

FY 2019 THIRD QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2019 to December 31, 2019)

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1. FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 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)
Nine months ended Dec.31,2019	118,778 (-9.4%)	1,928 (-78.1%)	1,078 (-85.5%)	-7,406 (-)
Nine months ended Dec.31,2018	131,152 (0.7%)	8,813 (2.6%)	7,456 (-16.2%)	2,937 (-)

Note1: Comprehensive income: -6,197 million yen (-%) for nine months ended Dec.31, 2019 / 6,865 million yen (-%) for nine months ended Dec.31, 2018

	Net income per share (yen)	Diluted net income per share (yen)
Nine months ended Dec.31,2019	-306.05	-
Nine months ended Dec.31,2018	121.19	116.05

Note2: Diluted earnings per share for 2019 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, 2019	187,712	71,591	27.5%
As of March 31, 2019	188,192	78,541	31.0%

Reference: Shareholders' equity: 51,559 million yen as of Dec.31, 2019 / 58,279 million yen as of Mar.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

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 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	161,000 (-7.3%)	4,000 (-62.0%)	2,700 (-70.6%)	-7,000 (-)	-289.26yen

Note: Revision to recently disclosed financial forecast: Yes

4. OTHER

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2019 (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./2019:	25,098,060	Mar./2019:	25,098,060
Dec./2019:	939,850	Mar./2019:	865,315
Apr./2019-Dec./2019	24,199,524	Apr./2018-Dec./2018	24,234,282

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".

1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2019

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

During the current third quarter consolidated fiscal period, despite steady sales in some markets including the air conditioners market due to the strengthening of environmental regulations in China, the overall business environment surrounding the Sanken Group became severe owing to stagnation in the industrial machinery market as a result of a global decline in automobile sales and constraints on capital investment due to such factors as the growing impact of the prolonged U.S.-China trade frictions.

Under these circumstances, the Company focused development resources on such growing fields as increased demand for energy-saving products in the air conditioners market, 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, 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. Under the new restructuring initiative that we released in November 2019, we decided to promote the selection and concentration of businesses and focus on semiconductor devices segment as a mainstay business. Specifically, we decided to optimize the production system by consolidating semiconductor device plants, to examine strategic options including sale of the power systems segment, to withdraw from the LED lighting business, and to sell off some bases.

However, with regard to the operating results for the nine months ended December 31, 2019, a large impact of the decline in global sales volume in the automobile market resulted in consolidated net sales of ¥118,778 million, a decrease of ¥12,374 million (9.4%) compared to the same period in the previous year. For income, consolidated operating profit decreased by ¥6,885 million (78.1%) to ¥1,928 million and consolidated ordinary profit decreased by ¥6,377 million (85.5%) to ¥1,078 million, compared to the same period in the previous year, due to the lower plant operating rate driven by lower net sales. In addition, the Company posted extraordinary losses on business restructuring expenses totalling ¥4,031 million as expenses associated with the progress of the business restructuring and the decision on the concrete plan, which resulted in loss attributable to owners of parent of ¥7,406 million (profit attributable to owners of parent of ¥2,937 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 grew steadily, especially in the Chinese market, the global automobile market saw sales become sluggish. Accordingly, there were a decrease in sales of products for automobiles, which are the mainstay products manufactured by the Company and Allegro MicroSystems, Inc., a U.S. subsidiary, and a big slump in sales of products for industrial machinery. As a result, consolidated net sales for this segment were ¥102,940 million, a decrease of ¥8,781 million (7.9%) as compared to the same period in the previous year. For income, consolidated operating profit was ¥4,242 million, a decrease of ¥6,863 million (61.8%) 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, and continued implementation of measures to deal with unprofitable products and to reduce fixed costs.

In the power systems segment, the Company maintained sales at approximately the same level as that in the same period of the previous year due to increased sales of social infrastructure products for telecommunications base stations and the private sector, and increased public-sector demand on the back of the Fundamental Plan for National Resilience. However, as we continued to withdraw from sales of unit products for non-strategic markets, we saw an overall decrease in sales in this segment. As a result, consolidated net sales for this segment were ¥15,837 million, a decrease of ¥3,593 million (18.5%) as compared to the same period in the previous year, and consolidated operating loss was ¥76 million (consolidated operating profit of ¥105 million for the same period in the previous year).

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

Status of Assets, Liabilities and Net Assets

Assets as of the end of December 31, 2019 were ¥187,712 million, a decrease of ¥480 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥3,241 million, and a decrease in property, plant and equipment of ¥4,012 million.

Liabilities were ¥116,120 million, an increase of ¥6,469 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in commercial papers of ¥8,000 million, and a decrease in accrued expenses of ¥2,479 million.

Net Assets were ¥71,591 million, a decrease of ¥6,949 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in remeasurements of defined benefit plans of ¥1,633 million, a decrease in retained earnings of ¥8,136 million.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

As described in the “Notice of Production System Optimization in Semiconductor Devices Segment, Accompanying Extraordinary Losses and Revisions to Full-Year Forecast” separately disclosed today, the Company revised the full-year forecast announced on November 6, 2019.

