FY 2015 CONSOLIDATED FINANCIAL RESULTS

(April 1, 2015 to March 31, 2016)

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1. FINANCIAL RESULTS FOR THE FISCAL YEAR 2015 (April 1, 2015 to March 31, 2016)

(1) Consolidated Results of Operations

	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Profit attributable to owners of parent (millions of yen)	
Fiscal Year 2015	155,919	(-3.0%)	6,803	(-39.3%)	3,791	(-63.3%)	171	(-97.8%)
Fiscal Year 2014	160,724	(11.3%)	11,199	(44.0%)	10,334	(36.4%)	7,942	(57 9%)

Note1: Comprehensive income: FY 2015: -8,196 million yen (－ %) FY 2014: 14,837 million yen (68 3%)

Note2: Indication of percentages shows the ratio of increase or decrease from the previous fiscal year

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
Fiscal Year 2015	1.41yen	－	0.3%	2.0%	4.4%
Fiscal Year 2014	65.50yen	－	14.3%	5.8%	7.0%

Reference: Equity in net income/loss non-consolidated subsidiaries and/or affiliates: FY 2015: －yen FY 2014: －yen

(2) Consolidated Financial Position (Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal Year 2015	184,711	53,959	29.0%	441.96 yen
Fiscal Year 2014	193,267	63,021	32.4%	516.22 yen

Reference: Shareholders' equity: Mar /2016: 53,572 million yen Mar /2015: 62,584 million yen

(3) Consolidated Results of Cash Flows (Millions of yen)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) Investing activities	Net cash provided by (used in) financing activities	Balance of cash and cash equivalents at the end of year
Fiscal Year 2015	7,799	(11,344)	5,044	17,646
Fiscal Year 2014	9,973	(14,234)	5,692	17,225

2. DIVIDEND INFORMATION

	Dividend per share					Total amount of annual dividend (millions of yen)	Dividend payout ratio (consolidated)	Dividend to total net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual			
Fiscal year 2014	－	3 00yen	－	3 50yen	6 50yen	788	9 9%	1 4%
Fiscal year 2015	－	3 50yen	－	0 00yen	3 50yen	424	247 4%	0 7%
Fiscal year 2016(forecast)	－	0 00yen	－	－	－		－	

3. FISCAL YEAR 2016 CONSOLIDATED FINANCIAL FORECAST (April 1, 2016 to March 31, 2017)

(Millions of Yen)

	Net sales (percentage change from the previous year)		Operating income (percentage change from the previous year)		Ordinary income (percentage change from the previous year)		Profit attributable to owners of parent (percentage change from the previous year		Net income per share
Second quarter (cummulative)	74,000	(-4 3%)	1,800	(-38 7%)	1,000	(-34 5%)	-400	－	-3 30yen
Full Year	156,000	(0 1%)	7,000	(2 9%)	5,500	(45 0%)	2,500	－	20.62yen

4. OTHER

(1) Changes in significant subsidiaries during the fiscal year (changes in particular subsidiaries accompanying the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, restatement of revisions

- Changes in accounting policies according to revision of accounting standards, etc : Yes
- Changes in accounting policies due to reasons other than above : Yes
- Changes in accounting estimates : No
- Restatement of revisions : No

(3) Number of shares outstanding (common share)

- Number of shares outstanding at the end of the period (including treasury stock)	Mar./2016:	125,490,302	Mar./2015:	125,490,302
- Number of treasury stocks at the end of the period	Mar./2016:	4,275,417	Mar./2015:	4,253,173
- Average number of shares outstanding during the fiscal year	Mar./2016:	121,225,653	Mar./2015:	121,252,941

(Reference) SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

1. NON-CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR 2015 (April 1, 2015 to March 31, 2016)

(1) Non-consolidated Results of Operations

	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Net income (millions of yen)	
Fiscal Year 2015	99,241	(-7 3%)	-344	−	-1,043	−	-1,178	−
Fiscal Year 2014	107,096	(9.3%)	461	(-45.5%)	1,514	(1.2%)	2,652	−

Note: Indication of percentages shows the ratio of increase or decrease from the previous fiscal year

	Net income per share	Diluted net income per share
Fiscal Year 2015	-9.72yen	−
Fiscal Year 2014	21.87yen	−

(2) Non-consolidated Financial Position (Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal Year 2015	137,134	27,447	20.0%	226.44yen
Fiscal Year 2014	135,650	29,608	21.8%	244.22yen

Reference: Shareholders' equity: Mar /2016: 27,447 million yen Mar /2015: 29,608 million yen

* The above description about future matters including financial forecast is based upon information available as of the present time and assumptions we considered valid Due to various factors, our actual performance could greatly differ from the forcast For assumptions and notes regarding the forcasts, refer to "Qualitative Information concerning the Forecast of Consolidated Business Results "

