

# **Financial Result Presentation**

## **1<sup>st</sup> Half of Fiscal Year ending March 2018**



**Sanken Electric Co., Ltd.**

November 6, 2017

# Consolidated Results: 1H FY March 2018



Power Electronics for Next "E" Stage

(Billions of Yen)

	FY17	FY18		1H on 1H Changes (%)	Guidance issued May 2017	Changes (%)	
	1H	1Q	2Q				1H
<b>Sales</b>	<b>76.1</b>	<b>41.5</b>	<b>44.5</b>	<b>86.0</b>	<b>+13.0</b>	<b>78.5</b>	<b>+9.6</b>
Semi. Devices	62.6	35.2	36.5	71.7	+14.5	65.8	+9.0
Power Systems	13.4	6.3	8.0	14.3	+6.7	12.7	+12.6
<b>Operating Profit</b>	<b>2.2</b>	<b>2.0</b>	<b>3.5</b>	<b>5.5</b>	<b>+150.0</b>	<b>2.7</b>	<b>+103.7</b>
<b>Ordinary Profit</b>	<b>1.4</b>	<b>1.5</b>	<b>4.2</b>	<b>5.7</b>	<b>+307.1</b>	<b>2.1</b>	<b>+171.4</b>
<b>Extraordinary Income and losses</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-16.4</b>	<b>-16.5</b>	—	-	-
<b>NI attributable to controlling shareholder</b>	<b>-0.1</b>	<b>0.5</b>	<b>-13.6</b>	<b>-13.1</b>	—	<b>0.2</b>	-

• "1Hon1H changes" and "Changes" are derived from the figures presented here expressed in billions of yen.



# Extraordinary Losses

## Breakdown of the Amount incurred in 1H FY March 18

(Billions of Yen)

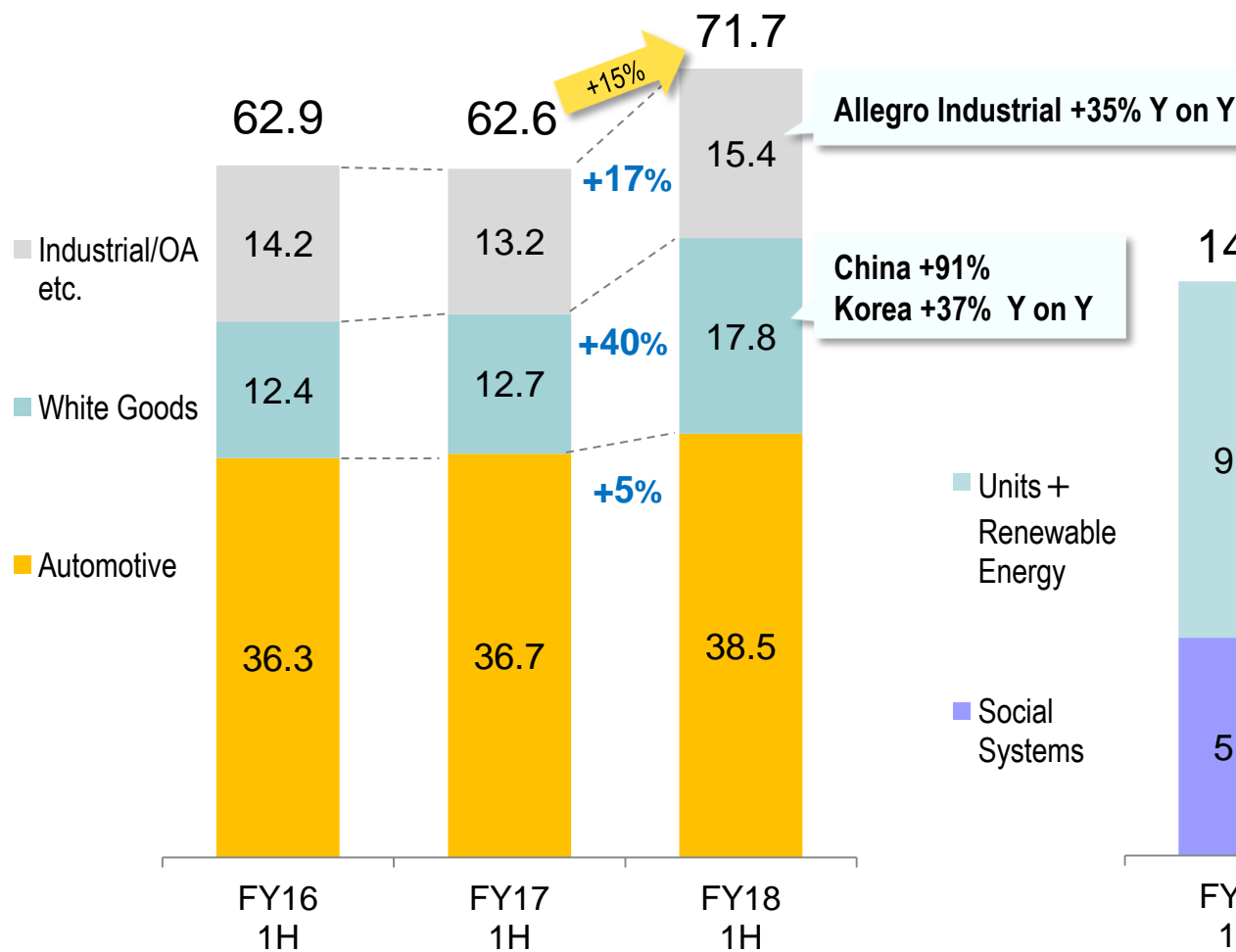
	Initiatives	Actions	Amount
Started in the current FY18	Discontinue PM business	<ul style="list-style-type: none"> <li>• Dispose inventory</li> <li>• Downsize SKI</li> </ul>	8.3
	Terminate unprofitable Semi-products	<ul style="list-style-type: none"> <li>• Write-down inventory</li> </ul>	6.6
	Special Early Separation Program	<ul style="list-style-type: none"> <li>• Head Count Reduction of 131 at SanKen HQ</li> </ul>	1.7
	Sub-total		16.5
Started in the Previous FY17	Reduce other fixed costs	<ul style="list-style-type: none"> <li>• Record SPS liquidation loss</li> </ul>	0.4
		<ul style="list-style-type: none"> <li>• Take on KSK restructuring costs</li> </ul>	0.2
Total		17.1	

