

# FY 2018 SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2018 to September 30, 2018)

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## 1. FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 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)
Six months ended Sep.30,2018	88,230 (2.6%)	6,319 (15.8%)	5,317 (-6.1%)	2,247 ( - )
Six months ended Sep.30,2017	86,000 (13.1%)	5,457 (152.5%)	5,665 (297.5%)	-13,113 ( - )

Note1: Comprehensive income: 6,839 million yen (-%) for six months ended September 30, 2018 / -12,752 million yen (-%) for six months ended September 30, 2017

	Net income per share (yen)	Diluted net income per share (yen)
Six months ended Sep.30,2018	92.72	83.88
Six months ended Sep.30,2017	-541.00	-

Note2: As of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, net income per share and Diluted net income per share are calculated on the assumption that the consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

### (2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of September 30, 2018	192,361	78,860	30.9%
As of March 31, 2018	185,359	72,283	29.9%

Reference: Shareholders' equity: 59,357 million yen as of September 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	-	3.00yen			
Fiscal year 2018(forecast)			-	15.00yen	-

Note1: Revision to recently disclosed dividend forecast: No

Note2: The Company conducted a reverse stock split (five shares merged into one share) on 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
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 September 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 six months ended September 30

Sep./2018:	25,098,060	Mar./2018:	25,098,060
Sep./2018:	864,172	Mar./2018:	863,123
Apr./2018-Sep./2018	24,234,606	Apr./2017-Sep./2017	24,238,665

Note: The Company conducted a reverse stock split (five shares merged into one share) on October 1, 2018.

Number of shares are calculated on the assumption that the consolidation of shares was carried out at the beginning of the previous consolidated fiscal year.

\* 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 conducted a reverse stock split (five shares merged into one share) on October 1, 2018. In addition, The Company revised the number of shares constituting one unit from 1,000 to 100 on the same date.

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

1. Dividend result for the fiscal year ending March 31, 2019
  - Dividend per share
  - Second quarter ¥3.00
2. Dividend forecast for the fiscal year ending March 31, 2019
  - Dividend per share
  - Fiscal-year-end ¥3.00
3. Consolidated financial forecast for the fiscal year ending March 31, 2019
  - Net income per share
  - Fiscal-year-end ¥39.61

# **1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018**

## **(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS**

During the six months ended September 30, 2018, the US economy and the European economy continued to expand against the backdrop of increased personal consumption and capital investment, while the Chinese economy remained steady despite some concern over economic slowdown, though there remained uncertainty over the trade issues and interest rate trends. 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 policy, we are striving to expand sales and profits.

In the six months ended September 30, 2018, the sales in the semiconductor devices segment progressed steadily and net sales totaled ¥88,230 million, an increase of ¥2,230 million (2.6%) as compared to the same period in the previous year, chiefly due to the withdrawal from products for non-strategic markets in the power systems segment. For income, operating profit was ¥6,319 million, an increase of ¥862 million (15.8%) year on year, resulting from the effects of the restructuring initiatives in the previous year in addition to favorable sales. Ordinary profit, however, was ¥5,317 million, a decrease of ¥348 million (6.1%) year on year due to significant foreign exchange losses compared to the foreign exchange gains for the same period in the previous year. Profit attributable to owners of parent was ¥2,247 million (loss attributable to owners of parent of ¥13,113 million for the same period in the previous 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 continued to expand, and sales of automotive products held steady. As a result, consolidated net sales for this segment were ¥75,180 million, an increase of ¥3,475 million (4.8%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥7,866 million, an increase of ¥851 million (12.1%) 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 ¥13,049 million, a decrease of ¥1,244 million (8.7%) as compared to the same period in the previous year, due to the ongoing withdrawal from unprofitable products for the AV and OA markets. For income, in the meantime, we recorded consolidated operating profit of ¥89 million (consolidated operating loss of ¥60 million for the same period in the previous year) due to an improved product mix, resulting in a turnaround to post profit.

## **(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION**

Assets as of the end of the six months ended September 30, 2018 were ¥192,361 million, an increase of ¥7,001 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in inventories of ¥4,346 million, property, plant and equipment of ¥7,892 million, and a decrease cash and deposits of ¥6,616 million.

Liabilities were ¥113,501 million, an increase of ¥424 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in bonds payable of ¥10,000 million, and a decrease in short-term loans payable of ¥5,860 million, commercial papers of ¥4,000 million.

Net Assets were ¥78,860 million, an increase of ¥6,576 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings of ¥1,883 million, foreign currency translation adjustment of ¥1,689 million, non-controlling interests of ¥2,555 million.

## **(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.**

The Company continues to be committed to the “2018 Mid-term Business Plan” started on April 1 of this year and makes concerted efforts to meet the consolidated financial forecast for the full year ending March 31, 2019 disclosed on May 8, 2018, though there are concerns about growing uncertainty over the global economy caused by global trade and other issues.

## 2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

### (1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2018	September 30 2018
<b>ASSETS</b>		
Current assets		
Cash and deposits	32,752	<b>26,135</b>
Notes and accounts receivable - trade	34,656	<b>35,364</b>
Merchandise and finished goods	12,061	<b>13,850</b>
Work in process	20,600	<b>22,663</b>
Raw materials and supplies	4,969	<b>5,464</b>
Other	5,644	<b>5,510</b>
Allowance for doubtful accounts	(58)	<b>(65)</b>
Total current assets	<u>110,625</u>	<u><b>108,922</b></u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,833	<b>22,549</b>
Machinery, equipment and vehicles, net	30,690	<b>32,599</b>
Tools, furniture and fixtures, net	1,427	<b>1,567</b>
Land	5,712	<b>6,120</b>
Leased assets, net	503	<b>700</b>
Construction in progress	4,800	<b>8,323</b>
Total property, plant and equipment	<u>63,968</u>	<u><b>71,860</b></u>
Intangible assets		
Software	2,936	<b>2,874</b>
Other	2,177	<b>2,452</b>
Total intangible assets	<u>5,114</u>	<u><b>5,327</b></u>
Investments and other assets		
Investment securities	1,407	<b>1,493</b>
Deferred tax assets	1,302	<b>1,374</b>
Net defined benefit asset	399	<b>894</b>
Other	2,782	<b>2,729</b>
Allowance for doubtful accounts	(242)	<b>(242)</b>
Total investments and other assets	<u>5,651</u>	<u><b>6,250</b></u>
Total non-current assets	<u>74,734</u>	<u><b>83,439</b></u>
Total assets	<u><u>185,359</u></u>	<u><u><b>192,361</b></u></u>