1. OPERATING RESULTS

(1) ANALYSIS OF OPERATING RESULTS

1) OVERVIEW OF THE CURRENT PERIOD

GENERAL REVIEW

The global economy remained on a moderate recovery trend as a whole during the first half of the current consolidated fiscal year. The US economy continued to expand on the back of increased job opportunities and favorable personal consumption associated therewith; the European economy also gradually recovered as personal consumption continuously improved; the Chinese economy progressed favorably thanks to a steady increase in consumption in spite of the growing trend of economic slowdown. A host of concerns developed, however, from the second half of the current consolidated fiscal year onward, such as the advancing trend of overall economic slowdown in emerging countries and resource-rich countries resulting mainly from the effects of declining crude oil prices, and the further rising of geopolitical risks in Europe and the Middle East such as terrorist acts and the refugee issue. The Japanese economy lacked strength due to sluggish consumer sentiment although the employment trend held steady. In the electronics market the Company mainly services with its products, sales of electronic parts for automotive products remained firm mainly as a consequence of increased sales, etc. of automobiles in North America and Europe, while sales in markets for office equipment and industrial machinery slumped. Sales in the white goods market were also sluggish, mainly due to the stagnant Chinese economy and inventory adjustments for air conditioners, etc.

Under these circumstances we set out a basic policy stressing “Increase sales in strategic market” and “Generate cash flows by achieving optimal manufacturing.” We strove to increase sales by entering into growing markets with reinforced sales initiatives and developing new products in a timely manner, worked toward optimal and efficient production by taking advantage of the new Sanken ERP system launched in the current consolidated fiscal year, and focused on financial improvements by curtailing fixed costs.

For the business results of the consolidated fiscal year, consolidated net sales were ¥155,919 million, a decrease of ¥4,804 million (3.0%) compared to the previous fiscal year. These results were a consequence of lower sales levels in the semiconductor devices segment versus the previous fiscal year mainly due to the sluggish Chinese market, as well as a sales decline in the power systems segment on the impact of contracted capital investments for mobile phone base-stations. For income, the amounts were considerably decreased. The declines in income were attributable to decreased income linked to decreased net sales, lower factory utilization ratios at subsidiaries linked to inventory reductions, decreased income associated with the defective processing of wafers due to contaminated chemicals purchased, disposal costs for defective wafers, and the posting of extraordinary losses arising from various structural reforms in the Group. As a result, we recorded consolidated operating income of ¥6,803 million, a decrease of ¥4,396 million (39.3%) compared to the previous fiscal year, consolidated ordinary income of ¥3,791 million, a decrease of ¥6,542 million (63.3%), and net income attributable to owners of the parent company of ¥171 million, a decrease of ¥7,770 million (97.8%) compared to the previous fiscal year.

OVERVIEW OF THE BUSINESS BY SEGMENTS

Semiconductor Devices

In this segment, sales of automotive products increased, as compared to the previous year, partly due to the effect of an additional amount in sales boosted by the weaker yen. However, sales of products for white goods such as air conditioners, products for office equipment, industrial machinery and TVs and audio products decreased. As a result, consolidated net sales for this segment were ¥125,117 million, a decrease of ¥1,431 million (1.1%) as compared to the previous fiscal year. For income, consolidated operating income was ¥9,247 million, including ¥700 million derived from the effect of the weaker yen, a decrease of ¥3,489 million (27.4%) as compared to the previous fiscal year. These results were attributable to factors such as sluggish sales, decreased income stemming from the contamination of chemicals purchased, and the increase in expenses related to the new Sanken ERP system and the Allegro Plant in Thailand.

Power Modules

In this segment, sales of products for printers for offices decreased, sales of industrial machinery mostly stayed unchanged from the previous year, while sales of adapters mainly for TVs expanded. As a result, consolidated net sales for this segment were ¥15,922 million, an increase of ¥367 million (2.4%) as compared to the previous fiscal year. For income, we have redoubled our emphasis on strategically focused markets mainly by increasing sales in automotive and industrial machinery markets and have promoted structural reforms in business such as reduced production costs. These efforts, however, were insufficient to compensate for deteriorating cost rate linked to the increased number of unprofitable products and the overall drops in sales prices. As a result, we were forced to record consolidated operating loss of ¥973 million (a consolidated operating loss of ¥594 million in the previous fiscal year).

Power Systems

Sales in this segment remained sluggish, chiefly due to decreased sales of the power-supply units for telecommunication facilities associated with contracted corporate investments mainly for mobile phone stations, while sales in the new energy sector on which we focus as a growing market increased. As a result, consolidated net sales were ¥14,879 million, a decrease of ¥3,739 million (20.1%) as compared to the previous fiscal year. For income, consolidated operating income was ¥973 million, a decrease of ¥353 million (26.6%) as compared to the previous fiscal year.