• SKI: P.T. SanKen Indonesia    SPS: SanKen Power Systems (UK)    KSK: Korea SanKen

# 1H Consolidated Net Sales by Market

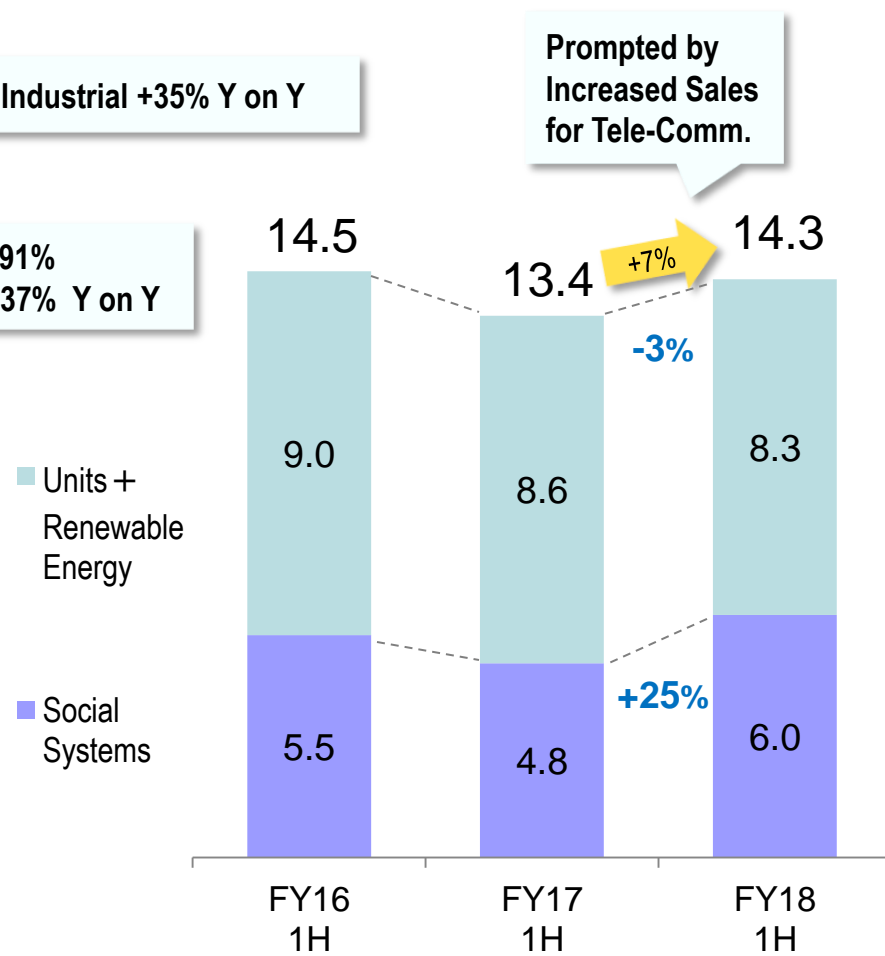
## Semi Devices 1H Net Sales

(Billions of Yen)



## Power Systems 1H Net Sales

(Billions of Yen)



• Units are mainly the former PM products which include items to withdraw.

