

# FY 2013 THIRD QUARTER (CUMULATIVE) CONSOLIDATED FINANCIAL RESULTS

(April 1, 2013 to December 31, 2013)

1. Company Name : SANKEN ELECTRIC CO., LTD.  
 2. Code NO : 6707  
 3. Headquarters : 3-6-3 Kitano, Niiza-shi, Saitama 352-8666, Japan  
 4. URL : <http://www.sanken-ele.co.jp/>  
 5. Contact : Investor Relations Office  
 Tel. 81-48-487-6121

## 1. FINANCIAL RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

### (1) Consolidated Results of Operations

	Net sales (millions of yen)	Operating income (millions of yen)	Ordinary income (millions of yen)	Net income (millions of yen)
Nine months ended Dec.31,2013	103,726 (14.2%)	4,003 (90.7%)	3,502 (122.5%)	3,720 (—%)
Nine months ended Dec.31,2012	90,856 (-6.9%)	2,098 (18.1%)	1,574 (141.0%)	318 (—%)

Note1: Comprehensive income: 8,396 million yen (342.5%) for the year ended Dec.31, 2013 / 1,897 million yen (—%) for the year ended Dec.31, 2012

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

	Net income per share (yen)	Diluted net income per share (yen)
Nine months ended Dec.31,2013	30.68	—
Nine months ended Dec.31,2012	2.62	—

### (2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2013	163,838	47,161	28.6%
As of March 31, 2013	148,517	39,436	26.4%

<Reference> Shareholders' equity: 46,835 million yen as of Dec.31, 2013 / 39,174 million yen as of Mar.31, 2013

## 2. DIVIDEND INFORMATION

	Dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal-year-end	Annual
Fiscal year 2012	—	3.00yen	—	3.00yen	6.00yen
Fiscal year 2013	—	3.00yen	—		
Fiscal year 2013(forecast)				3.00yen	6.00yen

Note1: Revision to recently disclosed dividend forecast: No

## 3. FISCAL YEAR 2013 CONSOLIDATED FINANCIAL FORECAST (April 1, 2013 to March 31, 2014)

(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)	Net income (percentage change from the previous year)	Net income per share
Full Year	146,200 (15.7%)	8,600 (85.9%)	7,200 (77.9%)	6,700 (194.8%)	55.23yen

Note: Revision to recently disclosed financial forecast: No

#### 4. OTHER

(1) Changes in significant subsidiaries during the nine months ended December 31, 2013 (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./2013:	125,490,302	Mar./2013:	125,490,302
Dec./2013:	4,213,575	Mar./2013:	4,177,195
Apr./2013-Dec./2013	121,301,081	Apr./2012-Dec./2012	121,326,007

\* 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 forecast. For assumptions and notes regarding the forecasts, refer to "Qualitative Information concerning the Forecast of Consolidated Business Results".

# **1. QUALITATIVE INFORMATION ABOUT CONSOLIDATED BUSINESS RESULTS** **FOR THE NINE MONTHS ENDED DECEMBER 31, 2013**

## **(1) QUALITATIVE INFORMATION ABOUT CONSOLIDATED OPERATING RESULTS**

In the electronics industry for the nine months ended December 31, 2013, demand remained on a moderate recovery trend as a whole. The US economy remained on a trend toward improvement against a backdrop of higher personal consumption and employment circumstances, China sustained its economic growth at a slowing pace, and the European economy showed signs of recovery after its long period of sluggishness. Under these circumstances, the Company group targets the “environmentally-friendly and energy saving” and “green energy” markets, and strives to increase the scale of sales and accelerate overseas expansion, especially for product categories where energy-savings technologies are absolutely required, such as automotive products, white goods, industrial equipment, and LED lighting. Through these efforts, net sales during the nine months ended December 31, 2013 were ¥103,726 million, an increase of ¥12,869 million (14.2%) as compared to the same period in the previous year, thanks mainly to stronger sales of semiconductor devices, along with higher sales overall boosted by the weaker yen. Operating income and ordinary income both increased, as we recorded operating income of ¥4,003 million, an increase of ¥1,904 million (90.7%) as compared to the same period in the previous year and ordinary income of ¥3,502 million, an increase of ¥1,928 million (122.5%) as compared to the same period in the previous year. These results were attributable to increased sales and an improved product mix resulting from the Company group’s focus on automotive products and white goods markets, together with the effects of various measures to improve profitability for instance constraining fixed costs. Quarterly net income was ¥3,720 million, an increase of ¥3,402 million (1,069.9%) as compared to the same period in the previous year, thanks to increased ordinary income and the recording of income taxes-deferred resulted from the deferred tax assets posted by a US subsidiary. We achieved increases in both net sales and income as compared to the same period in the previous year.

Overview of business by segment is as follows.

In the semiconductor device business, sales of automotive products progressed favorably thanks to the development of automotive electrification. Sales of products for white goods remained steady as we focused on our efforts to increase sales of products for refrigerators and washers along with air conditioners. As a result, consolidated net sales from this segment were ¥81,709 million, an increase of ¥12,418 million (17.9%) as compared to the same period in the previous year, and consolidated operating income was ¥7,089 million, an increase of ¥2,625 million (58.8%) as compared to the same period in the previous year.