2) FORECAST OF THE NEXT TERM

We expect that the global economy will progress on a gradually expansionary trend throughout the next fiscal year in spite of lingering uncertainties. In the markets the Company mainly services with its products, stable demand chiefly for products for automotive products and white goods is expected to continue. Under these circumstances, the Company will make concerted efforts to achieve goals towards improvements in performance and enhancement of our financial conditions in accordance with the "2015 Mid-term Business Plan." For the consolidated business results of fiscal 2016, we expect net sales of ¥156,000 million, operating income of ¥7,000 million, ordinary income of ¥5,500 million, and net income attributable to owners of the parent company of ¥2,500 million. These figures are based on an exchange rate of 1US$=¥105 for the fiscal year ending March 31, 2017.

(Note)

The forecast described above is based upon information available as of the present time and assumptions we considered valid. Please be advised that there is a host of uncertain factors that could greatly impact actual performance, including global economic trends, the introduction of new products and their acceptance or lack thereof, and the impact of fair-market-value accounting.

(2) ANALYSIS OF FINANCIAL CONDITIONS

1) STATUS OF ASSETS, LIABILITIES AND NET ASSETS

Assets as of the end of the current consolidated fiscal year were ¥184,711 million, a decrease of ¥8,555 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in notes and accounts receivable-trade of ¥3,489 million, raw materials and supplies of ¥2,746 million, and property, plant and equipment of ¥3,780 million.

Liabilities were ¥130,751 million, an increase of ¥506 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in current portion of bonds of ¥21,800 million, bonds payable of ¥4,100 million, long-term loans payable of ¥5,000 million, and a decrease in notes and accounts payable-trade of ¥4,789 million, short-term loans payable of ¥5,935 million, and commercial papers of ¥18,500 million.

Net assets were ¥53,959 million, a decrease of ¥9,061 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in foreign currency translation adjustment of ¥4,089 million and remeasurements of defined benefit plans of ¥4,109 million.

2) STATUS OF CASH FLOW

Balance of cash and cash equivalents as of the end of the current consolidated fiscal year was ¥17,646 million, an increase of ¥421 million as compared with the end of the previous consolidated fiscal year.

Net cash provided by operating activities was ¥7,799 million, a decrease of ¥2,174 million as compared with the previous year. This was mainly due to a decrease in income before income taxes, and an increase in cash outflow by a decrease in notes and accounts payable-trade.

Net cash used in investing activities was ¥11,344 million, a decrease of ¥2,889 million as compared with the previous year. This was mainly due to purchase of property, plant and equipment.

Net cash provided by financing activities was ¥5,044 million, a decrease of ¥647 million as compared with the previous year. This was mainly due to redemption of bonds and commercial papers in accordance with the issuance of bonds.

Our index trend concerning the financial conditions of the Company Group is as follows.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Equity ratio	24.3%	26.4%	29.6%	32.4%	29.0%
Equity ratio on the basis of market price	35.0%	30.7%	53.7%	52 2%	22.2%
Redemption years for liabilities	13.1 years	11.8 years	7.6 years	8.9 years	12.1 years
Interest coverage ratio	7.6 times	9.4 times	14.9 times	12.7 times	9.5 times

Equity ratio:	Equity / Total assets
Equity ratio on the basis of market price:	Total amount of market price of stocks / Total assets
Redemption years for liabilities:	Interest-bearing debts / Cash flow from operating activities
Interest coverage ratio:	Cash flow from operating activities / Interest paid

(3) PROFIT DISTRIBUTION POLICY, AND DIVIDENDS OF THIS FISCAL YEAR AND NEXT FISCAL YEAR

The management of the Company places distribution of profits to our shareholders as one of the most important corporate policies, and is committed to ensure a steady and stable stream of dividends through improvements in our profitability while securing the internal reserves necessary to develop businesses and strengthen a financial basis and an overall management foundation for the future. In the consolidated financial statements for the current fiscal year, however, net income attributable to owners of the parent company was ¥171 million, an amount significantly lower than the previous year, due to the posting of extraordinary losses resulting from various structural reforms in the Group and the disposal of defective wafers attributable to contaminated chemicals purchased. In the non-consolidated financial statements, we were forced to record a net loss of ¥1,178 million as a result of the posting of losses in association with the execution of various structural reforms in the Group. Under these circumstances, we regret to announce that the Company has decided not to pay any year-end dividend for the current fiscal year, in comprehensive consideration of the status of the individual net assets that would constitute the source of dividends, and the amount of investment necessary to improve performance in the future. We appreciate your understanding of the circumstances and ongoing trust and support.

As for the next fiscal year, the Company will make every effort to improve profitability. The Company has determined, however, that no interim dividends are to be paid, and has yet to determine whether a year-end dividend will be paid. The Company’s decisions on the dividends for the next fiscal year were reached in light of growing uncertainty about the future business environment, the status of the source of dividends, and other factors. We will promptly disclose our forecast for the year-end dividend for the next fiscal year as soon as an estimated amount for the dividend becomes available for disclosure.

(4) BUSINESS RISK, etc.

