporate chain of value added from technology development, production and marketing and sales.
- The Sanken Group seeks to boost its corporate value by speeding up the execution of business strategies at SKN, assisted by active engagement of OEP through capital participation and management representation.

ii) Strengthen Sanken's foundation for business.

- Sanken shortens development cycle time for new products which apply Sanken's core strength of power device technologies and power conversion technologies. In particular, Sanken focuses on promising "Power IoT" products, which unite both IoT-related areas and the power devices.
- Sanken strengthens its product development capability by establishing a new research and development center in Taiwan where development engineers are readily available. Additionally, in Korea, we will launch a package development department within the Seoul Technology Center to accelerate the development speed of packages and modules. As well exemplified by these plans, Sanken aggressively increases the number of engineers, both in and outside of Japan.
- Sanken expands capital expenditure for its production capacity and manufacturing rationalization for products aimed for automotive, white goods and industrial markets. Also, Sanken put into action its plan

to establish a Center for Excellence in Manufacturing Technologies in order to nurture even more Sanken's time-tested production and manufacturing technologies.

- Sanken expands its network of FAE centers in Asia where engineers offer technical support to customers, and rebuilding sales channels in the area, both to achieve sales growth of strategic products and increase penetration into the markets.

iii) SKN's Growth Strategy

- SKN accelerates its speed of strategic decision-making and operational execution to expand size of AML's business, to enhance product development capability and to speed up the PSL's process for structural reforms and to improve its financial performance, taking to the fullest extent this opportunity of OEP's investment and its board participation.

(2) Plans for Restructuring Business Units.

The details of fundamental structural reforms to be implemented are as follows.

i) Withdraw from the non-strategic market and focus on strategic market.

[Withdraw from the PM business and accelerate integration with the PS business.]

- Sanken withdraw from the PM business. Specifically, it plans to end production as of the end of March 2018, and to cease sales activities as of the end of September 2018.
- Sanken continues to provide products for strategic markets, such as automotive, industrial machinery, and telecommunication, which were previously handled by the PM business, but will be continued as products offered by the Power System division. Incidentally, from April 2017, the Company has already integrated organizations of both the PM business and the PS business and has shifted to develop and market high value-added products that represent synergistic effects of both businesses.
- Sanken, alongside with this business consolidation, sharply decrease the number of the items produced and shrink the size of the work force at PT Sanken Indonesia, the heretofore primary factory of the PM business.

[Restructure Semiconductor Device business.]

- In the core semiconductor device business, Sanken accelerate conversion of product portfolio and withdrawal from unprofitable items, most of which are centering around power supply device sector, and instead the Company try to expand in its strategic focus markets such as automobile, white goods, industrial machinery and motors.

ii) Offer a special early separation program.

Sanken implement a special early separation program, outlines of which to follow, to optimize the size of the staff at the Company to firmly establish a link between the restructuring measures mentioned above and the ultimate goal of quick improvement of non-consolidated financial results.

(1)	Name of company offering early separation	Sanken Electric Co., Ltd.
(2)	Eligibility	Employees aged 45 or above, and has more than three years of service at the time of separation.
(3)	Number of people applicable	120 people (planned) As of March 31, 2017, the number of employees of the Company 1,225
(4)	Offer period	From October 2 to October 13, 2017 (planned)
(5)	Early separation date	November 30, 2017 (planned)
(6)	Special Benefits	Payment of additional special benefit in addition to the regular severance payment. Support for hiring, provided upon request, by a personnel placement agency

8. Impact for the financial results during this fiscal year and the outlook for the future.

Sanken is still reviewing impacts from the restructuring actions, as they involve uncertain and variable factors such as progress of the restructuring and the participation rate of the special early separation program. The Company shall publicly announce the revised forecast of the consolidated financial results for the fiscal year ending March 2018 when more detailed information becomes available and if a public announcement is deemed necessary.