Exchange Rate  
(Yen/US\$)

121.88

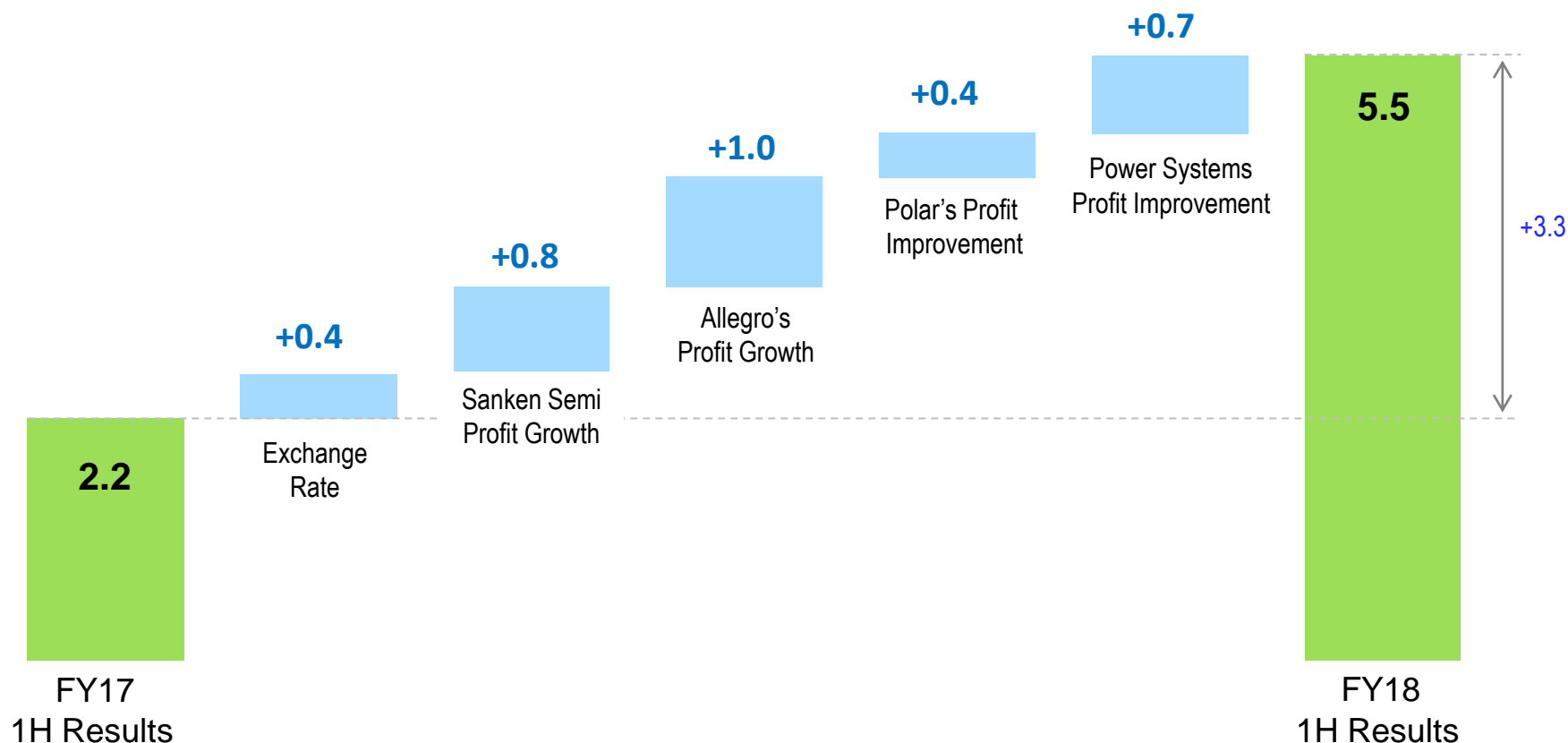
105.26

111.06

# Factors of Change in 1H Operating Profit

## Year on Year Changes

(Billions of Yen)



- Semi Devices : Profit Growth driven by increased sales at Sanken and Allegro
- Power Systems : Profit Improved by sales growth and restructuring gains in the former PM

## 1. Withdraw from non-strategic products / Focus on strategic market

- Withdraw from the PM business and shrink the size of Sanken Indonesia
- Withdraw or reduce unprofitable products / Reduce costs in Semi Devices

## 2. Improve Profitability of Sanken HQ

- Implement special early separation program: headcount reduction by 131
- Reduce other fixed costs

