

FY 2018 FIRST QUARTER CONSOLIDATED FINANCIAL RESULTS

(April 1, 2018 to June 30, 2018)

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1. FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2018

(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)
Three months ended Jun.30,2018	42,680 (3.0%)	2,529 (24.2%)	1,803 (19.1%)	563 (2.9%)
Three months ended Jun.30,2017	41,452 (12.3%)	2,036 (538.2%)	1,514 (-)	547 (-)

Note: Comprehensive income: 2,691 million yen (199.9%) for three months ended June 30, 2018 / 897 million yen (-%) for three months ended June 30, 2017

	Net income per share (yen)	Diluted net income per share (yen)
Three months ended Jun.30,2018	4.65	3.98
Three months ended Jun.30,2017	4.52	-

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2018	187,900	74,649	30.1%
As of March 31, 2018	185,359	72,283	29.9%

Reference: Shareholders' equity: 56,632 million yen as of June 30, 2018 / 55,335 million yen as of March 31, 2018

2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2017	-	3.00yen	-	3.00yen	6.00yen
Fiscal year 2018	-				
Fiscal year 2018(forecast)		3.00yen	-	15.00yen	-

Note1: Revision to recently disclosed dividend forecast: No

Note2: The Company is scheduled to consolidate shares of its common stock (one-for-five share consolidation) with an effective date of October 1, 2018. Accordingly, the amount of the year-end dividend per share for the fiscal year ending March 31, 2019 (Forecast) above is stated in consideration of the said share consolidation, and the total amount of the annual dividend is stated as "-." The year-end dividend per share and annual dividend per share for the fiscal year ending March 31, 2019 (Forecast) determined without considering the share consolidation are 3.00yen and 6.00yen, respectively. For details, please see the "Explanations on the proper use of the financial forecast and other notes."

3. FISCAL YEAR 2018 CONSOLIDATED FINANCIAL FORECAST (April 1, 2018 to March 31, 2019)

(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
Second quarter (cumulative)	87,200 (1.4%)	5,200 (-4.7%)	4,400 (-22.3%)	1,500 -	12.38yen
Full Year	178,000 (1.6%)	12,500 (3.9%)	11,000 (-6.8%)	4,800 -	198.04yen

Note1: Revision to recently disclosed financial forecast: No

Note2: Net income per share in the consolidated financial forecast for the full year ending March 31, 2019 is determined in consideration of the effect of the share consolidation. Net income per share in the consolidated financial forecast for the full year ending March 31, 2019 determined without considering the share consolidation is 39.61yen. For details, please see the "Explanations on the proper use of the financial forecast and other notes."

4. OTHER

- (1) Changes in significant subsidiaries during the three months ended June 30, 2018 (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 due to the amendment 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 three months ended June 30

Jun./2018:	125,490,302	Mar./2018:	125,490,302
Jun./2018:	4,317,485	Mar./2018:	4,315,618
Apr./2018-Jun./2018	121,174,246	Apr./2017-Jun./2017	121,195,754

* This quarterly financial report is not subject to quarterly reviews to be conducted by certified public accountants or an audit corporation.

* 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".

* (Dividend and Financial Forecast after the Share Consolidation)

A proposal on a share consolidation was approved at the 101st Ordinary General Meeting of Shareholders held on June 22, 2018. Accordingly, the Company is scheduled to consolidate shares of its common stock (one-for-five share consolidation) effective on October 1, 2018. In addition, the Company is scheduled to revise the number of shares constituting one unit from 1,000 to 100, effective on the same date.

Dividend forecast and consolidated financial forecast for the fiscal year ending March 31, 2019 determined without considering the share consolidation are as follows.

