

FY 2020 FIRST QUARTER CONSOLIDATED FINANCIAL RESULTS

(April 1, 2020 to June 30, 2020)

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1. FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 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)
Three months ended Jun.30,2020	31,611 (-16.4%)	-849 (-)	-845 (-)	-1,576 (-)
Three months ended Jun.30,2019	37,807 (-11.4%)	-716 (-)	-1,072 (-)	-2,133 (-)

Note1: Comprehensive income: -1,614 million yen (-%) for three months ended June 30, 2020 / -3,485 million yen (-%) for three months ended June 30, 2019

	Net income per share (yen)	Diluted net income per share (yen)
Three months ended Jun.30,2020	-65.26	-
Three months ended Jun.30,2019	-88.04	-

Note 2: Diluted net income per share is not presented because of the current net loss.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2020	196,205	69,660	24.3%
As of March 31, 2020	194,024	71,776	25.7%

Reference: Shareholders' equity: 47,590 million yen as of June 30, 2020 / 49,842 million yen as of March 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	-				
Fiscal year 2020(forecast)		0.00yen	-	-	-

Note: Revision to recently disclosed dividend forecast: Yes

The amount of the dividend per share for the fiscal year ending March 31, 2021, is undecided.

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
Second quarter (cumulative)	65,000 (-17.0%)	-1,900 —	-2,300 —	-6,700 —	-277.34yen
Full Year	137,000 (-14.5%)	100 (-97.7%)	-1,000 —	-8,000 —	-331.16yen

Note: Revision to recently disclosed financial forecast: Yes

4. OTHER

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020 (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./2020:	25,098,060	Mar./2020:	25,098,060
Jun./2020:	940,303	Mar./2020:	940,303
Apr./2020-Jun./2020	24,157,757	Apr./2019-Jun./2019	24,232,681

* 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, 2020

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

With regard to the business environment during the three months ended June 30, 2020, concerns over prolonged economic recession and market deterioration are deepening due to the ongoing global spread of the novel coronavirus (“COVID-19”) infections, with uncertain prospects for a return to normalcy. In the markets for energy-saving and environmentally friendly products, which are strategic markets for the Group, although demand is expected to expand over the long term, the current market environment remains severe. Since April 2020, the Group's forecasted demand for semi-conductor devices in particular has continued to decline, which has begun to affect the plant operating rate. 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 semi-conductor devices segment and by materializing strategic options in the power systems segment. In addition, to deal with the rapidly deteriorating market environment, 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 three months ended June 30, 2020, the large impact of deteriorating market conditions due to COVID-19 resulted in consolidated net sales of ¥31,611 million, a decrease of ¥6,196 million (16.4%) as compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥849 million (consolidated operating loss of ¥716 million for the same period in the previous year), consolidated ordinary loss of ¥845 million (consolidated ordinary loss of ¥1,072 million for the same period in the previous year), and loss attributable to owners of parent of ¥1,576 million (loss attributable to owners of parent of ¥2,133 million for the same period in the previous year), due to lower net sales.

Overview of business by segment is as follows.

Semiconductor Devices

In this segment, there has been an impact from order adjustments in the entire supply chain, linked to global production declines in the automobile market, and products for white goods that are compatible with energy-saving inverter air conditioners, for which sales had been favorable, have entered a temporary adjustment phase. As a result, consolidated net sales for this segment were ¥28,067 million, a significant decrease of ¥5,488 million (16.4%) as compared to the same period in the previous fiscal year. For income, consolidated operating profit was ¥126 million, a decrease of ¥320 million (71.7%) as compared to the same period in the previous fiscal year, despite cost reductions and other urgent measures to combat the worsening profit due to the drop in sales and the lower plant operating rate caused by the rapid deterioration of the market environment.

Power Systems

In this segment, with regard to social system products, the Company maintained sales at the same level as that in the same period of the previous fiscal year due to stable sales of power supply products for telecommunications base stations and for the public-sector on the back of the Fundamental Plan for National Resilience. However, as the Company steadily 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 were ¥3,543 million, a decrease of ¥707 million (16.7%) as compared to the same period in the previous fiscal year. For income, we recorded consolidated operating loss of ¥198 million (consolidated operating loss of ¥402 million for the same period in the previous year).