The Company has been developing business on a global scale in the electronics industry, in which technology advancement and changes in product cycles have been significant, allocating production and sales bases in Japan, and various countries in Asia, Europe and the United States. Under such circumstances, as major business risks identified by the Company, strategic risks, external environment risks, and internal environment risks can be pointed out. As strategic risks, there are such risks as success or failure in development of new products conforming to market needs, the capacity to respond to price competition, occurrence of overseas imitation goods and infringement on patent rights in relation to intellectual property rights and financing problems at the time of decreased credibility. As external environment risks, in addition to the impact of a deteriorating economic environment as a global economic trend, significant fluctuations in the exchange rate, occurrence of various disasters, including natural disasters, fires, disruption of social and communication infrastructures mainly at production bases and material suppliers. Further, it is a concern that such unexpected country risks will arise as regarding significant changes in laws and regulations and taxation systems of various countries, war and terrorism. As risks related to the internal environment, it is a concern that violations of laws and regulations, environmental problems, quality problems, fraudulent use and leakage of information in connection with expansion of information systems may occur. In the event that any one of these risks or several of them occur and result in a decrease in social credibility and stagnation of business activities or occurrence of great losses, it may adversely affect the performance and financial condition of the Company.

2. COMPANY GROUP

Our group, Sanken Electric Co., Ltd. and 33 consolidated subsidiaries, produces and sells Semiconductor Devices, Power Modules (PM), Power Systems (PS) and other related products and services associated therewith. Business lines of our group and roles of major subsidiaries are as follows.

Division	Major Products	Company Name
Semiconductor Devices	Semiconductor Devices Power IC Control IC Hall-effect IC Bipolar Transistor MOSFET IGBT Thyristor Rectifier Diode Light Emitting Diode (LED)	Sanken Electric Co., Ltd. Subsidiaries Ishikawa Sanken Co., Ltd. (Manufacturer) Yamagata Sanken Co., Ltd. (Manufacturer) Kashima Sanken Co., Ltd. (Manufacturer) Fukushima Sanken Co., Ltd. (Manufacturing and Sales) Sanken Optoproducts Co., Ltd. (Manufacturer) Dalian Sanken Electric Co., Ltd. (Manufacturer) Dalian Sanken Trade Co., Ltd. (Sales company) Sanken NorthAmerica, Inc. (Development, Manufacturing and Sales) Allegro MicroSystems, LLC. (Development, Manufacturing and Sales) Polar Semiconductor, LLC. (Manufacturer) Allegro MicroSystems Philippines, Inc. (Manufacturer) Allegro MicroSystems (Thailand) Co., Ltd. (Manufacturer) Allegro MicroSystems Europe Limited (Sales company) Allegro MicroSystems Argentina S.A. (IC design) Allegro MicroSystems Business Development, Inc. (Sales and Technical service) Allegro (Shanghai) Micro Electronics Commercial & Trading Co , Ltd (Sales company) Sanken Power Systems (UK) Limited (Sales and Technical service) Korea Sanken Co., Ltd. (Manufacturing and Sales) Sanken Electric Korea Co., Ltd. (Sales and Technical service) Sanken Electric (Shanghai) Co., Ltd. (Sales and Technical service) Sanken Electric Hong Kong Co., Ltd. (Sales and Technical service) Taiwan Sanken Electric Co., Ltd. (Sales and Technical service) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Logistics Co., Ltd. (Logistics)
PM	Power Modules Switching Mode Power Supply unit Transformer	Sanken Electric Co., Ltd. Subsidiaries Dalian Sanken Electric Co., Ltd. (Manufacturing and Sales) Dalian Sanken Trade Co., Ltd. (Sales company) Sanken Power Systems (UK) Limited (Sales company) PT. Sanken Indonesia (Manufacturing and Sales) Sanken Electric (Shanghai) Co., Ltd. (Sales company) Sanken Electric Hong Kong Co., Ltd. (Sales company) Taiwan Sanken Electric Co., Ltd. (Sales company) Sanken Electric Singapore Pte. Ltd. (Sales company) Sanken Electric (Malaysia) Sdn. Bhd. (Sales company) Sanken Logistics Co., Ltd. (Logistics)
PS	Power Systems Uninterruptible Power Supply (UPS) Inverter DC Power Supply Airway Beacon System General Purpose Power Supply	Sanken Electric Co., Ltd. Subsidiaries Sanken Optoproducts Co., Ltd. (Manufacturer) Sanken L.D. Electric (Jiangyin) Co., Ltd. (Manufacturing and Sales) Sanken Densetsu Co., Ltd. (Power supply sales and Installation work) Sanken Logistics Co., Ltd. (Logistics)
Others		Subsidiaries Sanken Business Service Co., Ltd. (Insurance agent and Business service)

3. MANAGEMENT POLICIES

(1) BASIC MANAGEMENT POLICY

The Company established its "Management Philosophy" in April 2003 in order to clarify the future direction of the Company. Extrapolating our philosophy and selecting semiconductor operations as our core business, we will continue our efforts to innovate our technical capabilities and creativity, and to extend our global business based on original technology. We will also strive to maintain a firm management foundation in order to maximize the corporate value of the Company and to become a socially and environmentally responsible corporate citizen.

