

# FY 2014 CONSOLIDATED FINANCIAL RESULTS

(April 1, 2014 to March 31, 2015)

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## 1. FINANCIAL RESULTS FOR THE FISCAL YEAR 2014 (April 1, 2014 to March 31, 2015)

### (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)
Fiscal Year 2014	160,724 (11.3%)	11,199 (44.0%)	10,334 (36.4%)	7,942 (57.9%)
Fiscal Year 2013	144,467 (14.3%)	7,777 (68.1%)	7,573 (87.1%)	5,029 (121.3%)

Note1: Comprehensive income: FY 2014: 14,720 million yen (67.0%) FY 2013: 8,815 million yen (28.2%)

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 2014	65.50yen	-	14.3%	5.8%	7.0%
Fiscal Year 2013	41.47yen	-	11.4%	4.8%	5.4%

Reference: Equity in net income/loss non-consolidated subsidiaries and/or affiliates: FY 2014: -yen FY 2013: -yen

### (2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal Year 2014	193,267	62,904	32.3%	515.25 yen
Fiscal Year 2013	164,762	49,108	29.6%	401.75 yen

Reference: Shareholders' equity: Mar./2015: 62,467 million yen Mar./2014: 48,718 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 2014	9,973	(14,234)	5,692	17,225
Fiscal Year 2013	10,658	(11,176)	2,714	14,820

## 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 2013	-	3.00yen	-	3.00yen	6.00yen	727	14.5%	1.7%
Fiscal year 2014	-	3.00yen	-	3.50yen	6.50yen	788	9.9%	1.4%
Fiscal year 2015 (forecast)	-	3.50yen	-	3.50yen	7.00yen		10.5%	

## 3. FISCAL YEAR 2015 CONSOLIDATED FINANCIAL FORECAST (April 1, 2015 to March 31, 2016)

(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 attributable to owners of the parent company (percentage change from the previous year)	Net income per share
Second quarter (cumulative)	83,000 (7.2%)	5,700 (10.2%)	5,100 (2.8%)	3,300 (-5.0%)	27.22yen
Full Year	172,000 (7.0%)	13,000 (16.1%)	11,700 (13.2%)	8,100 (2.0%)	66.80yen

#### 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 : No
  - 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)
  - Number of treasury stocks at the end of the period
  - Average number of shares outstanding during the fiscal year

Mar./2015:	125,490,302	Mar./2014:	125,490,302
Mar./2015:	4,253,173	Mar./2014:	4,223,339
Mar./2015:	121,252,941	Mar./2014:	121,293,812

#### (Reference) SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

##### 1. NON-CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR 2014 (April 1, 2014 to March 31, 2015)

###### (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 2014	107,096 (9.3%)	461 (-45.5%)	1,514 (1.2%)	2,652 -
Fiscal Year 2013	97,940 (10.2%)	846 (358.4%)	1,495 (107.5%)	-580 -

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 2014	21.87yen	-
Fiscal Year 2013	-4.78yen	-

###### (2) Non-consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal Year 2014	135,650	29,608	21.8%	244.22yen
Fiscal Year 2013	124,721	27,757	22.3%	228.90yen

Reference: Shareholders' equity: Mar /2015: 29,608 million yen Mar /2014: 27,757 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 forecast. For assumptions and notes regarding the forecasts, 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 stayed on a moderate expansion trend as a whole during the current consolidated fiscal year. The US economy expanded with help from steady personal consumption on the back of increased job opportunities. The European economy remained on a recovery trend in spite of declining consumer prices in the second half of the current consolidated fiscal year, while the Chinese economy continued to advance steadily in spite of a slowdown in growth. The Japanese economy remained on a moderate recovery trend as corporate performance further improved against a backdrop of favorable exchange rates from the second half of the fiscal year onward in spite of a drop in personal consumption in the first half mainly due to the backlash effect after the last-minute purchase demand associated with the consumption tax hike. Demand stayed on an expansion trend in the markets the Company mainly services with its products. Sales of automobiles remained globally favorable, especially in the US, and the sales volume of white goods increased mainly in Asia while the adoption of inverters grew.

Under these circumstances we focused on increasing the sales volume of products in the “environmentally-friendly and energy saving” and “green energy” markets and establishing new customers in overseas markets mainly in emerging countries, based on our basic fiscal 2014 policy of “increasing the scale of sales” and “accelerating our overseas expansion.”