## 3. Other Restructuring Actions

- Reduce the number of indirect staff positions at Polar Semiconductor
- Reformulate overseas sales office network

## 4. New Stock Issuance at Sanken North America (SKN)

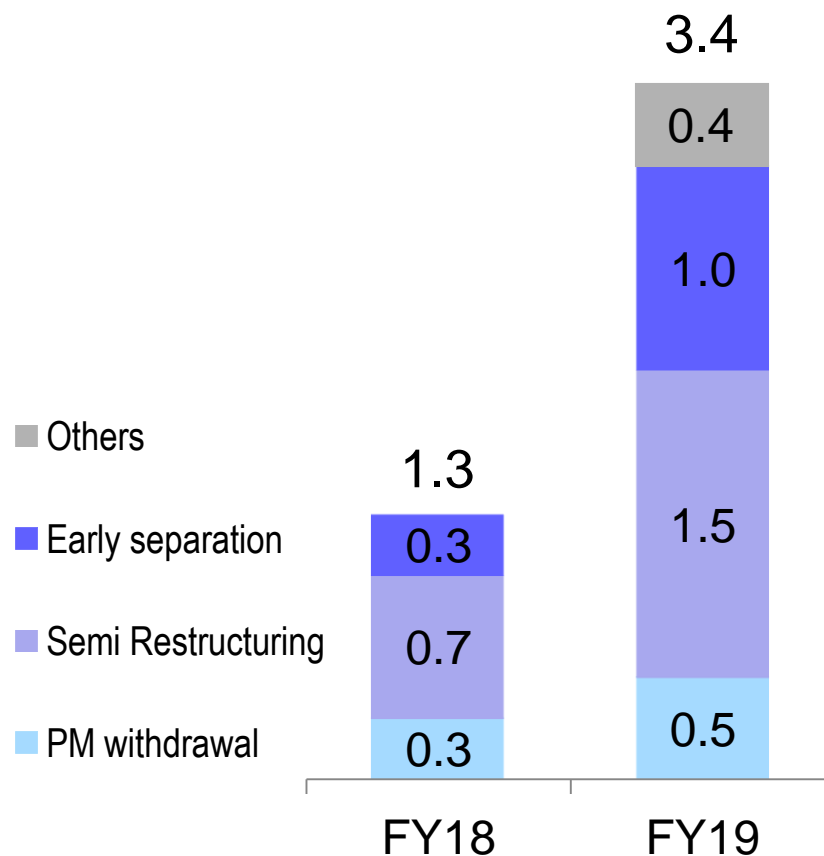
- U.S. PE fund subscribed for 28.8 % of SKN, valued at US\$ 291 million

# Expected Gains from Restructuring

■ Restructuring projected effect in FY19  
(Billions of Yen)

Actions	Impact
Withdrawal from PM business	+0.5
Restructuring in Semi Devices	+1.5
Special early separation program	+1.0
Other fixed costs reduction	+0.4
<b>Total</b>	<b>+3.4</b>

■ Yearly effect amount compared with FY17  
(Billions of Yen)



Accelerate Sanken HQ's profitability recovery by uncompromising execution of restructuring actions

(Billions of Yen)

	FY17 Actual			FY18 Projected			Y on Y Changes	
	1H	2H	Yr	1H (A)	2H (P)	Yr (P)	Yr	%
<b>Sales</b>	<b>76.1</b>	<b>82.7</b>	<b>158.8</b>	<b>86.0</b>	<b>87.0</b>	<b>173.0</b>	<b>+14.2</b>	<b>+8.9</b>
Semi. Devices	62.6	66.7	129.3	71.7	72.6	144.3	+15.0	+11.6
Power Systems	13.4	16.0	29.4	14.3	14.4	28.7	-0.7	-2.4
<b>Operating Profit</b>	<b>2.2</b>	<b>3.7</b>	<b>5.9</b>	<b>5.5</b>	<b>4.5</b>	<b>10.0</b>	<b>+4.1</b>	<b>+69.5</b>
<b>Ordinary Profit</b>	<b>1.4</b>	<b>3.6</b>	<b>5.0</b>	<b>5.7</b>	<b>3.3</b>	<b>9.0</b>	<b>+4.0</b>	<b>+80.0</b>
Extraordinary Income and losses	-0.2	-0.2	-0.4	-16.5	-1.3	-17.8	-17.4	-
NI attributable to controlling shareholder	-0.1	1.8	1.7	-13.1	-0.6	-13.7	-15.4	-

• 2H Exchange rate : 108 Yen/US\$

• "Y on Y changes" are derived from the figures presented here expressed in billions of yen.