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

Assets as of the end of the three months ended June 30, 2020 were ¥196,205 million, an increase of ¥2,181 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥4,866 million, inventories of ¥5,097 million, and a decrease notes and accounts receivable-trade of ¥7,554 million.

Liabilities were ¥126,545 million, an increase of ¥4,297 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in long-term borrowings papers of ¥22,781 million, and a decrease in bonds payable of ¥15,000 million, short-term borrowings including current portion of long-term borrowings of ¥3,033million.

Net Assets were ¥69,660 million, a decrease of ¥2,115 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings of ¥1,942 million.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

In the second quarter of FY2020, sales are as expected, but operating income is expected to fall below the forecast due to delays in the recovery of automotive products. In addition, extraordinary loss (approximately ¥1 billion) associated with the dissolution of a subsidiary announced in the Notice on the Occurrence of Special Losses Due to the Dissolution of a Subsidiary, on July 9, 2020 is expected to be recorded in the second quarter of the current fiscal year. Furthermore, As stated in “Notice Concerning the Occurrence of Extraordinary Loss Accompanying the Transfer of Shares of Subsidiary Companies, Revision of Earnings Forecast and Revision of Dividends Forecast” published today, the Group has decided to transfer business related to social systems products from the power systems segment to a subsidiary through an absorption-type company split, as a way to achieve strategic options in that segment, and then to sell shares in that subsidiary. As a result, we expect to record an extraordinary loss of approximately ¥1,900 million in the second quarter of the year ending March 31, 2021, and will accordingly revise the previously announced business results forecast for the second quarter.

In addition, although the extent to which the spread of COVID-19 infections will impact economic activities and final demand around the world is still uncertain, we will announce a business results forecast for the full year, based on currently available forecasts of markets and demand. The assumptions in the full year forecast are global production of approximately 65 million automobiles in the automobiles market, and movement toward a recovery in the second half of the fiscal year in demand for our products in the white goods market due to the conversion of room air conditioners to inverters, centering on the Chinese market, despite an impact from trends in demand for finished products.

Revision of the Forecasted Business Results for the Six months ending September 30, 2020

(From April 1, 2020 to September 30, 2020)

	Net Sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous forecast (A) (Announced on May 15, 2020)	(millions of yen) 66,000	(millions of yen) -1,300	(millions of yen) -2,000	(millions of yen) -3,300	(yen) -136.42
Revised forecast (B)	65,000	-1,900	-2,300	-6,700	-277.34
Change (B-A)	-1,000	-600	-300	-3,400	-
Ratio of change (%)	-1.5%	-	-	-	-
<Reference> Results of the six months ended September 30, 2019	78,289	291	-693	-4,222	-174.33

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 May 15, 2020)	(millions of yen) -	(millions of yen) -	(millions of yen) -	(millions of yen) -	(yen) -
Forecast (B)	137,000	100	-1,000	-8,000	-331.16
Change (B-A)	-	-	-	-	-
Ratio of change (%)	-	-	-	-	-
<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	June 30 2020
ASSETS		
Current assets		
Cash and deposits	40,779	45,646
Notes and accounts receivable - trade	31,888	24,334
Merchandise and finished goods	14,422	16,729
Work in process	21,231	23,682
Raw materials and supplies	5,425	5,764
Other	3,741	3,908
Allowance for doubtful accounts	-114	-114
Total current assets	<u>117,375</u>	<u>119,951</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,383	20,096
Machinery, equipment and vehicles, net	31,577	32,070
Tools, furniture and fixtures, net	1,788	1,678
Land	5,699	5,735
Leased assets, net	74	74
Construction in progress	6,538	5,929
Total property, plant and equipment	<u>66,062</u>	<u>65,584</u>
Intangible assets		
Software	2,483	2,385
Other	2,244	2,244
Total intangible assets	<u>4,728</u>	<u>4,630</u>
Investments and other assets		
Investment securities	892	913
Deferred tax assets	1,704	1,795
Other	3,262	3,332
Allowance for doubtful accounts	-2	-2
Total investments and other assets	<u>5,858</u>	<u>6,039</u>
Total non-current assets	<u>76,649</u>	<u>76,254</u>
Total assets	<u><u>194,024</u></u>	<u><u>196,205</u></u>