For the business results of the current consolidated fiscal year, consolidated net sales were ¥160,724 million, an increase of ¥16,256 million (11.3%) compared to the previous fiscal year, thanks mainly to steadily increased sales of semiconductor devices and PS products, along with the ongoing trend of the weaker yen. For income, consolidated operating income and consolidated ordinary income both increased, as we recorded consolidated operating income of ¥11,199 million, an increase of ¥3,422 million (44.0%) compared to the previous fiscal year, and consolidated ordinary income of ¥10,334 million, an increase of ¥2,760 million (36.4%) compared to the previous fiscal year. These results were attributable to an improved income ratio linked to an improved product mix and increased production volume and ongoing efforts to contain fix costs, as well as the absence of the valuation loss on inventories recorded in the previous fiscal year due to the termination of power-supply boards business for TVs. The Company recorded current consolidated net income of ¥7,942 million, an increase of ¥2,912 million (57.9%), thanks to an inflow of extraordinary income resulting from sales of non-current assets and sales of investment securities, although tax effect was not recorded at a US subsidiary that had been recorded in the previous fiscal year. We achieved increases in both net sales and income compared to the previous fiscal year.

#### **OVERVIEW OF THE BUSINESS BY SEGMENTS**

##### **Semiconductor Devices**

In this segment, although sales of products for AV equipment such as TVs and audio decreased, sales of automotive products progressed favorably thanks to increased sales volume of automobiles mainly in the US and the development of automotive electrification. Sales of products for white goods such as air conditioners, refrigerators, and washers increased significantly due to increased sales volume of white goods mainly in Asia, as well as the growing adoption of inverters. In addition, sales of LED products increased. As a result, consolidated net sales for this segment were ¥126,549 million, an increase of ¥14,611 million (13.1%) as compared to the previous fiscal year, and consolidated operating income was ¥12,737 million, an increase of ¥2,020 million (18.9%) as compared to the previous fiscal year.

##### **Power Modules**

In this segment, while sales of adaptors for global TV markets increased as compared to the previous fiscal year, sales of products for audio products and sales of products for industrial equipment decreased. Sales of products for printers and copiers showed signs of bottoming out in the second half but decreased for the whole fiscal year as compared to the previous fiscal year. As a result, consolidated net sales for this segment were ¥15,555 million, a decrease of ¥235 million (1.5%) as compared to the previous fiscal year. For income, although we succeeded in substantially narrowing the deficit margin owing to the absence of the valuation loss on inventories as recorded in the previous year due to the termination of power-supply boards business for TVs, we were still short of a turnaround to post profit and forced to record consolidated operating loss of ¥594 million (a consolidated operating loss of ¥1,251 million in the previous fiscal year).

## Power Systems

In this segment, though conditions surrounding corporate investments, including investment at electric power companies, continued to put strains on our environment, sales of products for telecommunication facilities progressed favorably in the first half and sales of products for infrastructure development by public agencies, including demand for restoration and the National Resilience Program, also steadily rose. As a result, consolidated net sales for this segment were ¥18,619 million, an increase of ¥2,025 million (12.2%) as compared to the previous fiscal year. Consolidated operating income was ¥1,326 million, an increase of ¥178 million (15.5%) as compared to the previous fiscal year.

## 2) FORECAST OF THE NEXT TERM

We expect that the global economy will continue to progress on a gradually expansionary trend throughout the next fiscal year. In the markets the Company mainly services with its products, increasing demand chiefly for electronic parts for automotive products and white goods is expected to continue. Under these circumstances, the Company started the “2015 Mid-term Business Plan”, a new three-year plan to make concerted efforts to achieve goals towards improvements in performance and enhancement of our financial conditions. For the consolidated business results of fiscal 2015, the first year of the mid-term business plan, we expect net sales of ¥172,000 million, operating income of ¥13,000 million, ordinary income of ¥11,700 million, and net income of ¥8,100 million. These figures are based on an exchange rate of 1US\$=¥110 for the fiscal year ending March 31, 2016.

(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 ¥193,267 million, an increase of ¥28,504 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits of ¥2,500 million, notes and accounts receivable-trade of ¥3,502 million, inventories of ¥7,790 million, noncurrent assets of ¥10,820 million, software of ¥1,494 million, and net defined benefit asset of ¥1,022 million.

Liabilities were ¥130,363 million, an increase of ¥14,708 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in commercial papers of ¥7,500 million and long-term loans payable of ¥2,500 million.

