

FY 2019 SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2019 to September 30, 2019)

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1. FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 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)
Six months ended Sep.30,2019	78,289 (-11.3%)	291 (-95.4%)	-693 (-)	-4,222 (-)
Six months ended Sep.30,2018	88,230 (2.6%)	6,319 (15.8%)	5,317 (-6.1%)	2,247 (-)

Note 1: Comprehensive income: -5,186 million yen (-%) for six months ended September 30, 2019 / 6,839 million yen (-%) for six months ended September 30, 2018

	Net income per share (yen)	Diluted net income per share (yen)
Six months ended Sep.30,2019	-174.33	-
Six months ended Sep.30,2018	92.72	83.88

Note 2: Diluted earnings per share for Six months ended Sep. 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 September 30, 2019	183,199	72,937	28.9%
As of March 31, 2019	188,192	78,541	31.0%

Reference: Shareholders' equity: 53,012 million yen as of September 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	-	15.00yen			
Fiscal year 2019(forecast)			-	15.00yen	30.00yen

Note 1: Revision to recently disclosed dividend forecast: No

Note 2: 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
Full Year	164,300 (-5.4%)	5,800 (-44.9%)	4,300 (-53.1%)	1,900 (-52.1%)	78.45yen

Note 1: Revision to recently disclosed financial forecast: Yes

4. OTHER

- (1) Changes in significant subsidiaries during the three months ended September 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 six months ended September 30

Sep./2019:	25,098,060	Mar./2019:	25,098,060
Sep./2019:	939,253	Mar./2019:	865,315
Apr./2019-Sep./2019	24,220,066	Apr./2018-Sep./2018	24,234,606

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".

1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

During the current second 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 sluggish domestic and overseas market conditions.

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 the continued implementation of measures to deal with unprofitable products, including withdrawal, we have been striving to improve productivity, such as automation of production lines. Furthermore, we have been working on measures to reduce fixed costs by carefully selecting investments and cutting costs in response to declining sales. However, with regard to the operating results for the six months ended September 30, 2019, a large impact of the decline in global sales volume in the automobile market resulted in consolidated net sales of ¥78,289 million, a decrease of ¥9,941 million (11.3%) compared to the same period in the previous year. For income, consolidated operating profit decreased by ¥6,028 million (95.4%) to ¥291 million compared to the same period in the previous year, due to deterioration in profit from plant operations driven by lower net sales. As a result, the Company posted consolidated ordinary loss of ¥693 million (consolidated ordinary profit of ¥5,317 million for the same period in the previous year). As extraordinary losses, the Company recorded loss on withdrawal from business in connection with withdrawal from the LED lighting business and impairment loss on consolidated assets incurred related to revenue recognition in the power systems segment, which resulted in loss attributable to owners of parent of ¥4,222 million (profit attributable to owners of parent of ¥2,247 million for the same period in the previous year).

Overview of business by segment is as follows.

In the semiconductor devices segment, although products that leverage our technological strength for energy-saving inverter air conditioners continued to grow, especially in the Chinese market, the global automobile market saw worsening market conditions, and inventory adjustments gradually expanded throughout the supply chain. Accordingly, there was a big slump in sales of products for automobiles, which are the mainstay products manufactured by the Company and Allegro MicroSystems, Inc., a U.S. subsidiary, as well as sales of products for industrial machinery. As a result, consolidated net sales for this segment were ¥67,876 million, a decrease of ¥7,304 million (9.7%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥2,124 million, a decrease of ¥5,742 million as compared to the same period in the previous year, despite various efforts to combat a large drop in sales and the lower plant operating rate, including continued implementation of measures to deal with unprofitable products and to reduce fixed costs.

In the power systems segment, despite the growth in sales of social infrastructure products on the back of the Fundamental Plan for National Resilience, sales of social system products declined due to the sluggish sales for communication base stations and reduction of capital investments in China. We continued to withdraw from sales of unprofitable products for unit products, which brought down sales. As a result, consolidated net sales for this segment were ¥10,412 million, a decrease of ¥2,636 million (20.2%) as compared to the same period in the previous year, and consolidated operating loss was ¥271 million (consolidated operating profit of ¥89 million for the same period in the previous year).

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

1) Status of Assets, Liabilities and Net Assets

Assets as of the end of September 30, 2019 were ¥183,199 million, a decrease of ¥4,993 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥1,544 million, and a decrease in notes and accounts receivable of ¥1,977 million, inventories of ¥1,776 million, property, plant and equipment of ¥2,631 million.

Liabilities were ¥110,261 million, an increase of ¥610 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in commercial papers of ¥4,000 million, and a decrease in accrued expenses of ¥1,775 million.

Net Assets were ¥72,937 million, a decrease of ¥5,603 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings of ¥4,585 million, foreign currency translation adjustment of ¥979 million.