	March 31 2020	June 30 2020
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,774	16,709
Short-term borrowings	27,619	29,583
Current portion of long-term borrowings	10,133	5,135
Current portion of bonds payable	15,000	—
Commercial papers	10,000	10,000
Lease obligations	44	51
Accrued expenses	10,254	10,682
Income taxes payable	659	711
Provision for performance-linked directors' compensations	16	20
Provision for business structure reform	615	604
Other	1,233	1,565
Total current liabilities	<u>93,351</u>	<u>75,063</u>
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	1,643	24,425
Lease obligations	40	32
Deferred tax liabilities	975	1,060
Provision for share-based compensation	8	28
Provision for retirement benefits for directors (and other officers)	39	40
Provision for business structure reform	1,351	1,351
Retirement benefit liability	3,402	3,306
Other	1,435	1,236
Total non-current liabilities	<u>28,896</u>	<u>51,481</u>
Total liabilities	<u>122,248</u>	<u>126,545</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	24,465	24,331
Retained earnings	13,915	11,972
Treasury shares	-4,159	-4,159
Total shareholders' equity	<u>55,118</u>	<u>53,042</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-75	-87
Foreign currency translation adjustment	-477	-892
Remeasurements of defined benefit plans	-4,723	-4,472
Total accumulated other comprehensive income	<u>-5,275</u>	<u>-5,451</u>
Non-controlling interests	<u>21,933</u>	<u>22,069</u>
Total net assets	<u>71,776</u>	<u>69,660</u>
Total liabilities and net assets	<u><u>194,024</u></u>	<u><u>196,205</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, 2019	Three months ended Jun.30, 2020
Net sales	37,807	31,611
Cost of sales	29,655	24,079
Gross profit	8,151	7,532
Selling, general and administrative expenses	8,868	8,381
Operating profit	-716	-849
Non-operating income		
Interest income	59	27
Dividend income	14	14
Foreign exchange gains	-	74
Gain on sales of scraps	11	70
Miscellaneous income	47	79
Total non-operating income	132	266
Non-operating expenses		
Interest expenses	139	156
Foreign exchange losses	230	-
Miscellaneous loss	118	105
Total non-operating expenses	488	261
Ordinary loss	-1,072	-845
Extraordinary income		
Gain on abolishment of retirement benefit plan	-	4
Total extraordinary income	-	4
Extraordinary losses		
Loss on disposal of non-current assets	145	0
Extra retirement payments	-	304
Loss on termination of retirement benefit plan	-	85
Total extraordinary losses	145	390
Profit before income taxes	-1,217	-1,231
Income taxes	327	135
Income taxes for prior periods	581	-
Loss	-2,126	-1,367
Profit attributable to non-controlling interests	6	209
Loss attributable to owners of parent	-2,133	-1,576

Millions of yen

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Three months ended Jun.30, 2019	Three months ended Jun.30, 2020
Profit	-2,126	-1,367
Other comprehensive income		
Valuation difference on available-for-sale securities	-50	-12
Foreign currency translation adjustment	-1,514	-477
Remeasurements of defined benefit plans, net of tax	205	242
Total other comprehensive income	<u>-1,359</u>	<u>-247</u>
Comprehensive income	<u><u>-3,485</u></u>	<u><u>-1,614</u></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-2,911	-1,752
Comprehensive income attributable to non-controlling interests	-574	137

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

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

THREE MONTHS ENDED JUNE 30, 2020

Millions of yen

	Reporting Segment		Total	Adjustment	Amount stated in QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	Power Systems			
Sales					
(1) Sales for customer	28,067	3,543	31,611	—	31,611
(2) Intersegment Sales or Transfer	63	76	140	-140	—
Total	28,131	3,620	31,751	-140	31,611
Income (loss) by segment	126	-198	-71	-778	-849