Net assets were ¥62,904 million, an increase of ¥13,795 million from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings of ¥7,774 million, foreign currency translation adjustment of ¥7,394 million, and a decrease in capital surplus of ¥727 million and remeasurements of defined benefit plans of ¥575 million.

### 2) STATUS OF CASH FLOW

Balance of cash and cash equivalents as of the end of the current consolidated fiscal year was ¥17,225 million, an increase of ¥2,404 million as compared with the end of the previous consolidated fiscal year.

Net cash provided by operating activities was ¥9,973 million, a decrease of ¥684 million as compared with the previous year. This was mainly due to an increase in income before income taxes and minority interests, increase in inventories, and income taxes paid.

Net cash used in investing activities was ¥14,234 million, a decrease of ¥3,058 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 ¥5,692 million, an increase of ¥2,977 million as compared with the previous year. This was mainly due to increase in commercial papers.

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

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Equity ratio	25.1%	24.3%	26.4%	29.6%	32.3%
Equity ratio on the basis of market price	44.9%	35.0%	30.7%	53.7%	52.2%
Redemption years for liabilities	8.7 years	13.1 years	11.8 years	7.6 years	8.9 years
Interest coverage ratio	11.3 times	7.6 times	9.4 times	14.9 times	12.7 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 steady and stable stream of dividends through improvements in our profitability and enhancement of our financial conditions while securing the internal reserves necessary to develop businesses and strengthen a management foundation for the future.

Our business results for the current consolidated fiscal year reached a certain level for income arising from increases in both net sales and income as compared to the previous consolidated fiscal year. In view of these results, we will set the year-end dividend for the current fiscal year to ¥3.50 per share, up ¥0.50 per share. As a result, the annual dividend for the current fiscal year will be ¥6.50 per share, including the interim dividend. For an annual dividend in the next period, we expect it to be ¥7.00 share (¥3.50 for both the interim and year-end dividends), considering the forecast of business results for the fiscal year ending March 31, 2016 and other factors.

### (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 Trading 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. (Manufacturer) 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 Trading 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) DC Power Supply Inverter 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 ¥200 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 competitiveness 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, we expect that the US economy will continue expanding steadily and the China economy will continue expanding moderately to allow "the new normal conditions" to take root. The economy in Europe is expected to gradually recover in spite of concerns about a sovereign debt crisis, geopolitical risk, and other uncertainties. Backed by these factors, the global economy is expected to expand gradually as a whole in spite of various uncertain factors such as the effect of declining crude oil prices on economies in resource-rich countries. The Japanese economy is forecasted to recover gradually due to the expected steady improvement of personal consumption against the backdrop of improved corporate earnings, improved employment and income conditions. In the markets the Company mainly services with its products, the ongoing electrification of automobiles aiming at improved fuel efficiency and safety is expected to further progress amid increased automobile sales, while the sales of white goods is projected to increase mainly in emerging countries. Demand for the relevant electronic parts is likely to increase steadily as a result.

Under these circumstances, the Company started the new "2015 Mid-term Business Plan" (the "15 Mid Plan"), in April 1 of this year, and will carry out a host of measures to achieve the goals of the plan after three years. For fiscal 2015, the first year of the 15 Mid Plan, we have set out a basic policy stressing "Increase sales in strategic market" and "Generate cash flows by improving adequate manufacturing" and will focus on the following seven items listed as key goals.

- Increase sales by reconciling marketing and development functions
- Appropriately grasp market data and flexibly respond to changes in demand
- Promote external collaboration
- Strengthen efforts to achieve unrivalled productivity and promote quality reform
- Prevent break-even points from climbing by strengthening the management of fixed costs
- Generate profits and reduce interest bearing debt by reducing inventories
- Promote human resources development

In a bid to realize these goals, we reviewed our organizational structure on April 1 of this year with a view to enhancing marketing functions in technology development, introducing flexible resources in response to changes in markets, and strengthening quality control from the design stage. We have also improved our corporate structure towards achieving the goals of the 15 Mid Plan by creating new businesses in new energy fields through the integral management of business units related to power systems.

The Company will expand the scale of sales by effectively launching products in its existing fields and striving to promptly enter and strengthen its capacities in growing markets while further promoting its efforts to expand production capacity, improve productivity, and further reinforce quality control. We will also steadily advance the enhancement of our financial conditions and strive through these measures to achieve the targets set out for the first year of the 15 Mid Plan.