2) Status of Cash Flows

Balance of cash and cash equivalents at the end of the six months ended September 30, 2019 was ¥24,255 million, an increase of ¥966 million as compared to the end of the previous consolidated fiscal year.

Net cash provided by operating activities was ¥4,625 million, a decrease of ¥1,536 million as compared to the same period in the previous fiscal year. This was mainly due to a decrease in profit before income taxes.

Net cash used in investing activities was ¥-6,108 million, a decrease of ¥6,253 million as compared to the same period in the previous fiscal year. This was mainly due to a decrease in purchase of property, plant and equipment.

Net cash used in financing activities was ¥3,090 million (¥-1,037 million in the same period in the previous year). This was mainly due to issuance of commercial papers.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

As described in the “Notice on Production System Optimization in Mainstay Businesses and Strategic Review of Non-mainstay Businesses,” separately disclosed today, the Company decided 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. Accordingly, policies were set out to optimize the production system of the semiconductor devices segment as well as to perform a strategic review of the power systems segment and the LED Lighting Equipment Business. Based on this decision, in the second quarter of the fiscal year, approximately 400 million yen was posted as extraordinary loss in the valuation loss and impairment loss on fixed assets for the purpose of retirement of inventory assets associated with withdrawal from the LED Lighting Equipment business. In addition, as a result of a loss on impairment of consolidated assets of approximately 500 million yen due to a decline in the profitability of the Power System Business and an estimated 400 million yen in corporate taxes in prior years at overseas subsidiaries. In addition, the full-year forecast announced on August 6, 2019 has been revised in consideration of factors including second quarter consolidated financial results and foreseen gain on sales of real estate rendered idle upon the outsourcing of logistics operations of approximately ¥3,900 million under extraordinary income in the fourth quarter. For more information, please see “Notice on Transfer of Non-current Assets, Recording of Extraordinary Income, Difference between First-half Forecast and Actual Results, and Revision of Full-year Forecast,” separately disclosed today.

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

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 August 6, 2019)	(millions of yen) 168,400	(millions of yen) 5,800	(millions of yen) 4,300	(millions of yen) 600	(yen) 24.76
Revised forecast (B)	164,300	5,800	4,300	1,900	78.45
Change (B-A)	-4,100	0	0	1,300	-
Ratio of change (%)	-2.4%	0.0%	0.0%	216.7%	-
<Reference> Results of the previous year (FY ended March 31, 2019)	173,650	10,531	9,173	3,967	163.70

FY SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2019	September 30 2019
ASSETS		
Current assets		
Cash and deposits	23,564	25,109
Notes and accounts receivable - trade	33,586	31,609
Merchandise and finished goods	14,888	13,979
Work in process	19,633	21,167
Raw materials and supplies	7,539	5,138
Other	4,757	4,964
Allowance for doubtful accounts	(65)	(42)
Total current assets	103,903	101,925
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,027	24,430
Machinery, equipment and vehicles, net	34,731	33,146
Tools, furniture and fixtures, net	2,042	1,760
Land	6,166	6,128
Leased assets, net	62	88
Construction in progress	5,574	4,418
Total property, plant and equipment	72,604	69,972
Intangible assets		
Software	2,786	2,676
Other	2,169	2,235
Total intangible assets	4,955	4,911
Investments and other assets		
Investment securities	1,093	1,015
Deferred tax assets	1,221	1,200
Retirement benefit asset	18	335
Other	4,637	4,079
Allowance for doubtful accounts	(241)	(241)
Total investments and other assets	6,729	6,388
Total non-current assets	84,288	81,273
Total assets	188,192	183,199

FY SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

Millions of yen

	March 31 2019	September 30 2019
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,075	18,278
Short-term loans payable	12,991	12,724
Current portion of long-term loans payable	646	9,567
Current portion of bonds	-	15,000
Commercial papers	11,000	15,000
Lease obligations	30	26
Income taxes payable	591	1,445
Accrued expenses	11,705	9,929
Other	1,368	681
Total current liabilities	<u>56,409</u>	<u>82,653</u>
Non-current liabilities		
Bonds payable	35,000	20,000
Long-term loans payable	11,855	2,534
Lease obligations	41	70
Deferred tax liabilities	1,508	1,446
Provision for directors' retirement benefits	33	36
Retirement benefit liability	2,832	2,687
Other	1,970	833
Total non-current liabilities	<u>53,242</u>	<u>27,607</u>
Total liabilities	<u>109,651</u>	<u>110,261</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	26,214	26,296
Retained earnings	20,204	15,618
Treasury shares	(4,023)	(4,156)
Total shareholders' equity	<u>63,292</u>	<u>58,655</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45	-8
Foreign currency translation adjustment	212	-767
Remeasurements of defined benefit plans	(5,270)	(4,866)
Total accumulated other comprehensive income	<u>(5,012)</u>	<u>(5,642)</u>
Non-controlling interests	<u>20,261</u>	<u>19,924</u>
Total net assets	<u>78,541</u>	<u>72,937</u>
Total liabilities and net assets	<u>188,192</u>	<u>183,199</u>

