

# FY 2018 THIRD QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2018 to December 31, 2018)

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## 1. FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 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)
Nine months ended Dec.31,2018	131,152 (0.7%)	8,813 (2.6%)	7,456 (-16.2%)	2,937 ( - )
Nine months ended Dec.31,2017	130,242 (14.2%)	8,591 (173.4%)	8,893 (278.6%)	-10,997 ( - )

Note1: Comprehensive income: 6,865 million yen ( - %) for nine months ended Dec.31, 2018 / -10,062 million yen ( - %) for nine months ended Dec.31, 2017

	Net income per share (yen)	Diluted net income per share (yen)
Nine months ended Dec.31,2018	121.19	116.05
Nine months ended Dec.31,2017	-453.72	-

Note2: Diluted earnings per share for 2017 are not presented because of the current net loss.

Note3: 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 December 31, 2018	193,672	78,562	30.4%
As of March 31, 2018	185,359	72,283	29.9%

Reference: Shareholders' equity: 58,855 million yen as of Dec.31, 2018 / 55,335 million yen as of Mar.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 “-.”

Without considering the reverse stock split, the dividend per share for the year ended March 31, 2019 (forecast) will be 3yen and the annual dividend per share will be 6yen. 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	175,000 (-0.1%)	10,000 (-16.9%)	8,200 (-30.6%)	2,600 ( - )	107.29yen

Note1: Revision to recently disclosed financial forecast: Yes

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. 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 nine months ended December 31, 2018 (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./2018:	25,098,060	Mar./2018:	25,098,060
Dec./2018:	864,908	Mar./2018:	863,123
Apr./2018-Dec./2018	24,234,282	Apr./2017-Dec./2017	24,238,176

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.

\* Explanations on the proper use of the financial forecast and other notes

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

1. 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 ¥21.46

# **1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2018**

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

During the nine months ended December 31, 2018, the growth rate of the world economy slowed down due to the manifestation of concerns over the stagnation of growth of the US and Chinese economies caused by the prolonged trade issues. Under these circumstances, corporate performance of developed countries and emerging countries remained favorable. The Japanese economy generally progressed on a moderate expansion trend, though the market entered a correction phase in this third quarter.

This year, the Company started the “2018 Mid-term Business Plan.” 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 nine months ended December 31, 2018, the sales in the semiconductor devices segment progressed steadily and net sales totaled ¥131,152 million, a slight increase of ¥910 million (0.7%) as compared to the same period in the previous year, due to the ongoing withdrawal from products for non-strategic markets in the power systems segment. For income, operating profit was ¥8,813 million, an increase of ¥222 million (2.6%) year on year, mainly resulting from the effects of the restructuring initiatives. Ordinary profit, however, was ¥7,456 million, a decrease of ¥1,437 million (16.2%) 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 ¥2,937 million (loss attributable to owners of parent of ¥10,997 million for the same period in the previous year).

### **Overview by segment**

In the semiconductor devices segment, sales of products for white goods and industrial machinery remained well favorable in overseas markets, and sales of automotive products held steady. As a result, consolidated net sales for this segment were ¥111,722 million, an increase of ¥3,859 million (3.6%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥11,106 million, an increase of ¥333 million (3.1%) as compared to the same period in the previous year, resulting from increased net sales.

In the power systems segment, due to the ongoing withdrawal from unprofitable products for the AV and OA markets, consolidated net sales for this segment were ¥19,430 million, a decrease of ¥2,948 million (13.2%) as compared to the same period in the previous year. For income, we recorded consolidated operating profit of ¥105 million (consolidated operating loss of ¥26 million for the same period in the previous year) due to an improved product mix.

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

Assets at the end of the current consolidated fiscal year amounted to ¥193,672 million, an increase of ¥8,312 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥6,429 million in inventories, an increase of ¥8,083 million in property, plant and equipment, and a decrease of ¥6,847 million in cash and deposits.

Liabilities amounted to ¥115,110 million, an increase of ¥2,033 million from the end of the previous fiscal year. This was mainly due to an increase of ¥10,000 million in bonds payable, a decrease of ¥5,317 million in short-term loans payable, and a decrease of ¥1,000 million in commercial paper.

Net assets amounted to ¥78,562 million, an increase of ¥6,279 million from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥2,210 million, foreign currency translation adjustments of ¥844 million, and non-controlling shareholders' equity of ¥2,759 million.

### (3) DESCRIPTION OF FULL YEAR FINANCIAL FORECAST, etc.

There is a growing uncertainty about the outlook of global economy due to the prolonged trade frictions between the United States and China and a further economic slowdown in China. This has begun to affect the real economy such as inventory adjustments for white goods and falling auto sales in China. Responding to these trends in the global economy and changes in the market conditions, drop in sales and decline in profits due to deterioration of product mix are expected.

In addition, our development investments in products for strategic markets and cost increases are expected. Accordingly, we have revised down our full-year consolidated earnings forecast, reflecting the lower forecasted amounts than those announced in the beginning of the fiscal year.

The expected average exchange rate for the fourth quarter is 108 yen per dollar.

