

FY 2020 THIRD QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2020 to December 31, 2020)

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1. FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2020

(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.31,2020	109,767 (-7.6%)	-3,829 (-)	-5,683 (-)	-6,137 (-)
Nine months ended Dec.31,2019	118,778 (-9.4%)	1,928 (-78.1%)	1,078 (-85.5%)	-7,406 (-)

Note1: Comprehensive income: -7,051 million yen (-%) for nine months ended Dec.31, 2020 / -6,197 million yen (-%) for nine months ended Dec.31, 2019

	Net income per share (yen)	Diluted net income per share (yen)
Nine months ended Dec.31,2020	-254.19	-
Nine months ended Dec.31,2019	-306.05	-

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

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2020	206,808	90,468	30.8%
As of March 31, 2020	194,024	71,776	25.7%

Reference: Shareholders' equity: 63,756 million yen as of Dec.31, 2020 / 49,842 million yen as of Mar.31, 2020

2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2019	-	15.00yen	-	15.00yen	30.00yen
Fiscal year 2020	-	0.00yen	-		
Fiscal year 2020(forecast)				0.00yen	0.00yen

Note1: Revision to recently disclosed dividend forecast: Yes

3. FISCAL YEAR 2020 CONSOLIDATED FINANCIAL FORECAST (April 1, 2020 to March 31, 2021)

(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	155,000 (-3.3%)	-2,900 (-)	-4,800 (-)	-8,300 (-)	-343.74yen

Note: Revision to recently disclosed financial forecast: Yes

4. OTHER

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2020 (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./2020:	25,098,060	Mar./2020:	25,098,060
Dec./2020:	966,585	Mar./2020:	940,303
Apr./2020-Dec./2020	24,146,418	Apr./2019-Dec./2019	24,199,524

* 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 NINE MONTHS ENDED DECEMBER 31, 2020

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

With regard to the business environment during the nine months ended December 31, 2020, the first half was impacted by the sluggish global economic environment due to the spread of the novel coronavirus (“COVID-19”). However, business sentiment showed recovery supported by production and consumer activities rebounding early in China as well as economic activities resuming in the developed markets of Europe and the U.S.

Under these circumstances, the Group has been engaged in various efforts, by taking structural reform, realization of our growth strategy, enhancement of our financial strength, and promotion of work-style reform as the basic policies for the current period. These efforts included working on development reform aimed at improving the product power of semiconductor devices and the establishment of production bases for the next-generation products that will result from such reform, while carrying out business restructuring aimed at a drastic reorganization of the profit structure, such as by optimizing the production system in the semiconductor devices segment and by materializing strategic options in the power systems segment. In addition, to deal with the rapidly deteriorating market environment due to COVID-19, we have implemented emergency measures by taking initiatives including thorough cost reduction and careful selection of capital investment.

As a result of these factors, with regard to the operating results for the nine months ended December 31, 2020, we recorded consolidated net sales of ¥109,767 million, down ¥9,010 million (7.6%) as compared to the same period in the previous year. However, compared with the forecast announced on November 6, 2020, sales in the semiconductor devices segment increased in all markets, namely, the automotive, white goods and production machinery/consumer product sectors. For income, we recorded consolidated operating loss of ¥3,829 million (consolidated operating profit of ¥1,928 million for the same period in the previous year), and consolidated ordinary loss of ¥5,683 million (consolidated ordinary profit of ¥1,078 million for the same period in the previous year) mainly reflecting the recording of ¥5,128 million listing-related expenses for Allegro MicroSystems, Inc. (“AMI”), our subsidiary in the U.S., on the Nasdaq market. In addition, due to the reporting of ¥3,315 million in extraordinary losses including expenses related to structural reform, we recorded ¥6,137 million in consolidated loss attributable to owners of parent (consolidated loss attributable to owners of parent of ¥7,406 million for the same period of the previous year).

Overview of business by segment is as follows.