**FY SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS
QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Millions of yen

CONSOLIDATED STATEMENTS OF INCOME	Six months ended Sep.30, 2018	Six months ended Sep.30, 2019
Net sales	88,230	78,289
Cost of sales	63,548	60,629
Gross profit	<u>24,681</u>	<u>17,659</u>
Selling, general and administrative expenses	<u>18,361</u>	<u>17,367</u>
Operating profit	<u>6,319</u>	<u>291</u>
Non-operating income		
Interest income	74	128
Dividend income	22	15
Miscellaneous income	111	108
Total non-operating income	<u>207</u>	<u>252</u>
Non-operating expenses		
Interest expenses	296	280
Foreign exchange losses	512	627
Miscellaneous loss	400	329
Total non-operating expenses	<u>1,209</u>	<u>1,237</u>
Ordinary profit	<u>5,317</u>	<u>-693</u>
Extraordinary income		
Gain on abolishment of retirement benefit plan	—	5
Total extraordinary income	<u>—</u>	<u>5</u>
Extraordinary losses		
Loss on disposal of non-current assets	26	371
Impairment loss	—	613
Extra retirement payments	—	289
Loss on valuation of inventories	—	283
Total extraordinary losses	<u>26</u>	<u>1,557</u>
Profit before income taxes	<u>5,291</u>	<u>-2,245</u>
Income taxes	1,483	732
Income taxes for prior periods	—	940
Profit	<u>3,807</u>	<u>-3,918</u>
Profit attributable to non-controlling interests	<u>1,560</u>	<u>303</u>
Profit attributable to owners of parent	<u>2,247</u>	<u>-4,222</u>

FY SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

Millions of yen

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Six months ended Sep.30, 2018	Six months ended Sep.30, 2019
Profit (loss)	3,807	-3,918
Other comprehensive income		
Valuation difference on available-for-sale securities	61	-54
Foreign currency translation adjustment	2,686	-1,617
Remeasurements of defined benefit plans, net of tax	284	403
Total other comprehensive income	3,031	-1,267
Comprehensive income	6,839	-5,186
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,281	-4,852
Comprehensive income attributable to non-controlling interests	2,557	-333

(3) QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

	Six months ended Sep.30, 2018	Six months ended Sep.30, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	5,291	-2,245
Depreciation	5,827	6,164
Impairment loss	—	613
Increase (decrease) in allowance for doubtful accounts	4	-21
Increase (decrease) in retirement benefit liability	-167	1
Decrease (increase) in retirement benefit asset	-192	-25
Interest and dividend income	-96	-143
Interest expenses	296	280
Loss (gain) on sales of property, plant and equipment	—	-5
Decrease (increase) in trade receivables	162	1,372
Decrease (increase) in inventories	-3,404	1,231
Increase (decrease) in trade payables	-120	748
Other, net	347	-2,137
Subtotal	<u>7,947</u>	<u>5,833</u>
Interest and dividends received	100	148
Interest paid	-306	-284
Income taxes paid	-1,580	-1,071
Net cash provided by (used in) operating activities	<u>6,161</u>	<u>4,625</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	-11,788	-4,935
Proceeds from sales of property, plant and equipment	18	26
Purchase of intangible assets	-646	-580
Collection of loans receivable	0	0
Other, net	53	-618
Net cash provided by (used in) investing activities	<u>-12,361</u>	<u>-6,108</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	-6,333	-80
Increase (decrease) in commercial papers	-4,000	4,000
Repayments of finance lease obligations	-57	-15
Repayments of long-term borrowings	-250	-319
Proceeds from issuance of bonds	9,953	-
Purchase of treasury shares	-3	-132
Dividends paid	-346	-362
Net cash provided by (used in) financing activities	<u>-1,037</u>	<u>3,090</u>
Effect of exchange rate change on cash and cash equivalents	455	-640
Net increase (decrease) in cash and cash equivalents	<u>-6,782</u>	<u>966</u>
Cash and cash equivalents at beginning of period	<u>32,593</u>	<u>23,288</u>
Cash and cash equivalents at end of period	<u>25,811</u>	<u>24,255</u>

FY SECOND QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS
[Information about Sales and Operating Income (Loss) by Reporting Segment]

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

SIX MONTHS ENDED SEPTEMBER 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	67,876	10,412	78,289	—	78,289
(2) Intersegment Sales or Transfer	241	125	367	(367)	—
Total	68,118	10,538	78,656	(367)	78,289
Income (loss) by segment	2,124	(271)	1,853	(1,561)	291