1. Dividend forecast for the fiscal year ending March 31, 2019

Dividend per share

Second quarter ¥3.00

Fiscal-year-end ¥3.00

2. Consolidated financial forecast for the fiscal year ending March 31, 2019

Net income per share

Second quarter ¥12.38

Fiscal-year-end ¥39.61

1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2018

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

During the current first quarter consolidated fiscal period, the US economy and the European economy continued to expand against the backdrop of increased personal consumption and capital investment, while the Chinese economy continued moving toward a recovery driven by the effects of government policies, though there remained some concern over trade frictions and other issues. The Japanese economy progressed on a moderate expansion trend, mainly thanks to steadily improved employment conditions amid favorable corporate earnings and increased capital investment. Under these circumstances, the Company started the “2018 Mid-term Business Plan” on April 1 of this year. Under this mid-term business plan, the Company has set the long-term objective of becoming “a highly profitable company that maintains growth through unique technologies, human resources, and organizations.” The Company holds up a three-pillared basic policy for the first fiscal year of the plan to stress activities to “Accomplish growth strategy,” “Promote work-style reform,” and “Enhance financial performance.” Under the plan we will establish the “Sanken Power-electronics Platform” as a new development concept and work to expand sales by launching competitive new products on the market in a timely manner. The Company is also striving to reinforce its initiatives to control inventories and improve financial performance by curtailing inventories and interest-bearing debt. By adding the above new initiatives with a focus on better business results, the sales of products in the semiconductor devices segment progressed steadily in the current first quarter consolidated fiscal period. Net sales, however, totaled ¥42,680 million, achieving only a slight increase of ¥1,228 million (3.0%) as compared to the same period in the previous year, chiefly due to sales controls of unprofitable products in the power systems segment. For income, operating profit was ¥2,529 million, an increase of ¥492 million (24.2%) year on year, resulting from the effects of the restructuring initiatives in the previous year. Ordinary profit was ¥1,803 million, an increase of ¥289 million (19.1%) year on year, and profit attributable to owners of parent was ¥563 million, an increase of ¥15 million (2.9%) year on year.

Overview of business by segment is as follows.

In the semiconductor devices segment, sales of products for white goods such as air conditioners and washing machines expanded and sales of automotive products held steady. As a result, consolidated net sales for this segment were ¥36,485 million, an increase of ¥1,293 million (3.7%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥3,406 million, an increase of ¥319 million (10.3%) as compared to the same period in the previous year, resulting from increased net sales and the effects of the restructuring initiatives.

In the power systems segment, sales of products for the telecommunication market remained on a recovery trend. Consolidated net sales for this segment, however, were ¥6,194 million, a decrease of ¥64 million (1.0%) as compared to the same period in the previous year, due to sales controls of unprofitable products for the AV and OA markets. For income, we recorded consolidated operating loss of ¥107 million (consolidated operating loss of ¥305 million in the same period in the previous year) due to an improved product mix.

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

Assets as of the end of the three months ended June 30, 2018 were ¥187,900 million, an increase of ¥2,540 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in inventories of ¥3,120 million, property, plant and equipment of ¥4,067 million, and a decrease notes and accounts receivable-trade of ¥2,780 million.

Liabilities were ¥113,250 million, an increase of ¥174 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts payable-trade of ¥834 million, short-term loans payable of ¥595 million, and a decrease in commercial papers of ¥1,000 million.

Net Assets were ¥74,649 million, an increase of ¥2,366 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in non-controlling interests of ¥1,069 million, and foreign currency translation adjustment of ¥904 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, 2019 disclosed on May 8, 2018.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2018	June 30 2018
ASSETS		
Current assets		
Cash and deposits	32,752	32,318
Notes and accounts receivable - trade	34,656	31,875
Merchandise and finished goods	12,061	12,915
Work in process	20,600	22,437
Raw materials and supplies	4,969	5,399
Other	5,644	4,262
Allowance for doubtful accounts	(58)	(64)
Total current assets	<u>110,625</u>	<u>109,144</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,833	22,025
Machinery, equipment and vehicles, net	30,690	31,286
Tools, furniture and fixtures, net	1,427	1,441
Land	5,712	6,040
Leased assets, net	503	476
Construction in progress	4,800	6,764
Total property, plant and equipment	<u>63,968</u>	<u>68,035</u>
Intangible assets		
Software	2,936	2,926
Other	2,177	2,338
Total intangible assets	<u>5,114</u>	<u>5,265</u>
Investments and other assets		
Investment securities	1,407	1,422
Deferred tax assets	1,302	1,346
Net defined benefit asset	399	651
Other	2,782	2,275
Allowance for doubtful accounts	(242)	(242)
Total investments and other assets	<u>5,651</u>	<u>5,453</u>
Total non-current assets	<u>74,734</u>	<u>78,755</u>
Total assets	<u><u>185,359</u></u>	<u><u>187,900</u></u>

