

FY 2021 FIRST QUARTER CONSOLIDATED FINANCIAL RESULTS

(April 1, 2021 to June 30, 2021)

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1. FINANCIAL RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2021

(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.30,2021	44,314 (40.2%)	3,220 (-)	3,100 (-)	846 (-)
Three months ended Jun.30,2020	31,611 (-16.4%)	-849 (-)	-845 (-)	-1,576 (-)

Note1: Comprehensive income: 2,582 million yen (-%) for three months ended June 30, 2021 / -1,614 million yen (-%) for three months ended June 30, 2020

	Net income per share (yen)	Diluted net income per share (yen)
Three months ended Jun.30,2021	35.06	34.53
Three months ended Jun.30,2020	-65.26	-

Note 2: Diluted net income per share for three months ended Jun. 30, 2020 is not presented because of the current net loss.

Note 3: "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan No. 29, March 31, 2020) has been applied from the beginning of the three months ended June 30, 2021. The figures for the first quarter of the fiscal year ending March 31, 2022 are the figures after applying the relevant accounting standards.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2021	231,586	116,156	36.7%
As of March 31, 2021	233,673	113,250	35.8%

Reference: Shareholders' equity: 85,093 million yen as of June 30, 2021 / 83,575 million yen as of March 31, 2021

Note: "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan No. 29, March 31, 2020) has been applied from the beginning of the three months ended June 30, 2021. The figures for the first quarter of the fiscal year ending March 31, 2022 are the figures after applying the relevant accounting standards.

2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2020	-	0.00yen	-	0.00yen	0.00yen
Fiscal year 2021	-				
Fiscal year 2021(forecast)		15.00yen	-	15.00yen	30.00yen

Note: Revision to recently disclosed dividend forecast: No

3. FISCAL YEAR 2021 CONSOLIDATED FINANCIAL FORECAST (April 1, 2021 to March 31, 2022)

(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)	80,800 (18.6%)	5,900 —	5,400 —	800 —	33.14yen
Full Year	156,000 (-0.5%)	11,500 —	10,500 —	2,500 —	103.55yen

Note: Revision to recently disclosed financial forecast: No

4. OTHER

- (1) Changes in significant subsidiaries during the three months ended June 30, 2021 (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. : Yes
 - 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./2021:	25,098,060	Mar./2021:	25,098,060
Jun./2021:	965,448	Mar./2021:	967,129
Apr./2021-Jun./2021	24,130,937	Apr./2020-Jun./2020	24,157,757

* 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, 2021

(1) DESCRIPTION OF CONSOLIDATED OPERATING RESULTS

With regard to the business environment during the three months ended June 30, 2021, the economy showed a steady recovery from the novel coronavirus (“COVID-19”) with the on-going economic recovery in China, an increase in personal consumption and capital investment in the U.S., and a continuation of the brisk activity in the global semiconductor market.

Amid this environment, the Group started the Medium-Term Management Plan 2021 on April 1, 2021. The plan has been integrated with the Medium-Term Management Plan 2018, with the goal being to “Realize a recovery of the Sanken Core*” and “Further growth of Allegro MicroSystems, Inc. (“AMI”)” over the six-year period. During the three months ended June 30, 2021 in the first year of the Medium-Term Management Plan 2021, as well as completing the transfer of the infrastructure business, which had been promoted as structural reform since the Medium-Term Management Plan 2018, we also promoted the concentration of management resources on Sanken Core. Further, we have accelerated development reforms pivoting on the Production Development Center that began operations in May, and have focused our efforts on development activities aimed at increasing the share of new products at Sanken Core. Accordingly, in order to realize our growth strategy, on April 1, we carried out reorganization for portfolio rebuilding and organizational frameworks to realize growth and profitability while also focusing on bolstering our financial standing.

(*Sanken Core: Refers to Sanken’s semiconductor business excluding AMI.)

With regard to the market environment during the three months ended June 30, 2021, sales of products for white goods, such as air conditioners and washing machines, have been favorable due to an increase in the use of inverters in these goods. Also, the rapid recovery of the automotive market, which has continued over from the latter half of the previous fiscal year, the expansion of environmentally- friendly efforts represented by the shift to electric vehicles, as well as the promotion of digital transformation have all increased demand for semiconductors. Further, there has been a steady increase in sales of products for the production machinery market, which saw an increase of capital investment, and products for the consumer product market, such as audiovisual equipment, reflecting consumption at home. As a result of these factors, sales increased significantly as compared to the same period in the previous year, which was greatly impacted by the effects of COVID-19, with consolidated net sales of ¥44,314 million, up ¥12,703 million (40.2%). For income, accompanying the increase in net sales, we recorded consolidated operating profit of ¥3,220 million (consolidated operating loss of ¥849 million in the previous year), consolidated ordinary profit of ¥3,100 million (consolidated ordinary loss of ¥845 million in the previous year), and consolidated profit attributable to owners of parent of ¥846 million (consolidated loss attributable to owners of parent of ¥1,576 million in the previous year).

From the first quarter of the current fiscal year, unit products included in the power systems segment have been transferred to the semiconductor devices segment. Further, as mentioned above, the transfer of the infrastructure business in the power systems segment was completed in the first quarter of the current fiscal year. As a result, the importance of segments other than the semiconductor devices segment have declined, and accordingly there shall no longer be descriptions by business segment from this fiscal quarter and onward.

Net sales by market, region and product are as follows.