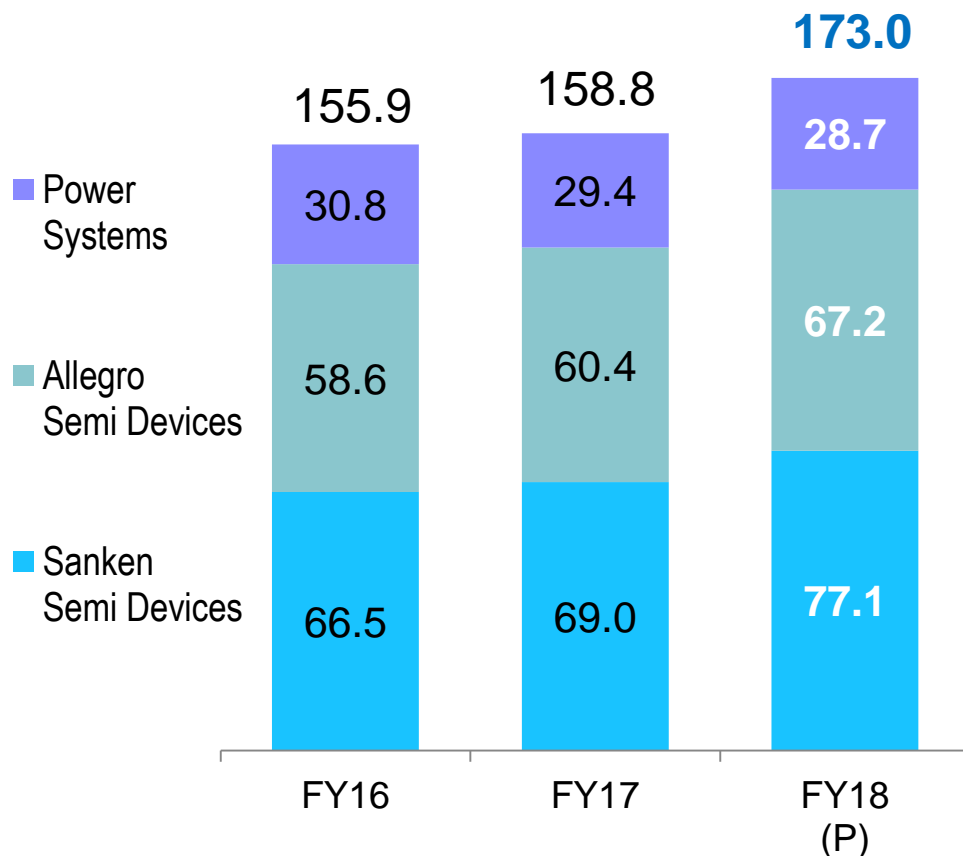
# Trended Yearly Sales and Operating Profit



Power Electronics for Next "E" Stage

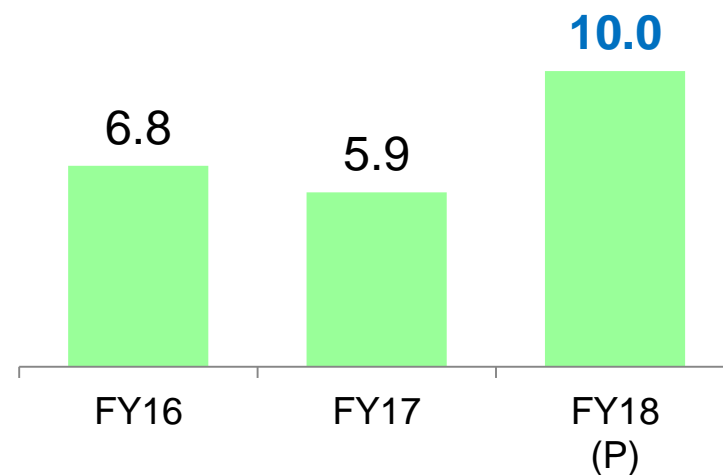
## Consolidated Sales

(Billions of Yen)



## Consolidated Operating Profit

(Billions of Yen)