(2) MANAGEMENT GOALS

The Company has established a mid-term business plan for the three-year period commencing in April 2015 (the "2015 Mid Plan"). In the plan we have set forth a long-term scenario aiming at consolidated net sales of ¥300 billion in the fiscal year ending March 31, 2024, ten years in the future. In the 2015 Mid Plan, an integral part of this long-term scenario, we will try to achieve consolidated net sales of ¥180 billion and consolidated operating income ratio of 10% in the fiscal year ending March 31, 2018, the last year of the plan.

(3) MID AND LONG-TERM MANAGEMENT STRATEGIES

"Power Electronics" has been established as a business domain in the 2015 Mid Plan to succeed to the strategy and overall spirit enunciated earlier in the 2012 Mid Plan. The Company is taking thorough measures in the Power Electronics domain to expand global markets (Expansion), evolve its development, production, sales, and human resources (Evolution), and pursue a corporate image at a higher stage (Next stage), by taking full advantage of eco-friendly and energy saving solutions (Eco-Solutions). It accordingly has selected the following as the plan slogan: "Power Electronics for Next "E" Stage." The 2015 Mid Plan set forth a long-term scenario of attaining higher status in the industry and competitive-scale operations ten years in the future and set mid-term goals to realize the scenario. The following describes the basic policy towards achieving the goal of the 2015 Mid Plan.

FUNDAMENTAL POLICY OF THE PLAN

1. Foster a Corporate Culture with Global Vision

1) Develop business strategies to expand the markets we serve globally.
2) Improve earnings capability through establishing high value-added business portfolios.
3) Materialize return on investment for all manufacturing locations and implement optimized operations.
4) Meet customer expectations through continuous improvement in automotive quality and developing a global quality management structure.
5) Enhance the global purchasing structure and implement optimized procurement solutions.
6) Develop talent and make maximum use of resources within the Sanken Group.
7) Improve talent management in Engineering, Manufacturing and Sales functions through coordinated initiatives of the Sanken Group Companies.

2. Realize a Growth Strategy Focused on the Environmentally-Friendly and Energy- Saving Market

1) Develop an aggressive business strategy to increase share of the growing environmentally-friendly and energy-saving market such as Automotive, White Goods, Motor, Industrial equipment, Communications and LED Lighting.
2) Define and apply appropriate organizational resources, and develop new products targeted for growth markets.
3) Promote business with Power Semiconductor Devices such as MOSFET, IGBT, SiC and GaN and utilize these devices to develop a new module business.
4) Maintain continuous growth of sensor business through new product development, expanding manufacturing and sales locations.
5) Increase standard product for specific markets such as industrial and communications.
6) Promote products into the new energy application and environmentally-friendly infrastructure market .
7) Differentiate Sanken Group product offerings by providing customers with total solutions.

3. Enhance New Product Development through Expanded Technical Marketing and Program Management

1) Develop new application segments and expand served markets through technical marketing activities.
2) Define and focus development themes, enhance program management.
3) Improve development efficiency by separating technology development and product development.
4) Improve return on investment and shorten development cycle time by utilizing standard packages.
5) Develop new products utilizing technology synergy of all business units.
6) Accelerate technology and product development of next generation semiconductor devices.

4. Improve Global Competitiveness by Enhancing Design, Manufacturing, Sales and FAE Functions

1) Enhance cost competiveness and improve production efficiency by realizing the combined capabilities of design, manufacturing and production technologies.

2) Utilize technologies from external partners and establish more efficient and automated manufacturing lines.

3) Enhance Business Continuity Plan (BCP) at production sites and along the supply chain.

4) Improve global sales capability through enhancing sales and FAE functions in customers' locations.

5) Develop new customers by expanding sales channels.

6) Stimulate new demand in current markets with existing devices through enhanced marketing activities.

5. Maximize the Use of Resources within the Sanken Group, and Enhance Financial Performance

1) Improve management efficiency through maximum utilization of Sanken Group resources.

2) Enrich the corporate culture through targeted employee education programs.

3) Improve the productivity of every employee.

4) Develop high value-added products through collaboration of Sanken, Allegro and Polar.

5) Maximize the Use of the new Sanken ERP system.

6) Reduce interest bearing debt by realizing return on investments in short term, and reducing inventory days.

7) Enhance Corporate Social Responsibility (CSR) activities within the Sanken Group.