Semiconductor Devices

In this segment, sales of products for white goods surpassed the year-earlier level, buoyed by increased demand in China, Europe and the U.S. from the second quarter. Automotive products also recovered to the year-earlier level at the start of the third quarter. In addition, sales of products for the production machinery/consumer product markets, such as servers and televisions, remained favorable due to the increase in demand for communications and the increase in consumption at home as a result of the COVID-19 pandemic. As a result, third quarter sales were significantly better than the forecast announced in November. However, as a result of the slump in the first quarter due to COVID-19, consolidated net sales were ¥96,943 million, a decrease of ¥5,997 million (5.8%) as compared to the same period in the previous year. For income as well, we recorded consolidated operating loss of ¥1,718 million (consolidated operating profit of ¥4,242 million for the same period of the previous year), despite cost reductions and other emergency measures.

Power Systems

In this segment, the Company saw an overall decrease in sales as it steadily continued to withdraw from sales of unit products for non-strategic markets. As a result, consolidated net sales were ¥12,823 million, a decrease of ¥3,013 million (19.0%) as compared to the same period in the previous year. For income, we recorded consolidated operating profit of ¥250 million (consolidated operating loss of ¥76 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, 2020 were ¥206,808 million, an increase of ¥12,783 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥3,100 million, inventories of ¥3,068 million, intangible assets of ¥3,270 million.

Liabilities were ¥116,339 million, a decrease of ¥5,908 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in long-term borrowings of ¥31,586 million, and a decrease in short-term borrowings of ¥19,046 million, bonds payable of ¥15,000 million, commercial papers of ¥6,000 million.

Net Assets were ¥90,468 million, an increase of ¥18,692 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in capital surplus of ¥20,845 million.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

The economic outlook remains uncertain against the background of concerns about recession due to the prolonged impact of COVID-19. However, in the markets for energy-saving and environmentally friendly products, which are strategic markets for the Group, demand for power semiconductor products is expected to grow over the medium to long term.

Amid this environment, the Group anticipates a recovery of production in the automotive market, continued adoption of inverters in the white goods market, and an increase in demand for products such as servers and televisions, reflecting the trend towards staying at home and remote working due to the COVID-19 crisis. On the other hand, various factors that affect the supply chain need to be closely monitored, such as the global shortage of semiconductors and the temporary reduction in automotive production as a result of this, as well as delays in logistics caused by the COVID-19 crisis.

In light of the actual results up to the third quarter and future projections, we decided to revise the full-year consolidated financial forecast for the year ending March 31, 2021 that we announced on November 6, 2020 to take account of the recording of ¥5,128 million in operating expenses as listing-related expenses for AMI, our U.S. subsidiary, on the Nasdaq market, and a non-operating expenses of ¥960 million as expenses for early repayment of AMI's borrowings.

Revision of the Forecasted Business Results for the Fiscal Year (From April 1, 2020 to March 31, 2021)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecast (A) (Announced on November 6, 2020)	(millions of yen) 144,000	(millions of yen) 600	(millions of yen) 200	(millions of yen) -7,000	(yen) -289.81
Revised forecast (B)	155,000	-2,900	-4,800	-8,300	-343.74
Change (B-A)	11,000	-3,500	-5,000	-1,300	-
Ratio of change (%)	7.6%	-	-	-	-
<Reference> Results of the previous year (FY ended March 31, 2020)	160,217	4,309	2,674	-5,559	-229.83

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2020	December 31 2020
ASSETS		
Current assets		
Cash and deposits	40,779	43,880
Notes and accounts receivable - trade	31,888	31,226
Merchandise and finished goods	14,422	16,757
Work in process	21,231	21,429
Raw materials and supplies	5,425	5,961
Other	3,741	9,472
Allowance for doubtful accounts	-114	-97
Total current assets	<u>117,375</u>	<u>128,629</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,383	19,280
Machinery, equipment and vehicles, net	31,577	30,382
Tools, furniture and fixtures, net	1,788	1,446
Land	5,699	5,678
Leased assets, net	74	53
Construction in progress	6,538	5,728
Total property, plant and equipment	<u>66,062</u>	<u>62,570</u>
Intangible assets		
Software	2,483	2,252
Goodwill	—	1,885
Other	2,244	3,860
Total intangible assets	<u>4,728</u>	<u>7,998</u>
Investments and other assets		
Investment securities	892	890
Deferred tax assets	1,704	3,276
Other	3,262	3,445
Allowance for doubtful accounts	-2	-2
Total investments and other assets	<u>5,858</u>	<u>7,609</u>
Total non-current assets	<u>76,649</u>	<u>78,178</u>
Total assets	<u>194,024</u>	<u>206,808</u>