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 November 6, 2019)	(millions of yen) 164,300	(millions of yen) 5,800	(millions of yen) 4,300	(millions of yen) 1,900	(yen) 78.45
Revised forecast (B)	161,000	4,000	2,700	-7,000	-289.26
Change (B-A)	-3,300	-1,800	-1,600	-8,900	-
Ratio of change (%)	-2.0%	-31.0%	-37.2%	-	-
<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	December 31 2019
ASSETS		
Current assets		
Cash and deposits	23,564	26,805
Notes and accounts receivable - trade	33,586	32,439
Merchandise and finished goods	14,888	14,012
Work in process	19,633	22,224
Raw materials and supplies	7,539	5,734
Other	4,757	6,612
Allowance for doubtful accounts	△65	△45
Total current assets	<u>103,903</u>	<u>107,782</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,027	21,370
Machinery, equipment and vehicles, net	34,731	32,803
Tools, furniture and fixtures, net	2,042	1,616
Land	6,166	5,996
Leased assets, net	62	88
Construction in progress	5,574	6,716
Total property, plant and equipment	<u>72,604</u>	<u>68,591</u>
Intangible assets		
Software	2,786	2,583
Other	2,169	2,326
Total intangible assets	<u>4,955</u>	<u>4,909</u>
Investments and other assets		
Investment securities	1,093	1,075
Deferred tax assets	1,221	1,245
Net defined benefit asset	18	491
Other	4,637	3,857
Allowance for doubtful accounts	△241	△241
Total investments and other assets	<u>6,729</u>	<u>6,428</u>
Total non-current assets	<u>84,288</u>	<u>79,929</u>
Total assets	<u>188,192</u>	<u>187,712</u>

	March 31 2019	December 31 2019
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,075	19,116
Short-term loans payable	12,991	13,712
Current portion of long-term loans payable	646	10,141
Current portion of bonds	—	15,000
Commercial papers	11,000	19,000
Lease obligations	30	25
Income taxes payable	591	717
Accrued expenses	11,705	9,225
Other	1,368	1,948
Total current liabilities	<u>56,409</u>	<u>88,887</u>
Non-current liabilities		
Bonds payable	35,000	20,000
Long-term loans payable	11,855	1,779
Lease obligations	41	72
Deferred tax liabilities	1,508	1,574
Provision for directors' retirement benefits	33	38
Net defined benefit liability	2,832	2,657
Other	1,970	1,111
Total non-current liabilities	<u>53,242</u>	<u>27,233</u>
Total liabilities	<u>109,651</u>	<u>116,120</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	26,214	26,328
Retained earnings	20,204	12,068
Treasury shares	△4,023	△4,157
Total shareholders' equity	<u>63,292</u>	<u>55,136</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45	33
Foreign currency translation adjustment	212	27
Remeasurements of defined benefit plans	△5,270	△3,637
Total accumulated other comprehensive income	△5,012	△3,576
Non-controlling interests	20,261	20,031
Total net assets	<u>78,541</u>	<u>71,591</u>
Total liabilities and net assets	<u>188,192</u>	<u>187,712</u>

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

Millions of yen

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME	Nine months ended Dec.31, 2018	Nine months ended Dec.31, 2019
Net sales	131,152	118,778
Cost of sales	94,245	91,159
Gross profit	36,907	27,618
Selling, general and administrative expenses	28,093	25,690
Operating profit	8,813	1,928
Non-operating income		
Interest income	103	184
Dividend income	44	28
Miscellaneous income	251	225
Total non-operating income	398	438
Non-operating expenses		
Interest expenses	456	417
Foreign exchange losses	852	447
Miscellaneous loss	447	423
Total non-operating expenses	1,755	1,288
Ordinary profit	7,456	1,078
Extraordinary income		
Gain on sales of non-current assets	2	5
Total extraordinary income	2	5
Extraordinary losses		
Loss on disposal of non-current assets	255	421
Impairment loss	119	510
Extra retirement payments	—	293
Loss on liquidation of subsidiaries and associates	—	204
Business structure reform cost	—	4,031
Total extraordinary losses	374	5,461
Profit (loss) before income taxes	7,084	△4,377
Income taxes	1,895	2,097
Income taxes for prior periods	—	940
Profit (loss)	5,188	△7,415
Profit attributable to non-controlling interests	2,251	△9
Profit (loss) attributable to owners of parent	2,937	△7,406

Millions of yen

	Nine months ended Dec.31, 2018	Nine months ended Dec.31, 2019
QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Profit (loss)	5,188	△7,415
Other comprehensive income		
Valuation difference on available-for-sale securities	△115	△12
Foreign currency translation adjustment	1,355	△402
Remeasurements of defined benefit plans, net of tax	437	1,633
Total other comprehensive income	1,677	1,218
Comprehensive income	<u>6,865</u>	<u>△6,197</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,103	△5,970
Comprehensive income attributable to non-controlling interests	2,761	△226

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

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

NINE MONTHS ENDED DECEMBER 31, 2019

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	102,940	15,837	118,778	—	118,778
(2) Intersegment Sales or Transfer	355	165	520	(520)	—
Total	103,296	16,002	119,299	(520)	118,778
Operating Income (loss) by segment	4,242	(76)	4,166	(2,238)	1,928