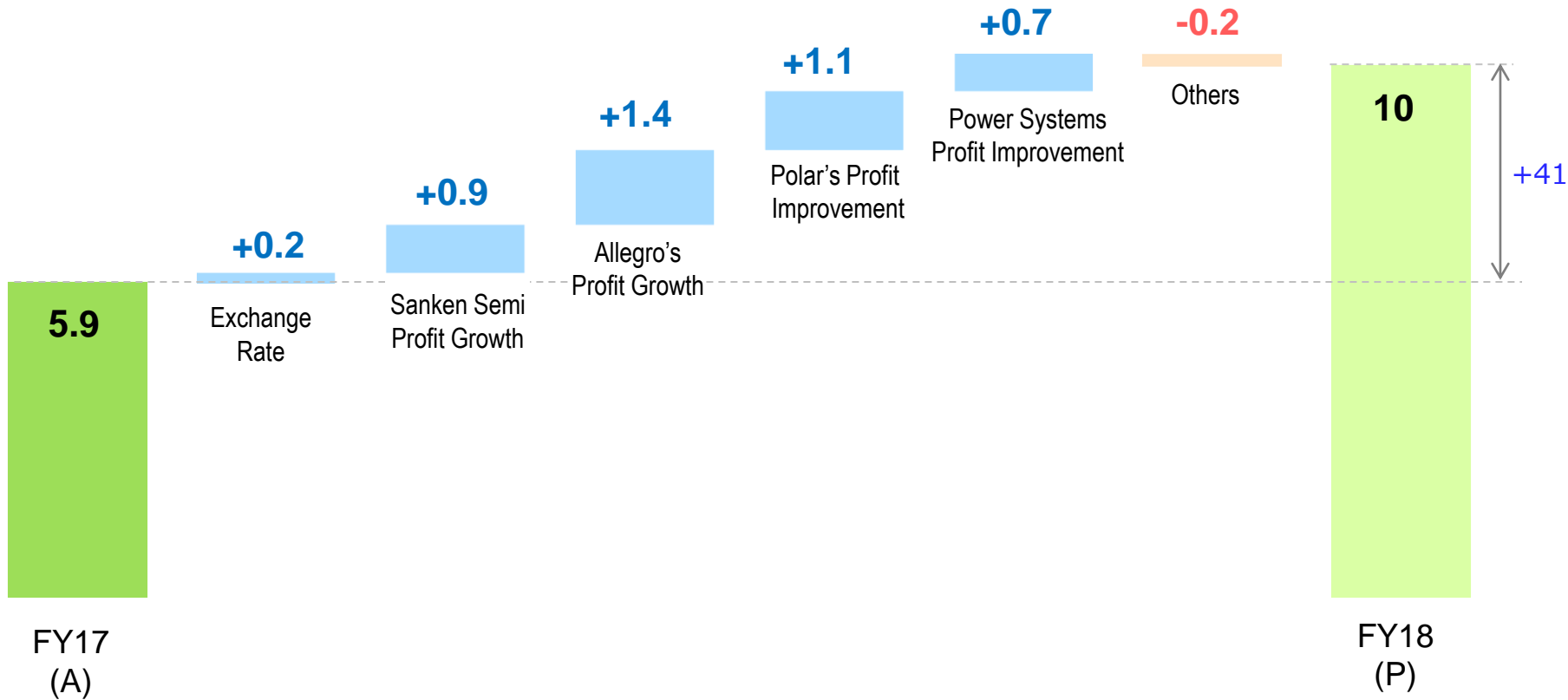
- Sales and profits are expected to increase due to favorable semi business and restructuring effects.
- Expenses related to capital subscription for SKN are projected to be recorded during 2H.