	March 31 2020	December 31 2020
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,774	17,163
Short-term borrowings	27,619	18,063
Current portion of long-term borrowings	10,133	642
Current portion of bonds payable	15,000	15,000
Commercial papers	10,000	4,000
Lease obligations	44	35
Accrued expenses	10,254	11,147
Income taxes payable	659	516
Provision for performance-linked directors' compensations	16	61
Provision for loss on transfer of business	—	1,797
Provision for business structure reform	615	890
Other	1,233	952
Total current liabilities	<u>93,351</u>	<u>70,269</u>
Non-current liabilities		
Bonds payable	20,000	5,000
Long-term borrowings	1,643	33,229
Lease obligations	40	27
Deferred tax liabilities	975	1,153
Provision for share-based compensation	8	36
Provision for retirement benefits for directors (and other officers)	39	41
Provision for business structure reform	1,351	1,351
Retirement benefit liability	3,402	3,219
Other	1,435	2,010
Total non-current liabilities	<u>28,896</u>	<u>46,070</u>
Total liabilities	<u>122,248</u>	<u>116,339</u>
Net assets		
Share capital		
Capital surplus	20,896	20,896
Retained earnings	24,465	45,311
Retained earnings	13,915	7,411
Treasury shares	-4,159	-4,224
Total shareholders' equity	<u>55,118</u>	<u>69,394</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-75	-29
Foreign currency translation adjustment	-477	-1,575
Remeasurements of defined benefit plans	-4,723	-4,032
Total accumulated other comprehensive income	-5,275	-5,638
Non-controlling interests	21,933	26,711
Total net assets	<u>71,776</u>	<u>90,468</u>
Total liabilities and net assets	<u>194,024</u>	<u>206,808</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, 2019	Nine months ended Dec.31, 2020
Net sales	118,778	109,767
Cost of sales	91,159	83,246
Gross profit	27,618	26,520
Selling, general and administrative expenses	25,690	30,350
Operating profit (loss)	1,928	-3,829
Non-operating income		
Interest income	184	74
Dividend income	28	28
Gain on sales of scraps	36	196
Subsidies for employment adjustment	—	214
Miscellaneous income	188	294
Total non-operating income	438	808
Non-operating expenses		
Interest expenses	417	700
Foreign exchange losses	447	489
Expenses related to advanced repayment of loans	—	960
Miscellaneous loss	423	510
Total non-operating expenses	1,288	2,661
Ordinary profit (loss)	1,078	-5,683
Extraordinary income		
Gain on sales of non-current assets	5	16
Gain on sales of investment securities	—	13
Total extraordinary income	5	30
Extraordinary losses		
Loss on disposal of non-current assets	421	32
Impairment loss	510	17
Loss on valuation of investment securities	—	69
Extra retirement payments	293	935
Loss on termination of retirement benefit plan	—	84
Loss on liquidation of subsidiaries and associates	204	42
Business structure reform cost	4,031	—
Provision for loss on transfer of business	—	1,797
Provision for business structure reform	—	335
Total extraordinary losses	5,461	3,315
Loss before income taxes	-4,377	-8,968
Income taxes	2,097	-3,027
Income taxes for prior periods	940	—
Loss	-7,415	-5,941
Profit (loss) attributable to non-controlling interests	-9	196
Loss attributable to owners of parent	-7,406	-6,137

Millions of yen

	Nine months ended Dec.31, 2019	Nine months ended Dec.31, 2020
QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		
Loss	-7,415	-5,941
Other comprehensive income		
Valuation difference on available-for-sale securities	-12	45
Foreign currency translation adjustment	-402	-1,841
Remeasurements of defined benefit plans, net of tax	1,633	685
Total other comprehensive income	1,218	-1,110
Comprehensive income	<u>-6,197</u>	<u>-7,051</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-5,970	-6,500
Comprehensive income attributable to non-controlling interests	-226	-551

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

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

NINE MONTHS ENDED DECEMBER 31, 2020

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	96,943	12,823	109,767	—	109,767
(2) Intersegment Sales or Transfer	119	403	523	-523	—
Total	97,062	13,227	110,290	-523	109,767
Operating Income (loss) by segment	-1,718	250	-1,468	-2,361	-3,829