

FY 2019 FIRST QUARTER CONSOLIDATED FINANCIAL RESULTS

(April 1, 2019 to June 30, 2019)

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1. FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019

(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.30,2019	37,807 (-11.4%)	-716 (-)	-1,072 (-)	-2,133 (-)
Three months ended Jun.30,2018	42,680 (3.0%)	2,529 (24.2%)	1,803 (19.1%)	563 (2.9%)

Note1: Comprehensive income: -3,485 million yen (-) for three months ended June 30, 2019 / 2,691 million yen (199.9%) for three months ended June 30, 2018

	Net income per share (yen)	Diluted net income per share (yen)
Three months ended Jun.30,2019	-88.04	-
Three months ended Jun.30,2018	23.24	19.91

Note 2: Diluted earnings per share for Three months ended Jun. 30, 2019 are not presented because of the current net loss.

Note 3: 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 June 30, 2019	183,756	74,729	30.0%
As of March 31, 2019	188,192	78,541	31.0%

Reference: Shareholders' equity: 55,045 million yen as of June 30, 2019 / 58,279 million yen as of March 31, 2019

2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2018	-	3.00yen	-	15.00yen	-
Fiscal year 2019	-				
Fiscal year 2019(forecast)		15.00yen	-	15.00yen	30.00yen

Note1: Revision to recently disclosed dividend forecast: No

Note2: As of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, the amount of the year-end dividend per share for the fiscal year ending March 31, 2019 above is stated in consideration of the said share consolidation, and the total amount of the annual dividend is stated as "-."

3. FISCAL YEAR 2019 CONSOLIDATED FINANCIAL FORECAST (April 1, 2019 to March 31, 2020)

(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)	80,400 (-8.9%)	0 (-100.0%)	-700 -	-2,800 -	-115.55yen
Full Year	168,400 (-3.0%)	5,800 (-44.9%)	4,300 (-53.1%)	600 (-84.9%)	24.76yen

Note: Revision to recently disclosed financial forecast: Yes

4. OTHER

- (1) Changes in significant subsidiaries during the three months ended June 30, 2019 (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./2019:	25,098,060	Mar./2019:	25,098,060
Jun./2019:	865,484	Mar./2019:	865,315
Apr./2019-Jun./2019	24,232,681	Apr./2018-Jun./2018	24,234,849

Note: As of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share.

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".

1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2019

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

During the current first quarter consolidated fiscal period, the global electronics market saw a deterioration in global business sentiments, including in Europe and the U.S., due to the economic slowdown in China and the impact of the U.S.-China trade frictions, resulting in a further downturn in the domestic and overseas market conditions and growing moves to adjust demand and reduce investment.

Under these circumstances, the Company focused development resources on such growing fields as increased demand for energy-saving products in the air conditioners market, which was positioned as a strategic market in the “2018 Mid-term Business Plan,” a transition to automobiles with improved environmental friendliness and safety functions as well as automobile electrification, and the prevalence of a communications infrastructure compatible with 5G, while working toward achieving the timely market launches of new products. In addition to efforts to expand sales, start up production lines for new products, and improve productivity in these growing fields, we continued to work on measures to deal with unprofitable products. Furthermore, we have been working on emergency measures, including cost reductions and the careful selection of investments, in response to the deteriorating order environment. However, with regard to the operating results for the three months ended June 30, 2019, the deterioration of the global market conditions led to supply and demand adjustments across the entire supply chain, resulting in consolidated net sales of ¥37,807 million, a decrease of ¥4,872 million (11.4%) compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥716 million (consolidated operating profit of ¥2,529 million for the same period in the previous year), consolidated ordinary loss of ¥1,072 million (consolidated ordinary profit of ¥1,803 million for the same period in the previous year), and loss attributable to owners of parent of ¥2,133 million (profit attributable to owners of parent of ¥563 million for the same period in the previous year).

Overview of business by segment is as follows.

In the semiconductor devices segment, despite the continued growth in sales of the Company’s products mounted in energy-saving inverter air conditioners in particular, demand for products for automobiles, which are the mainstay products manufactured by the Company and Allegro MicroSystems, Inc., a U.S. subsidiary, decreased, and sales of products for industrial machinery also remained weak. As a result, consolidated net sales for this segment were ¥33,556 million, a decrease of ¥2,929 million (8.0%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥447 million, a decrease of ¥2,958 million (86.9%) as compared to the same period in the previous year, partly due to a decrease in sales, a decline in plant operating rate, and an increase in fixed costs arising from upfront development investments and capital investment.