# Factors of Change in FY18 Operating Profit

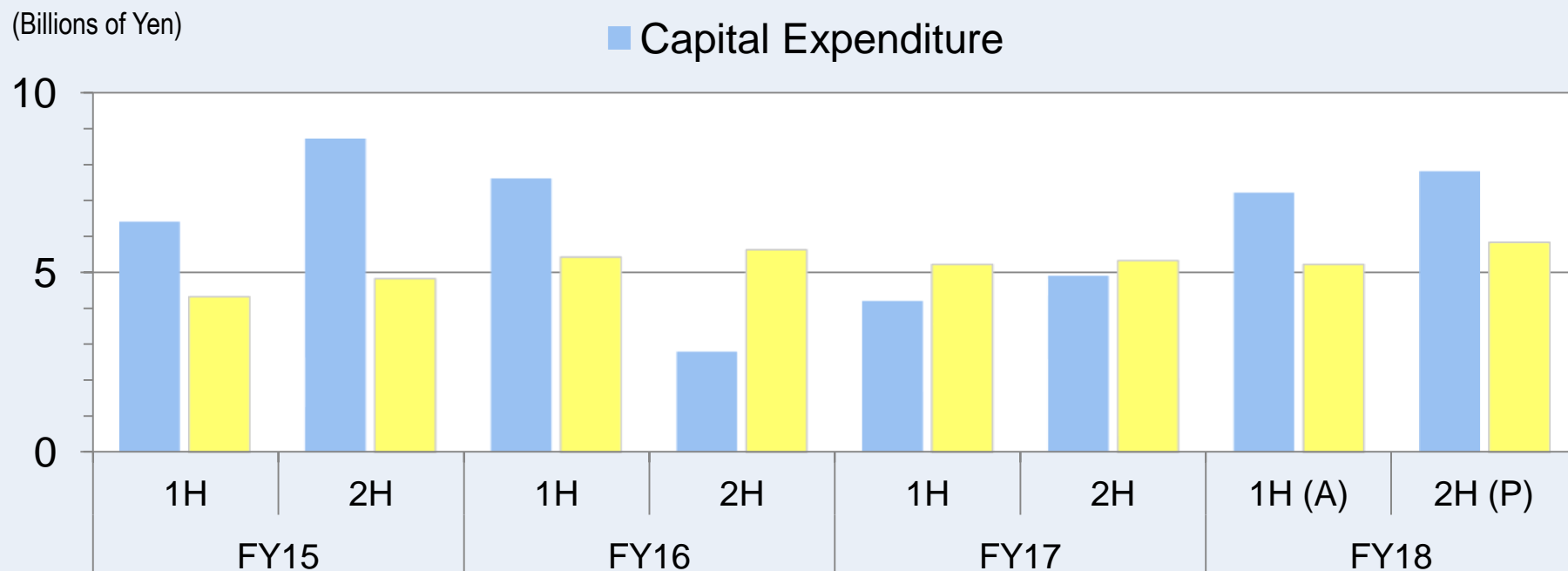
## Year on Year Changes

(Billions of Yen)



Full-year restructuring gains are expected to be JPY1.3 billion including the impact from headcount reduction.

# Capital Expenditure and Depreciation

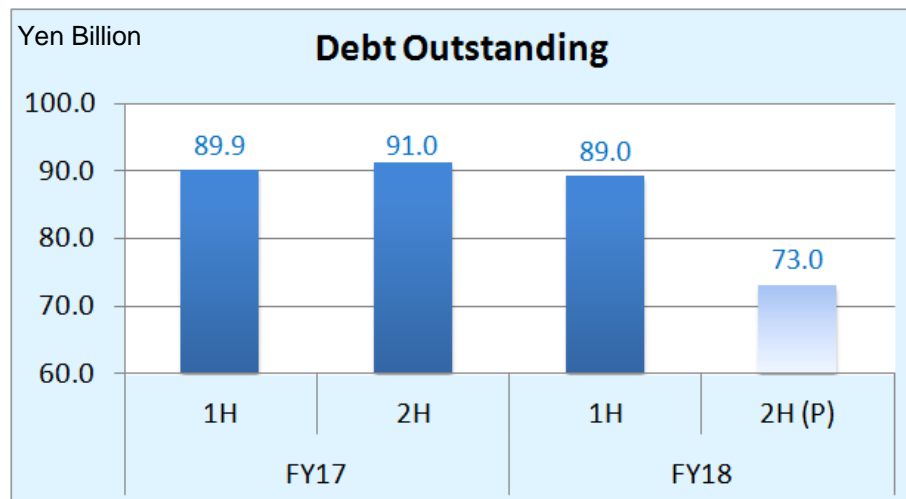
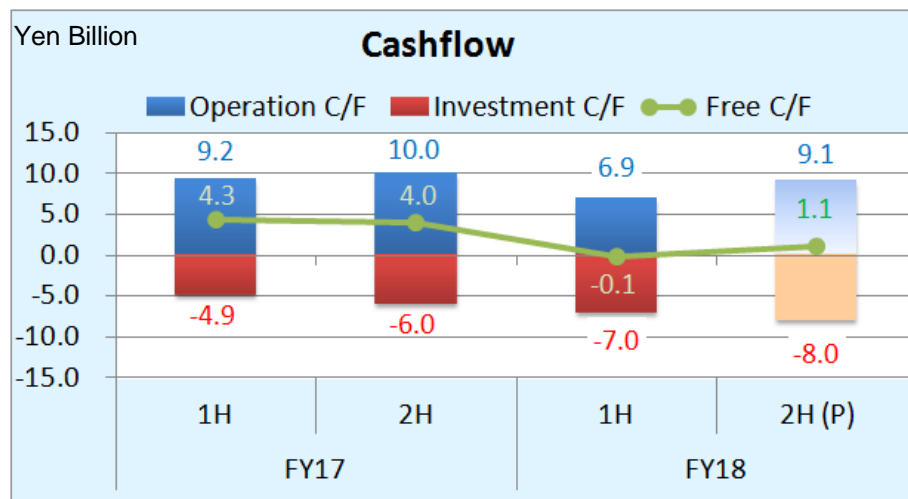
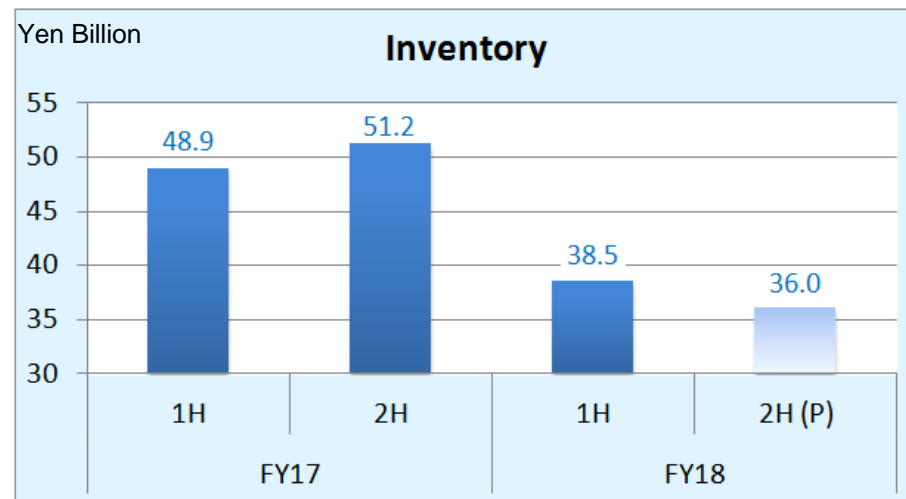
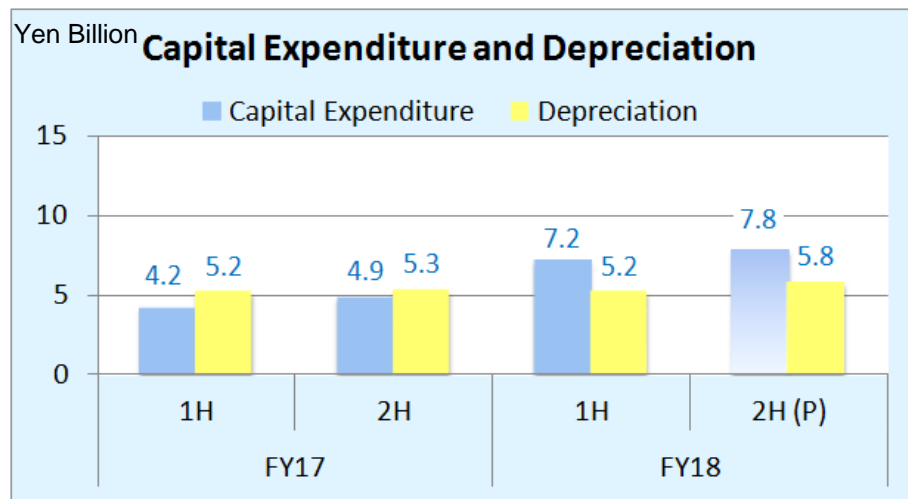