For the CCFL business, sales of products for public bulletin boards decreased. As a result, consolidated net sales from this segment were ¥128 million, a decrease of ¥621 million (82.8%) as compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥598 million (consolidated operating loss of ¥522 million in the same period in the previous year) linked to sales decline.

For the PM business, sales progressed favorably for adapters, which contribute to the miniaturization and weight reduction of the main bodies of TVs and printers, and power-supply units for office MFP. As a result, consolidated net sales from this segment were ¥11,886 million, an increase of ¥772 million (7.0%) as compared to the same period in the previous year. For income, we recorded consolidated operating loss of ¥1,139 million (consolidated operating loss of ¥555 million in the same period in the previous year), due to a change in our product mix and an inventory clearance resulting from the termination of production of power-supply units for TVs.

For the PS business, decreasing corporate investments at electric power companies put further strains on our marketing environment, though sales of products for public agencies remained favorable and sales of products for telecommunication facilities progressed steadily in the current third quarter. As a result, consolidated net sales from this segment were ¥10,001 million, an increase of ¥299 million (3.1%) as compared to the same period in the previous year. In spite of higher sales amounts achieved through aggressive sales efforts, consolidated operating income came to ¥281 million, a decrease of ¥105 (27.2%) as compared to the same period in the previous year, mainly due to a change in our product mix.

## **(2) QUALITATIVE INFORMATION ABOUT CONSOLIDATED FINANCIAL POSITION**

Total assets as of the end of December 31, 2013 were ¥163,838 million, an increase of ¥15,320 million from the end of the previous consolidated fiscal year. The main causes are inventories increased by ¥4,949 million, property, plant and equipment increased by ¥4,830 million, software increased by ¥1,235 million, and deferred tax assets increased by ¥1,601 million.

Total liabilities were ¥116,676 million, an increase of ¥7,594 million from the end of the previous consolidated fiscal year. The main causes are increases in loans by ¥4,882 million, and commercial papers ¥2,000 million.

Total net assets were ¥47,161 million, an increase of ¥7,725 million from the end of the previous consolidated fiscal year. The main causes are increases in retained earnings by ¥9,537 million, foreign currency translation adjustment by ¥4,283 million, and a decrease of capital surplus by ¥6,544 million.

## **(3) QUALITATIVE INFORMATION ABOUT CONSOLIDATED FINANCIAL FORECAST**

The US economy is expected to remain on a moderate recovery trend, and the economic slowdown in China is projected to gradually stabilize to a moderate level, leading the economy into a period of stable growth. Meanwhile, efforts of the European global economy to curb recession have succeeded at last, though employment conditions in Europe are still stringent and personal consumption looks unlikely to vigorously recover for the time being. We therefore expect the global economy to remain unpredictable, as before. Under these circumstances, the Company group will focus on increasing the scale of sales and accelerating overseas development of “environmentally-friendly and energy saving” and “green energy” related products expected to see further market expansion in light of the tightening energy-savings regulations in each country.

## **2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS**

### **(1) QUARTERLY CONSOLIDATED BALANCE SHEETS**

Millions of yen

	March 31 2013	December 31 2013
<b>ASSETS</b>		
Assets		
Current assets		
Cash and deposits	12,079	12,615
Notes and accounts receivable-trade	31,945	32,109
Merchandise and finished goods	11,735	13,131
Work in process	21,090	23,406
Raw materials and supplies	11,140	12,378
Deferred tax assets	1,210	2,813
Other	2,936	3,755
Allowance for doubtful accounts	(61)	(64)
Total current assets	<u>92,077</u>	<u>100,145</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	17,035	18,956
Machinery, equipment and vehicles, net	18,210	20,998
Tools, furniture and fixtures, net	759	963
Land	4,921	5,027
Lease assets, net	4,259	3,783
Construction in progress	5,758	6,045
Total property, plant and equipment	<u>50,945</u>	<u>55,775</u>
Intangible assets		
Software	802	2,037
Other	889	1,110
Total intangible assets	<u>1,691</u>	<u>3,148</u>
Investments and other assets		
Investment securities	1,769	2,396
Deferred tax assets	196	195
Other	2,079	2,418
Allowance for doubtful accounts	(242)	(242)
Total investments and other assets	<u>3,803</u>	<u>4,768</u>
Total noncurrent assets	<u>56,439</u>	<u>63,692</u>
Total assets	<u>148,517</u>	<u>163,838</u>