(4) TASKS TO BE ADDRESSED

Looking into the future of the global economy, we expect that the US economy will remain stable thanks to rising personal consumption and stronger private-sector housing investment mainly stemming from improved employment, though uncertainty about the future US economy still persists due to the adjustment of its interest hike timing in consideration of the global economy. The economic recoveries in Europe and Japan were sluggish, while a growing mood of economic decline increased uncertainty about the future of the economy in China in spite of the introduction of the economic stimulus policies. In the markets the Company mainly services with its products, the sales volume of automobiles is expected to increase steadily in the US and Europe and the sales of white goods are projected to increase in emerging countries. Demand for the relevant electronic parts is likely to increase steadily as a result. Meanwhile, products for industrial machinery, TVs and audio products may face sluggish demand due to overall uncertainty about the expansion of the world economy.

Under these circumstances, the Company sets out a basic policy stressing "Focus on growing markets" and "Enhance financial performance" in the second year of the "2015 Mid-term Business Plan." In order to promptly settle the issues facing each business segment, the Company positions the following items as priority measures and is striving to achieve the targets set for those measures.

< Semiconductor devices business>

・Promote marketing activities, and carry out product strategy and sales strategy in the strategic markets

・Increase sales by actively launching new products and expanding sales through the horizontal development of existing products

・Release power processes and establish core assembly technologies

・Reform profit structure, curtail fixed costs, and improve productivity

・Re-establish and strengthen manufacturing capabilities through design to production

・Withdraw unprofitable products, and allocate resources to growing fields

・Promote inventory reduction activities in which all employees participate, such as the use of the new Sanken ERP system

< Power modules business and power systems business>

・Carry out product strategy and sales strategy based on the results of marketing activities

・Thoroughly promote sales in new energy markets, and expand shares in telecommunication and infrastructure markets

・Strengthen the development of strategic products, and promote collaboration between Power Modules and Power Systems

・Complete cost reduction from the stage of design by calculating costs backwards from market sales prices

・Reduce costs and significantly improve productivity through production innovations

・Consistently consolidate management, maximize the utilization of group resources, and promote inventory reduction activities in which all employees participate

・Improve profitability in low-profitability departments, and accelerate the reinforcement of growing fields

In a bid to realize these goals, we revised our organizational structure on April 1 of this year. Our aims were to (i) establish a dedicated handling department in the priority strategic fields to concentrate on core competencies via the realignment of engineers, (ii) promote inventory reduction by strengthening supply chain management and production reform, (iii) further reinforce the marketing function, effectively develop and launch new products customized to each market or region, and expand sales of existing products, and (iv) achieve the enhancement of our financial conditions by striving to expand new product fields with an emphasis on profitability and changing the composition of our product lineups.

We will strive through these measures to achieve the targets set out for the second year of the 15 Mid Plan based on a vibrant new organization as a core.

4. BASIC CONCEPT OF SELECTING ACCOUNTING STANDARD

The Company adopts Japanese accounting standard in consideration of the comparability of consolidated financial statements over different accounting periods and the comparability among the consolidated financial statements of different companies. The Company will appropriately respond to the adoption of the IFRS in consideration of various conditions in Japan and overseas.

5. CONSOLIDATED FINANCIAL STATEMENTS

(1) CONSOLIDATED BLANCE SHEETS

Millions of yen

ASSETS	March 31 2015	**March 31 2016**
Current assets		
Cash and deposits	17,443	**17,924**
Notes and accounts receivable - trade	37,489	**33,999**
Merchandise and finished goods	16,963	**17,971**
Work in process	24,351	**24,778**
Raw materials and supplies	12,585	**9,839**
Deferred tax assets	1,201	**2,095**
Other	6,168	**5,606**
Allowance for doubtful accounts	(19)	**(10)**
Total current assets	116,183	**112,204**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,325	**22,837**
Machinery, equipment and vehicles, net	26,213	**26,788**
Tools, furniture and fixtures, net	1,119	**1,105**
Land	5,263	**5,039**
Leased assets, net	2,565	**1,323**
Construction in progress	10,308	**4,921**
Total property, plant and equipment	65,795	**62,015**
Intangible assets		
Software	3,915	**3,717**
Other	2,056	**1,954**
Total intangible assets	5,971	**5,671**
Investments and other assets		
Investment securities	1,397	**1,204**
Deferred tax assets	286	**204**
Net defined benefit asset	1,022	**-**
Other	2,852	**3,656**
Allowance for doubtful accounts	(242)	**(244)**
Total investments and other assets	5,317	**4,820**
Total non-current assets	77,084	**72,507**
Total assets	193,267	**184,711**