In the power systems segment, in addition to the sluggish growth in sales of power supply for communication base stations, the mainstay product, sales of social system products declined due to decreased investments. In addition, we continued to withdraw from sales of unprofitable products for unit products. As a result, consolidated net sales for this segment were ¥4,251 million, a decrease of ¥1,943 million (31.4%) as compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥402 million (consolidated operating loss of ¥107 million for the same period in the previous year), due to a significant reduction in sales.

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

Assets as of the end of the three months ended June 30, 2019 were ¥183,756 million, a decrease of ¥4,435 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥947 million, and a decrease notes and accounts receivable-trade of ¥3,714 million, property, plant and equipment of ¥1,407 million.

Liabilities were ¥109,027 million, a decrease of ¥624 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in commercial papers of ¥3,000 million, and a decrease in notes and accounts payable-trade of ¥563 million, and accrued expenses of ¥1,962 million.

Net Assets were ¥74,729 million, a decrease of ¥3,811 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings of ¥2,496 million, and foreign currency translation adjustment of ¥933 million.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

The economic slowdown in China and the impact of U.S.-China trade frictions are resulting in a deterioration in global business sentiments, including in Europe and the U.S., and the car-mounted market, which is the main market for the Company’s products, is experiencing a continued slump in sales of car-mounted products by the U.S. subsidiary as the decrease in the number of automobiles sold in China spreads to the European and U.S. markets, while orders for products for industrial machinery are also sluggish. As a result, a decrease in sales of high-value-added products as well as reduced utilization ratios at production bases led to a reduction in profit ratios, and business results for the first quarter significantly worsened compared to the same period in the previous year. In addition, although at the beginning of the fiscal

year we expected market conditions, including the market for car-mounted products, to recover from the third quarter, and while the downturn in car-mounted products appears to be bottoming out, the recovery of orders from the third quarter is expected to be below the initial forecasts. For this reason, despite increasing production of white goods, which are continuing to perform well, and implementing measures to secure profits, including measures to improve production utilization rates by switching some external production to internal production, we have revised the financial forecasts for the second quarter and the full year announced at the beginning of the current fiscal year, based on the business results for the first quarter.

There is no change to the exchange rate forecast during the current fiscal year of 1US\$=¥105 for the fiscal year ending March 31, 2020.

Revision of the Forecasted Business Results for the Six months ending September 30, 2019

(From April 1, 2019 to September 30, 2019)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecast (A) (Announced on May 8, 2019)	(millions of yen) 85,000	(millions of yen) 3,500	(millions of yen) 2,800	(millions of yen) 400	(yen) 16.51
Revised forecast (B)	80,400	0	-700	-2,800	-115.55
Change (B-A)	-4,600	-3,500	-3,500	-3,200	-
Ratio of change (%)	-5.4%	-100.0%	-	-	-
<Reference> Results of the six months ended September 30, 2018	88,230	6,319	5,317	2,247	92.72

Revision of the Forecasted Business Results for the Fiscal Year (From 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 May 8, 2019)	(millions of yen) 178,000	(millions of yen) 11,500	(millions of yen) 10,000	(millions of yen) 4,300	(yen) 177.44
Revised forecast (B)	168,400	5,800	4,300	600	24.76
Change (B-A)	-9,600	-5,700	-5,700	-3,700	-
Ratio of change (%)	-5.4%	-49.6%	-57.0%	-86.0%	-
<Reference> Results of the previous year (FY ended March 31, 2019)	173,650	10,531	9,173	3,967	163.70

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2019	June 30 2019
ASSETS		
Current assets		
Cash and deposits	23,564	24,511
Notes and accounts receivable - trade	33,586	29,871
Merchandise and finished goods	14,888	14,344
Work in process	19,633	21,304
Raw materials and supplies	7,539	6,499
Other	4,757	4,033
Allowance for doubtful accounts	(65)	(59)
Total current assets	<u>103,903</u>	<u>100,505</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,027	24,521
Machinery, equipment and vehicles, net	34,731	33,949
Tools, furniture and fixtures, net	2,042	2,002
Land	6,166	6,129
Leased assets, net	62	91
Construction in progress	5,574	4,501
Total property, plant and equipment	<u>72,604</u>	<u>71,196</u>
Intangible assets		
Software	2,786	2,721
Other	2,169	2,202
Total intangible assets	<u>4,955</u>	<u>4,924</u>
Investments and other assets		
Investment securities	1,093	1,020
Deferred tax assets	1,221	1,228
Retirement benefit asset	18	175
Other	4,637	4,946
Allowance for doubtful accounts	(241)	(241)
Total investments and other assets	<u>6,729</u>	<u>7,130</u>
Total non-current assets	<u>84,288</u>	<u>83,251</u>
Total assets	<u><u>188,192</u></u>	<u><u>183,756</u></u>

