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To Whom It May Concern

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Notice of Production System Optimization in Semiconductor Devices Segment, Accompanying Extraordinary Losses and Revisions to Full-Year Forecast

Sanken Electric Co., Ltd. (the “Company”) announces that at the Board of Directors’ meeting held today, it decided to close down the following three plants among the Group’s plants in the semiconductor devices segment: the Machino plant, Ishikawa Sanken Co., Ltd.; Kashima Sanken Co., Ltd.; and Allegro MicroSystems (Thailand) Co., Ltd. The Company will transfer control of the production processes at these plants to other plants within the Sanken Group or to external semiconductor manufacturing subcontractors. In addition, the Company decided to convert Sanken Optoproducts Co., Ltd. into a power module production base. Accordingly, the Company will review some bases with a mind to increasing the efficiency of the overseas sales structure. Details are as shown below.

Furthermore, taking account of the extraordinary losses posted and the financial results for the nine months ended December 31, 2019, the Company has revised its full-year financial forecast as follows.

1. Optimizing the Production System for the Semiconductor Devices Segment

(1) Circumstances and Outline

In 2017, the Company implemented restructuring centered on withdrawal from unprofitable segments as well as reduction of fixed costs. In the fiscal year under review, the review of unprofitable products in the semiconductor device business progressed, and the demand for some conventional products could be forecasted. Meanwhile, the environments surrounding our production system have changed due to the increasing need to expand production of power module products, which is the core of our future growth strategy, and to increase production efficiency.

In response to these environmental changes, the Company decided at the Board of Directors’ meeting held on November 6, 2019 to concentrate management resources on the mainstay businesses of semiconductor devices and power modules, promoting the selection and concentration of business structures to accelerate the growth strategy. On the same day, we adopted and announced a policy to optimize the production system (the reorganization of plants), including consolidation of domestic plants in the semiconductor devices segment and transfer of control of production processes in Japan and overseas.

Thereafter, the Company considered the future and optimum deployment of individual products and production process. We also estimated one-time expenses incurred by new investment and relocation accompanying plant reorganization as well as benefits of the reorganization. As a result, we have decided to the following reorganization, which we expect to create a combination of minimum reorganization costs and maximum expected effectiveness.

(2) Specific Measures

(i) Integration of Diode Manufacturing Bases at Ishikawa Sanken Co., Ltd.

The Company will transfer production items at the Machino Plant of Ishikawa Sanken Co., Ltd. to the Uchiura Plant, and review the current product line at the Machino Plant and the Uchiura Plant, or transfer production overseas. As a result, the domestic diode manufacturing bases will be integrated into the Uchiura Plant, and the Machino Plant will be closed by the end of March 2022.

[Ishikawa Sanken Co., Ltd. Machino Plant]

Location: Wajima City, Ishikawa Prefecture
Business Description: Production of semiconductor devices

(ii) Conversion of Sanken Optoproducts Co., Ltd. to Power Module Plant and Consolidation of Production Facilities

Sanken Optoproducts Co., Ltd. (hereinafter referred to as "SKO") has produced Power System products and LED lighting fixtures. From now on, SKO is responding to the expansion of the production scale of Power Module products by converting itself to a plant exclusively for Power Module and integrating itself with the Horimatsu Plant of Ishikawa Sanken Co., Ltd., which is located on the same site. In addition, by transferring the manufacturing processes of Kashima Sanken Co., Ltd. to SKO and the Horimatsu Plant, the domestic production sites for Power Module will be consolidated. SKO plans to merge with Ishikawa Sanken Co., Ltd. by April 2021. Kashima Sanken will close its plant by the end of March 2022 and thereafter liquidate the company.

[Sanken Optoproducts Co., Ltd.]

Location: Shika Town, Hakui County, Ishikawa Prefecture
Business Description: Production of Power Systems and LED lighting fixtures

[Kashima Sanken Co., Ltd.]

Location: Kamisu City, Ibaraki Prefecture
Business Description: Production of semiconductor devices

(iii) Closing of Allegro MicroSystems (Thailand) Co., Ltd.

Allegro MicroSystems (Thailand) Co., Ltd. (hereinafter referred to as "AMTC") has manufactured the products of Allegro MicroSystems, Inc., a U.S. subsidiary of the Company, (hereinafter referred to as "AMI"). This time, we will consolidate all production processes of AMTC with Allegro MicroSystems Philippines, Inc., an AMI's manufacturing subsidiary in the Philippines, to improve production efficiency. The transfer of AMTC's manufacturing processes is scheduled to be completed by the end of March 2021, and thereafter AMTC is scheduled to be closed its plant and liquidated the company.

[Allegro MicroSystems (Thailand) Co., Ltd.]

Location: Saraburi Province, Thailand
Business Description: Production of semiconductor devices

2. Reorganization of the Sales Structure

Closure of Sanken Electric Singapore Pte. Ltd. (“SKS”)

The Company will integrate the support services for the ASEAN region with those of Sanken Electric (Thailand) Co., Ltd., a sales base in Thailand, in order to make the sales structure in that region more efficient. We will close SKS around the end of September 2020 and then liquidate it.

[Sanken Electric Singapore Pte. Ltd.]

Location: Singapore

Business Description: Sales of the Company’s products in the ASEAN region

3. Impact on Financial Results

Due to the above reasons, the Company posted extraordinary losses of approximately ¥3,600 million in the nine months ended December 31, 2019, as impairment loss on fixed assets related to the planned plant closures. In addition, the Company expects to post extraordinary losses of approximately ¥4,200 million as a series of restructuring costs including extra retirement payments. On the other hand, as announced on November 6, 2019, we expect extraordinary profit of approximately ¥3.9 billion from the sale of related real estate, which becomes idle due to outsourcing of logistics operations.

4. Revisions to Full-Year Forecast

During the third quarter of the current fiscal year, sales decreased due to lower than expected demand for products for automotive and industrial equipment, and the resulting decline in factory operating rates. Consolidated earnings forecasts for the full year, which were announced on November 6, 2019, are revised as follows in light of the results of operations up to the third quarter of the current fiscal year and the recording of extraordinary losses as described in 3. above.

Revisions to Full-Year Forecast (April 1, 2019 to March 31, 2020)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net income per share
Previous forecast (A) (Announced on November 6, 2019)	(millions of yen) 164,300	(millions of yen) 5,800	(millions of yen) 4,300	(millions of yen) 1,900	(yen) 78.45
Revised forecast (B)	161,000	4,000	2,700	-7,000	-289.26
Change (B-A)	-3,300	-1,800	-1,600	-8,900	—
Ratio of change (%)	-2.0%	-31.0%	-37.2%	—	—
<Reference> Results of the previous year (FY ended March 31, 2019)	173,650	10,531	9,173	3,967	163.70