Millions of yen

LIABILITIES AND NET ASSETS	March 31 2015	**March 31 2016**
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,909	**16,120**
Short-term loans payable	26,570	**20,635**
Current portion of bonds	4,100	**25,900**
Commercial papers	22,500	**4,000**
Lease obligations	1,233	**924**
Income taxes payable	186	**423**
Provision for directors' bonuses	30	**-**
Accrued expenses	9,896	**9,490**
Other	1,926	**2,004**
Total current liabilities	87,353	**79,499**
Non-current liabilities		
Bonds payable	25,900	**30,000**
Long-term loans payable	7,500	**12,500**
Lease obligations	1,253	**329**
Deferred tax liabilities	1,930	**2,668**
Provision for directors' retirement benefits	25	**17**
Net defined benefit liability	2,993	**4,104**
Other	3,288	**1,633**
Total non-current liabilities	42,892	**51,252**
Total liabilities	130,245	**130,751**
Net assets		
Shareholders' equity		
Capital stock	20,896	**20,896**
Capital surplus	10,301	**10,301**
Retained earnings	28,114	**27,437**
Treasury shares	(3,981)	**(3,994)**
Total shareholders' equity	55,331	**54,641**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	371	**249**
Foreign currency translation adjustment	5,778	**1,689**
Remeasurements of defined benefit plans	1,102	**(3,007)**
Total accumulated other comprehensive income	7,252	**(1,068)**
Non-controlling interests	437	**387**
Total net assets	63,021	**53,959**
Total liabilities and net assets	193,267	**184,711**

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

Millions of yen

CONSOLIDATED STATEMENTS OF INCOME	Fiscal Year 2014	**Fiscal Year 2015**
Net sales	160,724	**155,919**
Cost of sales	116,834	**115,113**
Gross profit	43,889	**40,806**
Selling, general and administrative expenses	32,689	**34,003**
Operating income	11,199	**6,803**
Non-operating income		
Interest income	12	**11**
Dividend income	39	**41**
Foreign exchange gains	251	**-**
Gain on insurance adjustment	82	**110**
Gain on sales of scraps	92	**94**
Miscellaneous income	315	**226**
Total non-operating income	794	**483**
Non-operating expenses		
Interest expenses	783	**843**
Foreign exchange losses	-	**1,058**
Compensation expense	50	**646**
Miscellaneous loss	825	**946**
Total non-operating expenses	1,659	**3,495**
Ordinary income	10,334	**3,791**
Extraordinary income		
Gain on sales of non-current assets	488	**-**
Gain on sales of investment securities	776	**-**
Total extraordinary income	1,264	**-**
Extraordinary losses		
Loss on sales of non-current assets	-	**24**
Loss on disposal of non-current assets	23	**39**
Loss on valuation of investment securities	-	**4**
Business structure reform cost	-	**621**
Loss on countermeasures againsut abnormal properties of chemicals	-	**1,032**
Total extraordinary losses	23	**1,723**
Profit before income taxes	11,575	**2,068**
Income taxes - current	2,509	**1,886**
Income taxes - deferred	1,113	**13**
Total income taxes	3,623	**1,900**
Profit	7,952	**168**
Profit attributable to non-controlling interests	10	**(3)**
Profit attributable to owners of parent	7,942	**171**

Millions of yen

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Fiscal Year 2014	**Fiscal Year 2015**
Profit	7,952	**168**
Other comprehensive income		
Valuation difference on available-for-sale securities	(90)	**(121)**
Foreign currency translation adjustment	7,433	**(4,132)**
Remeasurements of defined benefit plans, net of tax	(458)	**(4,109)**
Total other comprehensive income	6,884	**(8,364)**
Comprehensive income	14,837	**(8,196)**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,787	**(8,150)**
Comprehensive income attributable to non-controlling interests	50	**(46)**

(3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL YEAR 2014 (April 1, 2014 to March 31, 2015)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,896	11,028	20,340	(3,954)	48,310
Cumulative effects of changes in accounting policies			(158)		(158)
Restated balance	20,896	11,028	20,181	(3,954)	48,152
Changes of items during period					
Increase (decrease) from change of fiscal year of consolidated subsidiaries			(8)		(8)
Dividends of surplus - other capital surplus		(727)			(727)
Profit attributable to owners of parent			7,942		7,942
Purchase of treasury shares				(26)	(26)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(727)	7,933	(26)	7,179
Balance at end of current period	20,896	10,301	28,114	(3,981)	55,331

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	461	(1,615)	1,561	407	390	49,108
Cumulative effects of changes in accounting policies				-		(158)
Restated balance	461	(1,615)	1,561	407	390	48,950
Changes of items during period						
Increase (decrease) from change of fiscal year of consolidated subsidiaries				-		(8)
Dividends of surplus - other capital surplus				-		(727)
Profit attributable to owners of parent				-		7,942
Purchase of treasury shares				-		(26)
Disposal of treasury shares				-		0
Net changes of items other than shareholders' equity	(90)	7,394	(458)	6,845	46	6,892
Total changes of items during period	(90)	7,394	(458)	6,845	46	14,071
Balance at end of current period	371	5,778	1,102	7,252	437	63,021

FISCAL YEAR 2015 (April 1, 2015 to March 31, 2016)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,896	10,301	28,114	(3,981)	55,331
Changes of items during period					
Dividends of surplus - other capital surplus			(848)		(848)
Profit attributable to owners of parent			171		171
Purchase of treasury shares				(13)	(13)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	0	(677)	(13)	(690)
Balance at end of current period	20,896	10,301	27,437	(3,994)	54,641