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecast (A) (Announced on May 8, 2018)	(millions of yen) 178,000	(millions of yen) 12,500	(millions of yen) 11,000	(millions of yen) 4,800	(yen) 198.04
Revised forecast (B)	175,000	10,000	8,200	2,600	107.29
Change (B-A)	-3,000	-2,500	-2,800	-2,200	-
Ratio of change (%)	-1.7%	-20.0%	-25.5%	-45.8%	-
<Reference> Results of the previous year (FY ended March 31, 2018)	175,209	12,026	11,808	-11,421	-471.22

## **2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS**

### **(1) QUARTERLY CONSOLIDATED BALANCE SHEETS**

Millions of yen

	March 31 2018	December 31 2018
<b>ASSETS</b>		
Current assets		
Cash and deposits	32,752	25,904
Notes and accounts receivable - trade	34,656	32,579
Merchandise and finished goods	12,061	14,195
Work in process	20,600	23,336
Raw materials and supplies	4,969	6,528
Other	5,644	7,070
Allowance for doubtful accounts	△58	△83
Total current assets	<u>110,625</u>	<u>109,533</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,833	23,185
Machinery, equipment and vehicles, net	30,690	33,649
Tools, furniture and fixtures, net	1,427	1,759
Land	5,712	6,294
Leased assets, net	503	586
Construction in progress	4,800	6,578
Total property, plant and equipment	<u>63,968</u>	<u>72,052</u>
Intangible assets		
Software	2,936	2,845
Other	2,177	2,422
Total intangible assets	<u>5,114</u>	<u>5,267</u>
Investments and other assets		
Investment securities	1,407	1,572
Deferred tax assets	1,302	1,402
Net defined benefit asset	399	1,137
Other	2,782	2,947
Allowance for doubtful accounts	△242	△241
Total investments and other assets	<u>5,651</u>	<u>6,819</u>
Total non-current assets	<u>74,734</u>	<u>84,139</u>
Total assets	<u>185,359</u>	<u>193,672</u>

Millions of yen

	March 31 2018	December 31 2018
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,634	20,053
Short-term loans payable	13,339	8,021
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	26
Income taxes payable	412	414
Accrued expenses	11,337	11,437
Other	1,370	1,624
Total current liabilities	69,683	63,078
Non-current liabilities		
Bonds payable	25,000	35,000
Long-term loans payable	11,475	11,000
Lease obligations	67	53
Deferred tax liabilities	1,796	1,852
Provision for directors' retirement benefits	25	32
Net defined benefit liability	2,632	2,446
Other	2,395	1,646
Total non-current liabilities	43,392	52,031
Total liabilities	113,076	115,110
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	26,003	26,151
Retained earnings	16,964	19,174
Treasury shares	Δ4,017	Δ4,022
Total shareholders' equity	59,846	62,199
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	390	274
Foreign currency translation adjustment	Δ909	Δ64
Remeasurements of defined benefit plans	Δ3,991	Δ3,553
Total accumulated other comprehensive income	Δ4,510	Δ3,344
Non-controlling interests	16,947	19,706
Total net assets	72,283	78,562
Total liabilities and net assets	185,359	193,672

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

Millions of yen

<b>QUARTERLY CONSOLIDATED STATEMENTS OF INCOME</b>	Nine months ended Dec.31, 2017	<b>Nine months ended Dec.31, 2018</b>
Net sales	130,242	131,152
Cost of sales	93,980	94,245
Gross profit	36,261	36,907
Selling, general and administrative expenses	27,670	28,093
Operating profit	8,591	8,813
Non-operating income		
Interest income	44	103
Dividend income	39	44
Foreign exchange gains	1,010	—
Miscellaneous income	309	251
Total non-operating income	1,404	398
Non-operating expenses		
Interest expenses	476	456
Foreign exchange losses	—	852
Miscellaneous loss	625	447
Total non-operating expenses	1,101	1,755
Ordinary profit	8,893	7,456
Extraordinary income		
Gain on sales of non-current assets	—	2
Gain on abolishment of retirement benefit plan	69	—
Compensation income	589	—
Total extraordinary income	659	2
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on disposal of non-current assets	41	255
Impairment loss	—	119
Special retirement expenses	190	—
Loss on liquidation of subsidiaries and associates	365	—
Business structure reform cost	16,573	—
Total extraordinary losses	17,171	374
Profit (loss) before income taxes	Δ7,618	7,084
Income taxes	3,005	1,895
Profit (loss)	Δ10,623	5,188
Profit attributable to non-controlling interests	373	2,251
Profit (loss) attributable to owners of parent	Δ10,997	2,937

Millions of yen

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	Nine months ended Dec.31, 2017	<b>Nine months ended Dec.31, 2018</b>
<b>QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>		
Profit (loss)	Δ10,623	5,188
Other comprehensive income		
Valuation difference on available-for-sale securities	58	Δ115
Foreign currency translation adjustment	147	1,355
Remeasurements of defined benefit plans, net of tax	355	437
Total other comprehensive income	<u>561</u>	<u>1,677</u>
Comprehensive income	<u>Δ10,062</u>	<u>6,865</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	Δ10,537	4,103
Comprehensive income attributable to non-controlling interests	475	2,761

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

**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

**NINE MONTHS ENDED DECEMBER 31, 2018**

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	111,722	19,430	131,152	—	131,152
(2) Intersegment Sales or Transfer	475	156	631	(631)	—
Total	112,197	19,586	131,784	(631)	131,152
Operating Income (loss) by segment	11,106	105	11,211	(2,398)	8,813