	March 31 2013	December 31 2013
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,235	17,802
Short-term loans payable	14,805	27,188
Current portion of bonds	20,000	—
Commercial papers	13,000	15,000
Lease obligations	1,238	1,255
Income taxes payable	526	831
Provision for directors' bonuses	—	37
Accrued expenses	8,818	7,037
Other	2,323	2,196
Total current liabilities	<u>76,948</u>	<u>71,349</u>
Noncurrent liabilities		
Bonds payable	10,000	30,000
Long-term loans payable	12,500	5,000
Lease obligations	3,157	2,587
Deferred tax liabilities	868	1,274
Provision for retirement benefits	5,128	4,828
Provision for directors' retirement benefits	20	17
Asset retirement obligations	60	60
Other	397	1,559
Total noncurrent liabilities	<u>32,132</u>	<u>45,326</u>
Total liabilities	<u>109,081</u>	<u>116,676</u>
Net assets		
Shareholders' equity		
Capital stock	20,896	20,896
Capital surplus	17,573	11,028
Retained earnings	9,493	19,031
Treasury stock	(3,926)	(3,947)
Total shareholders' equity	<u>44,037</u>	<u>47,009</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	141	546
Foreign currency translation adjustment	(5,004)	(720)
Total accumulated other comprehensive income	<u>(4,862)</u>	<u>(174)</u>
Minority interests	<u>262</u>	<u>326</u>
Total net assets	<u>39,436</u>	<u>47,161</u>
Total liabilities and net assets	<u><u>148,517</u></u>	<u><u>163,838</u></u>

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

Millions of yen

<b>QUARTERLY CONSOLIDATED STATEMENTS OF INCOME</b>	Nine months ended Dec.31, 2012	<b>Nine months ended Dec.31, 2013</b>
Net sales	90,856	<b>103,726</b>
Cost of sales	<u>71,495</u>	<u><b>79,160</b></u>
Gross profit	<u>19,361</u>	<u><b>24,566</b></u>
Selling, general and administrative expenses	<u>17,262</u>	<u><b>20,563</b></u>
Operating income	<u>2,098</u>	<u><b>4,003</b></u>
Non-operating income		
Interest income	4	<b>6</b>
Dividends income	28	<b>31</b>
Foreign exchange gains	58	<b>281</b>
Miscellaneous income	<u>413</u>	<u><b>297</b></u>
Total non-operating income	<u>504</u>	<u><b>616</b></u>
Non-operating expenses		
Interest expenses	512	<b>597</b>
Miscellaneous loss	<u>516</u>	<u><b>519</b></u>
Total non-operating expenses	<u>1,028</u>	<u><b>1,116</b></u>
Ordinary income	<u>1,574</u>	<u><b>3,502</b></u>
Extraordinary income		
Gain on sales of noncurrent assets	<u>229</u>	<u><b>0</b></u>
Total extraordinary income	<u>229</u>	<u><b>0</b></u>
Extraordinary loss		
Loss on retirement of noncurrent assets	49	<b>15</b>
Loss on sales of noncurrent assets	—	<b>2</b>
Loss on valuation of investment securities	<u>47</u>	<u>—</u>
Total extraordinary losses	<u>97</u>	<u><b>18</b></u>
Income before income taxes and minority interests	<u>1,706</u>	<u><b>3,484</b></u>
Income taxes	<u>1,408</u>	<u><b>(224)</b></u>
Income before minority interests	<u>298</u>	<u><b>3,709</b></u>
Minority interests in loss	<u>(19)</u>	<u><b>(11)</b></u>
Net income	<u><u>318</u></u>	<u><u><b>3,720</b></u></u>

Millions of yen

	Nine months ended Dec.31, 2012	<b>Nine months ended Dec.31, 2013</b>
<b>QUARTERLY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>		
Income before minority interests	298	<b>3,709</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(44)	<b>405</b>
Foreign currency translation adjustment	<u>1,643</u>	<u><b>4,281</b></u>
Total other comprehensive income	<u>1,598</u>	<u><b>4,687</b></u>
Comprehensive income	<u><u>1,897</u></u>	<u><u><b>8,396</b></u></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,913	<b>8,412</b>
Comprehensive income attributable to minority interests	(15)	<b>(15)</b>

**(3) SEGMENT INFORMATION****[Information on Net Sales, Incomes or Losses by Individual Reportable Segments]****NINE MONTHS ENDED DECEMBER 31, 2012**

Millions of yen

	Reportable Segments				Total	Adjusted Amount	Amount stated in Quarterly Consolidated Statements of Income
	Semi-conductor Device	CCFL	PM	PS			
Sales							
(1) Sales to Customers	69,291	749	11,113	9,702	90,856	—	90,856
(2) Intersegment Sales or Transfer	762	—	758	0	1,522	(1,522)	—
Total	70,053	749	11,872	9,703	92,378	(1,522)	90,856
Operating Income (loss) by segment	4,464	(522)	(555)	386	3,772	(1,674)	2,098

**NINE MONTHS ENDED DECEMBER 31, 2013**

Millions of yen

	Reportable Segments				Total	Adjusted Amount	Amount stated in Quarterly Consolidated Statements of Income
	Semi-conductor Device	CCFL	PM	PS			
Sales							
(1) Sales to Customers	81,709	128	11,886	10,001	103,726	—	103,726
(2) Intersegment Sales or Transfer	1,013	—	511	4	1,530	(1,530)	—
Total	82,723	128	12,398	10,006	105,257	(1,530)	103,726
Operating Income (loss) by segment	7,089	(598)	(1,139)	281	5,632	(1,629)	4,003