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	371	5,778	1,102	7,252	437	63,021
Changes of items during period						
Dividends of surplus - other capital surplus				-		(848)
Profit attributable to owners of parent				-		171
Purchase of treasury shares				-		(13)
Disposal of treasury shares				-		0
Net changes of items other than shareholders' equity	(121)	(4,089)	(4,109)	(8,321)	(49)	(8,371)
Total changes of items during period	(121)	(4,089)	(4,109)	(8,321)	(49)	(9,061)
Balance at end of current period	249	1,689	(3,007)	(1,068)	387	53,959

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

Millions of yen

	Fiscal Year 2014	**Fiscal Year 2015**
Cash flows from operating activities		
Profit before income taxes	11,575	**2,068**
Depreciation	9,130	**11,593**
Increase (decrease) in allowance for doubtful accounts	(46)	**(6)**
Increase (decrease) in net defined benefit asset	-	**(1,326)**
Increase (decrease) in net defined benefit liability	(1,300)	**(652)**
Interest and dividend income	(52)	**(52)**
Interest expenses	783	**843**
Loss (gain) on sales of property, plant and equipment	(488)	**6**
Loss (gain) on sales of investment securities	(776)	**-**
Decrease (increase) in notes and accounts receivable - trade	(1,703)	**2,509**
Decrease (increase) in inventories	(4,685)	**(152)**
Increase (decrease) in notes and accounts payable - trade	654	**(3,880)**
Other, net	122	**481**
Subtotal	13,212	**11,431**
Interest and dividend income received	52	**47**
Interest expenses paid	(785)	**(818)**
Income taxes paid	(2,505)	**(2,860)**
Net cash provided by (used in) operating activities	9,973	**7,799**
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,801)	**(10,239)**
Proceeds from sales of property, plant and equipment	908	**172**
Purchase of intangible assets	(1,736)	**(1,042)**
Proceeds from sales of investment securities	1,476	**-**
Payments of loans receivable	(11)	**(1)**
Collection of loans receivable	6	**5**
Other, net	(77)	**(239)**
Net cash provided by (used in) investing activities	(14,234)	**(11,344)**
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	238	**(110)**
Increase (decrease) in commercial papers	7,500	**(18,500)**
Repayments of finance lease obligations	(1,293)	**(1,249)**
Proceeds from long-term loans payable	7,500	**5,000**
Repayments of long-term loans payable	(7,500)	**(5,000)**
Proceeds from issuance of bonds	-	**29,867**
Redemption of bonds	-	**(4,100)**
Proceeds from sales of treasury shares	0	**0**
Purchase of treasury shares	(26)	**(13)**
Cash dividends paid	(726)	**(849)**
Net cash provided by (used in) financing activities	5,692	**5,044**
Effect of exchange rate change on cash and cash equivalents	1,051	**(1,078)**
Net increase (decrease) in cash and cash equivalents	2,482	**421**
Cash and cash equivalents at beginning of period	14,820	**17,225**
Increase (decrease) in cash and cash equivalents resulting from changes of accounting period of subsidiaries	(77)	**-**
Cash and cash equivalents at end of period	17,225	**17,646**

6. SEGMENT INFORMATION

FISCAL YEAR 2014 (April 1, 2014 to March 31, 2015)

Millions of yen

	Reporting Segment			Total	Adjustment	Amount stated in CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	PM	PS			
Sales						
(1) Sales to customer	126,549	15,555	18,619	160,724	—	160,724
(2) Intersegment Sales or Transfer	1,041	598	1	1,641	(1,641)	—
Total	127,590	16,153	18,621	162,365	(1,641)	160,724
Operating income (loss) by segment	12,737	(594)	1,326	13,469	(2,270)	11,199
Assets	145,168	19,077	12,891	177,136	16,131	193,267
Other						
Depreciation	8,722	69	118	8,910	329	9,239
Impairment loss	—	181	—	181	—	181
Increase in property, plant, equipment and intangible assets	15,040	417	267	15,725	1,738	17,463

FISCAL YEAR 2015 (April 1, 2015 to March 31, 2016)

Millions of yen

	Reporting Segment			Total	Adjustment	Amount stated in CONSOLIDATED STATEMENTS OF INCOME
	Semiconductor Devices	PM	PS			
Sales						
(1) Sales to customer	125,117	15,922	14,879	155,919	—	155,919
(2) Intersegment Sales or Transfer	725	495	0	1,220	(1,220)	—
Total	125,842	16,417	14,880	157,140	(1,220)	155,919
Operating income (loss) by segment	9,247	(973)	973	9,247	(2,444)	6,803
Assets	140,645	16,194	11,902	168,742	15,969	184,711
Other						
Depreciation	10,676	111	144	10,932	660	11,593
Impairment loss	—	107	—	107	—	107
Increase in property, plant, equipment and intangible assets	10,070	269	176	10,515	306	10,821