	March 31 2019	June 30 2019
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,075	17,511
Short-term loans payable	12,991	12,742
Current portion of long-term loans payable	646	5,639
Current portion of bonds	—	15,000
Commercial papers	11,000	14,000
Lease obligations	30	27
Income taxes payable	591	1,511
Accrued expenses	11,705	9,742
Other	1,368	1,112
Total current liabilities	<u>56,409</u>	<u>77,287</u>
Non-current liabilities		
Bonds payable	35,000	20,000
Long-term loans payable	11,855	6,588
Lease obligations	41	73
Deferred tax liabilities	1,508	1,442
Provision for directors' retirement benefits	33	34
Net defined benefit liability	2,832	2,767
Other	1,970	832
Total non-current liabilities	<u>53,242</u>	<u>31,739</u>
Total liabilities	<u>109,651</u>	<u>109,027</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	26,214	26,255
Retained earnings	20,204	17,707
Treasury shares	(4,023)	(4,023)
Total shareholders' equity	<u>63,292</u>	<u>60,836</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45	(4)
Foreign currency translation adjustment	212	(720)
Remeasurements of defined benefit plans	(5,270)	(5,065)
Total accumulated other comprehensive income	<u>(5,012)</u>	<u>(5,790)</u>
Non-controlling interests	<u>20,261</u>	<u>19,683</u>
Total net assets	<u>78,541</u>	<u>74,729</u>
Total liabilities and net assets	<u><u>188,192</u></u>	<u><u>183,756</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, 2018	Three months ended Jun.30, 2019
Net sales	42,680	37,807
Cost of sales	31,137	29,655
Gross profit	<u>11,543</u>	<u>8,151</u>
Selling, general and administrative expenses	9,013	8,868
Operating profit	<u>2,529</u>	<u>(716)</u>
Non-operating income		
Interest income	18	59
Dividend income	22	14
Miscellaneous income	48	58
Total non-operating income	<u>89</u>	<u>132</u>
Non-operating expenses		
Interest expenses	144	139
Foreign exchange losses	517	230
Miscellaneous loss	153	118
Total non-operating expenses	<u>815</u>	<u>488</u>
Ordinary profit	<u>1,803</u>	<u>(1,072)</u>
Extraordinary income		
Gain on abolishment of retirement benefit plan	—	—
Total extraordinary income	<u>—</u>	<u>—</u>
Extraordinary losses		
Loss on disposal of non-current assets	18	145
Special retirement expenses	—	—
Total extraordinary losses	<u>18</u>	<u>145</u>
Profit before income taxes	<u>1,785</u>	<u>(1,217)</u>
Income taxes	636	327
Income taxes for prior periods	—	581
Profit	<u>1,149</u>	<u>(2,126)</u>
Profit attributable to non-controlling interests	<u>586</u>	<u>6</u>
Profit attributable to owners of parent	<u>563</u>	<u>(2,133)</u>

Millions of yen

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Three months ended Jun.30, 2018	Three months ended Jun.30, 2019
Profit	1,149	(2,126)
Other comprehensive income		
Valuation difference on available-for-sale securities	11	(50)
Foreign currency translation adjustment	1,390	(1,514)
Remeasurements of defined benefit plans, net of tax	138	205
Total other comprehensive income	<u>1,541</u>	<u>(1,359)</u>
Comprehensive income	<u><u>2,691</u></u>	<u><u>(3,485)</u></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,620	(2,911)
Comprehensive income attributable to non-controlling interests	1,070	(574)

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

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

THREE MONTHS ENDED JUNE 30, 2019

Millions of yen

	Reporting Segment		Total	Adjustment	Amount stated in QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	Power Systems			
Sales					
(1) Sales for customer	33,556	4,251	37,807	—	37,807
(2) Intersegment Sales or Transfer	126	61	188	(188)	—
Total	33,683	4,312	37,996	(188)	37,807
Income (loss) by segment	447	(402)	45	(762)	(716)