**FY18: Capital Expenditure JPY 15.0 Billion (JPY 8.0 in Japan)**  
**Depreciation JPY 11.0 Billion (JPY 4.5 in Japan)**

## 2H Capital Expenditure

Japan	Overseas
Yamagata : Expansion for power IC chips	AML : Realignment of North American offices
Fukushima : Wafer-probing	PSL : Reinforcement for production capability
Kashima : Increase Auto capacity	Dalian : Expansion for IPM products

# Targeting Stronger Financial Position



Capex is expected to increase during 2H. Continuing to focus to improve financial conditions.

## Notice on Forward-looking Statement

This presentation contains forward-looking statements with respect to the Company's and its group affiliates' future results, plans and policies, strategies, performance goals and scheduled targets, and the management's views and judgments that are not yet firmly established facts. These forward-looking statements are formed based on the currently available information and assumptions deemed reasonable at present, and conditional upon known and unknown risks, uncertainties and many other factors. These risks, uncertainties and many other factors could cause actual results to be materially different from any future results that may be expressed or implied by such forward-looking statements. The Company does not undertake any obligation to update or revise any forward-looking statements, including, but not limited to, revisions of financial result forecast, unless the Company is enforced to do so by the provisions of applicable laws and regulations.

The electronics industry to which the Company belongs is constantly exposed to rapid changes in business environment and the Company's business performance and financial conditions are subjected to risks, uncertainties and other factors, which include, but not limited to, (i) macroeconomic environment, market demand and supply situations, and competitive conditions, (ii) fluctuations in the exchange rates, (iii) success or failure to catch up with technological innovation, (iv) rising prices and availability constraints of parts, supplies and materials, (v) changes in legal framework of various nations and political sub-divisions or sudden changes of social circumstances, and (vi) any other contingencies.