	March 31 2018	June 30 2018
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,634	21,469
Short-term loans payable	13,339	13,935
Current portion of long-term loans payable	500	500
Current portion of bonds	15,000	15,000
Commercial papers	7,000	6,000
Lease obligations	87	72
Income taxes payable	412	877
Accrued expenses	11,337	11,143
Other	1,370	2,058
Total current liabilities	<u>69,683</u>	<u>71,056</u>
Non-current liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	11,475	11,250
Lease obligations	67	61
Deferred tax liabilities	1,796	1,883
Provision for directors' retirement benefits	25	28
Net defined benefit liability	2,632	2,579
Other	2,395	1,391
Total non-current liabilities	<u>43,392</u>	<u>42,194</u>
Total liabilities	<u>113,076</u>	<u>113,250</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	26,003	26,044
Retained earnings	16,964	17,164
Treasury shares	(4,017)	(4,018)
Total shareholders' equity	<u>59,846</u>	<u>60,086</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	390	402
Foreign currency translation adjustment	(909)	(4)
Remeasurements of defined benefit plans	(3,991)	(3,850)
Total accumulated other comprehensive income	<u>(4,510)</u>	<u>(3,453)</u>
Non-controlling interests	<u>16,947</u>	<u>18,016</u>
Total net assets	<u>72,283</u>	<u>74,649</u>
Total liabilities and net assets	<u><u>185,359</u></u>	<u><u>187,900</u></u>

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

Millions of yen

CONSOLIDATED STATEMENTS OF INCOME	Three months ended Jun.30, 2017	Three months ended Jun.30, 2018
Net sales	41,452	42,680
Cost of sales	30,375	31,137
Gross profit	11,076	11,543
Selling, general and administrative expenses	9,039	9,013
Operating profit	2,036	2,529
Non-operating income		
Interest income	8	18
Dividend income	20	22
Miscellaneous income	104	48
Total non-operating income	132	89
Non-operating expenses		
Interest expenses	160	144
Foreign exchange losses	206	517
Miscellaneous loss	288	153
Total non-operating expenses	655	815
Ordinary profit	1,514	1,803
Extraordinary income		
Gain on abolishment of retirement benefit plan	69	—
Total extraordinary income	69	—
Extraordinary losses		
Loss on disposal of non-current assets	3	18
Special retirement expenses	183	—
Total extraordinary losses	186	18
Profit before income taxes	1,397	1,785
Income taxes	840	636
Profit	556	1,149
Profit attributable to non-controlling interests	9	586
Profit attributable to owners of parent	547	563

Millions of yen

	Three months ended Jun.30, 2017	Three months ended Jun.30, 2018
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Profit	556	1,149
Other comprehensive income		
Valuation difference on available-for-sale securities	48	11
Foreign currency translation adjustment	185	1,390
Remeasurements of defined benefit plans, net of tax	105	138
Total other comprehensive income	<u>340</u>	<u>1,541</u>
Comprehensive income	<u>897</u>	<u>2,691</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	885	1,620
Comprehensive income attributable to non-controlling interests	11	1,070

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

THREE MONTHS ENDED JUNE 30, 2017

Millions of yen

	Reporting Segment		Total	Adjustment	Amount stated in QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	Power Systems			
Sales					
(1) Sales for customer	35,192	6,259	41,452	—	41,452
(2) Intersegment Sales or Transfer	238	27	265	(265)	—
Total	35,431	6,286	41,717	(265)	41,452
Income (loss) by segment	3,087	(305)	2,782	(745)	2,036

THREE MONTHS ENDED JUNE 30, 2018

Millions of yen

	Reporting Segment		Total	Adjustment	Amount stated in QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	Power Systems			
Sales					
(1) Sales for customer	36,485	6,194	42,680	—	42,680
(2) Intersegment Sales or Transfer	173	41	215	(215)	—
Total	36,659	6,236	42,895	(215)	42,680
Income (loss) by segment	3,406	(107)	3,299	(769)	2,529