• Sales by market (Millions of yen)

	Automotive	White Goods	Industrial machinery, consumer goods, others	Total
Sales	21,978	13,338	8,998	44,314

• Sales by region (Millions of yen)

	Japan	Asia	North America	Europe	Total
Sales	12,543	22,837	4,840	4,092	44,314

• Sales by product (Millions of yen)

	Power module	Power device	Sensor	Others	Total
Sales	10,928	19,298	13,213	875	44,314

(2) DESCRIPTION OF CONSOLIDATED FINANCIAL POSITION

Assets as of the end of the three months ended June 30, 2021 were ¥231,586 million, a decrease of ¥2,087 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥4,688 million, and a decrease inventories of ¥3,086 million notes and accounts receivable-trade of ¥4,853 million.

Liabilities were ¥115,429 million, a decrease of ¥4,993 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in Notes and accounts payable-trade of ¥2,622 million, accounts payable of ¥1,945 million, provision for loss on transfer of business of ¥1,339 million.

Net Assets were ¥116,156 million, an increase of ¥2,905 million from the end of the previous consolidated fiscal year. This was mainly due to an increase retained earnings of ¥641 million, non-controlling interests of ¥1,388 million.

(3) DESCRIPTION OF CONSOLIDATED FINANCIAL FORECAST, etc.

There have been no changes to the figures in the consolidated financial forecast for the year ending March 31, 2022 that we announced on May 11, 2021.

2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

(1) QUARTERLY CONSOLIDATED BALANCE SHEETS

Millions of yen

	March 31 2021	June 30 2021
ASSETS		
Current assets		
Cash and deposits	60,990	65,678
Notes and accounts receivable - trade	36,962	32,108
Merchandise and finished goods	15,864	14,278
Work in process	19,782	18,659
Raw materials and supplies	5,592	5,215
Other	9,027	6,922
Allowance for doubtful accounts	-46	-91
Total current assets	<u>148,173</u>	<u>142,772</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,635	26,947
Machinery, equipment and vehicles, net	30,328	31,065
Tools, furniture and fixtures, net	1,317	1,265
Land	5,812	5,805
Leased assets, net	47	1,968
Construction in progress	9,425	3,876
Total property, plant and equipment	<u>67,566</u>	<u>70,928</u>
Intangible assets		
Software	2,065	1,960
Goodwill	1,959	1,906
Other	4,116	4,104
Total intangible assets	<u>8,141</u>	<u>7,971</u>
Investments and other assets		
Investment securities	990	931
Deferred tax assets	3,484	2,661
Retirement benefit asset	1,776	1,509
Other	3,617	4,886
Allowance for doubtful accounts	-76	-76
Total investments and other assets	<u>9,792</u>	<u>9,913</u>
Total non-current assets	<u>85,500</u>	<u>88,813</u>
Total assets	<u><u>233,673</u></u>	<u><u>231,586</u></u>

	March 31 2021	June 30 2021
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,870	18,247
Short-term borrowings	12,357	12,348
Current portion of long-term borrowings	646	646
Current portion of bonds payable	15,000	15,000
Commercial papers	4,000	4,000
Lease obligations	31	410
Accrued expenses	12,615	12,338
Income taxes payable	2,151	795
Provision for performance-linked directors' compensations	72	29
Provision for loss on transfer of business	1,339	—
Provision for business structure reform	2,414	2,170
Other	5,128	4,562
Total current liabilities	76,627	70,550
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	33,329	33,099
Lease obligations	23	1,592
Deferred tax liabilities	1,018	1,100
Provision for share-based compensation	43	53
Provision for retirement benefits for directors (and other officers)	41	25
Retirement benefit liability	2,632	2,594
Other	1,706	1,413
Total non-current liabilities	43,795	44,879
Total liabilities	120,422	115,429
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	60,882	61,412
Retained earnings	6,599	7,240
Treasury shares	-4,226	-4,223
Total shareholders' equity	84,153	85,325
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	12
Foreign currency translation adjustment	1,332	1,410
Remeasurements of defined benefit plans	-1,955	-1,655
Total accumulated other comprehensive income	-577	-232
Non-controlling interests	29,674	31,062
Total net assets	113,250	116,156
Total liabilities and net assets	233,673	231,586

**(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, 2020	Three months ended Jun.30, 2021
Net sales	31,611	44,314
Cost of sales	24,079	31,296
Gross profit	7,532	13,017
Selling, general and administrative expenses	8,381	9,796
Operating profit	-849	3,220
Non-operating income		
Interest income	27	17
Dividend income	14	14
Foreign exchange gains	74	13
Gain on sales of scraps	70	12
Miscellaneous income	79	107
Total non-operating income	266	164
Non-operating expenses		
Interest expenses	156	145
Miscellaneous loss	105	139
Total non-operating expenses	261	285
Ordinary loss	-845	3,100
Extraordinary income		
Gain on sale of non-current assets	4	92
Gain on sale of investment securities	—	2
Total extraordinary income	4	94
Extraordinary losses		
Loss on disposal of non-current assets	0	3
Environmental expenses	—	78
Extra retirement payments	304	—
Loss on termination of retirement benefit plan	85	—
Loss on liquidation of subsidiaries and associates	—	63
Loss on sale of shares of subsidiaries and associates	—	30
Total extraordinary losses	390	177
Profit (loss) before income taxes	-1,231	3,016
Income taxes	135	746
Profit (loss)	-1,367	2,270
Profit attributable to non-controlling interests	209	1,424
Profit (loss) attributable to owners of parent	-1,576	846

Millions of yen

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Three months ended Jun.30, 2020	Three months ended Jun.30, 2021
Profit	-1,367	2,270
Other comprehensive income		
Valuation difference on available-for-sale securities	-12	-34
Foreign currency translation adjustment	-477	45
Remeasurements of defined benefit plans, net of tax	242	301
Total other comprehensive income	-247	312
Comprehensive income	-1,614	2,582
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-1,752	1,190
Comprehensive income attributable to non-controlling interests	137	1,391