	March 31 2018	September 30 2018
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,634	<b>21,100</b>
Short-term loans payable	13,339	<b>7,479</b>
Current portion of long-term loans payable	500	<b>500</b>
Current portion of bonds	15,000	<b>15,000</b>
Commercial papers	7,000	<b>3,000</b>
Lease obligations	87	<b>46</b>
Income taxes payable	412	<b>322</b>
Accrued expenses	11,337	<b>11,531</b>
Other	1,370	<b>2,098</b>
Total current liabilities	<u>69,683</u>	<u><b>61,079</b></u>
Non-current liabilities		
Bonds payable	25,000	<b>35,000</b>
Long-term loans payable	11,475	<b>11,225</b>
Lease obligations	67	<b>60</b>
Deferred tax liabilities	1,796	<b>1,943</b>
Provision for directors' retirement benefits	25	<b>30</b>
Net defined benefit liability	2,632	<b>2,528</b>
Other	2,395	<b>1,633</b>
Total non-current liabilities	<u>43,392</u>	<u><b>52,421</b></u>
Total liabilities	<u>113,076</u>	<u><b>113,501</b></u>
Net assets		
Shareholders' equity		
Capital stock	20,896	<b>20,896</b>
Capital surplus	26,003	<b>26,110</b>
Retained earnings	16,964	<b>18,847</b>
Treasury shares	(4,017)	<b>(4,020)</b>
Total shareholders' equity	<u>59,846</u>	<u><b>61,834</b></u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	390	<b>451</b>
Foreign currency translation adjustment	(909)	<b>779</b>
Remeasurements of defined benefit plans	(3,991)	<b>(3,707)</b>
Total accumulated other comprehensive income	<u>(4,510)</u>	<u><b>(2,476)</b></u>
Non-controlling interests	<u>16,947</u>	<u><b>19,502</b></u>
Total net assets	<u>72,283</u>	<u><b>78,860</b></u>
Total liabilities and net assets	<u><u>185,359</u></u>	<u><u><b>192,361</b></u></u>

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

Millions of yen

<b>CONSOLIDATED STATEMENTS OF INCOME</b>	Six months ended Sep.30, 2017	Six months ended Sep.30, 2018
Net sales	86,000	<b>88,230</b>
Cost of sales	62,446	<b>63,548</b>
Gross profit	23,553	<b>24,681</b>
Selling, general and administrative expenses	18,096	<b>18,361</b>
Operating profit	5,457	<b>6,319</b>
Non-operating income		
Interest income	24	<b>74</b>
Dividend income	20	<b>22</b>
Foreign exchange gains	725	—
Miscellaneous income	189	<b>111</b>
Total non-operating income	960	<b>207</b>
Non-operating expenses		
Interest expenses	325	<b>296</b>
Foreign exchange losses	—	<b>512</b>
Miscellaneous loss	426	<b>400</b>
Total non-operating expenses	751	<b>1,209</b>
Ordinary profit	5,665	<b>5,317</b>
Extraordinary income		
Gain on abolishment of retirement benefit plan	69	—
Compensation income	586	—
Total extraordinary income	656	—
Extraordinary losses		
Loss on disposal of non-current assets	22	<b>26</b>
Special retirement expenses	187	—
Loss on liquidation of subsidiaries and associates	366	—
Business structure reform cost	16,531	—
Total extraordinary losses	17,108	<b>26</b>
Profit before income taxes	Δ10,786	<b>5,291</b>
Income taxes	2,312	<b>1,483</b>
Profit	Δ13,098	<b>3,807</b>
Profit attributable to non-controlling interests	14	<b>1,560</b>
Profit attributable to owners of parent	Δ13,113	<b>2,247</b>

Millions of yen

<b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>	Six months ended Sep.30, 2017	<b>Six months ended Sep.30, 2018</b>
Profit (loss)	(13,098)	<b>3,807</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	37	<b>61</b>
Foreign currency translation adjustment	71	<b>2,686</b>
Remeasurements of defined benefit plans, net of tax	237	<b>284</b>
Total other comprehensive income	<u>346</u>	<u><b>3,031</b></u>
Comprehensive income	<u>(12,752)</u>	<u><b>6,839</b></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(12,776)	<b>4,281</b>
Comprehensive income attributable to non-controlling interests	23	<b>2,557</b>

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

**SIX MONTHS ENDED SEPTEMBER 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	71,705	14,294	86,000	—	86,000
(2) Intersegment Sales or Transfer	461	31	492	(492)	—
Total	72,166	14,326	86,492	(492)	86,000
Income (loss) by segment	7,015	(60)	6,955	(1,498)	5,457

**SIX MONTHS ENDED SEPTEMBER 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	75,180	13,049	88,230	—	88,230
(2) Intersegment Sales or Transfer	329	104	433	(433)	—
Total	75,510	13,153	88,664	(433)	88,230
Income (loss) by segment	7,866	89	7,955	(1,635)	6,319