#### **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

	March 31 2014	March 31 2015
<b>ASSETS</b>		
Current assets		
Cash and deposits	14,943	<b>17,443</b>
Notes and accounts receivable - trade	33,986	<b>37,489</b>
Merchandise and finished goods	13,760	<b>16,963</b>
Work in process	20,885	<b>24,351</b>
Raw materials and supplies	11,464	<b>12,585</b>
Deferred tax assets	1,614	<b>1,201</b>
Other	4,171	<b>6,168</b>
Allowance for doubtful accounts	(61)	<b>(19)</b>
Total current assets	<u>100,764</u>	<u><b>116,183</b></u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,697	<b>20,325</b>
Machinery, equipment and vehicles, net	20,944	<b>26,213</b>
Tools, furniture and fixtures, net	944	<b>1,119</b>
Land	5,183	<b>5,263</b>
Leased assets, net	3,506	<b>2,565</b>
Construction in progress	5,699	<b>10,308</b>
Total property, plant and equipment	<u>54,975</u>	<u><b>65,795</b></u>
Intangible assets		
Software	2,420	<b>3,915</b>
Other	1,198	<b>2,056</b>
Total intangible assets	<u>3,618</u>	<u><b>5,971</b></u>
Investments and other assets		
Investment securities	2,265	<b>1,397</b>
Deferred tax assets	888	<b>286</b>
Net defined benefit asset	-	<b>1,022</b>
Other	2,493	<b>2,852</b>
Allowance for doubtful accounts	(242)	<b>(242)</b>
Total investments and other assets	<u>5,404</u>	<u><b>5,317</b></u>
Total non-current assets	<u>63,998</u>	<u><b>77,084</b></u>
Total assets	<u><u>164,762</u></u>	<u><u><b>193,267</b></u></u>

	March 31 2014	March 31 2015
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,345	<b>20,909</b>
Short-term loans payable	27,030	<b>26,570</b>
Current portion of bonds	-	<b>4,100</b>
Commercial papers	15,000	<b>22,500</b>
Lease obligations	1,248	<b>1,233</b>
Income taxes payable	157	<b>186</b>
Provision for directors' bonuses	-	<b>30</b>
Accrued expenses	8,532	<b>9,896</b>
Other	1,061	<b>1,926</b>
Total current liabilities	<u>71,376</u>	<u><b>87,353</b></u>
Non-current liabilities		
Bonds payable	30,000	<b>25,900</b>
Long-term loans payable	5,000	<b>7,500</b>
Lease obligations	2,296	<b>1,253</b>
Deferred tax liabilities	1,951	<b>1,930</b>
Provision for directors' retirement benefits	18	<b>25</b>
Net defined benefit liability	3,087	<b>3,110</b>
Asset retirement obligations	60	-
Other	1,863	<b>3,288</b>
Total non-current liabilities	<u>44,277</u>	<u><b>43,009</b></u>
Total liabilities	<u>115,654</u>	<u><b>130,363</b></u>
Net assets		
Shareholders' equity		
Capital stock	20,896	<b>20,896</b>
Capital surplus	11,028	<b>10,301</b>
Retained earnings	20,340	<b>28,114</b>
Treasury shares	(3,954)	<b>(3,981)</b>
Total shareholders' equity	<u>48,310</u>	<u><b>55,331</b></u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	461	<b>371</b>
Foreign currency translation adjustment	(1,615)	<b>5,778</b>
Remeasurements of defined benefit plans	1,561	<b>985</b>
Total accumulated other comprehensive income	<u>407</u>	<u><b>7,135</b></u>
Minority interests	<u>390</u>	<u><b>437</b></u>
Total net assets	<u>49,108</u>	<u><b>62,904</b></u>
Total liabilities and net assets	<u><u>164,762</u></u>	<u><u><b>193,267</b></u></u>

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

Millions of yen

	Fiscal Year 2013	Fiscal Year 2014
<b>CONSOLIDATED STATEMENTS OF INCOME</b>		
Net sales	144,467	<b>160,724</b>
Cost of sales	108,656	<b>116,834</b>
Gross profit	35,810	<b>43,889</b>
Selling, general and administrative expenses	28,033	<b>32,689</b>
Operating income	7,777	<b>11,199</b>
Non-operating income		
Interest income	8	<b>12</b>
Dividend income	31	<b>39</b>
Foreign exchange gains	161	<b>251</b>
Gain on sales of scraps	74	<b>92</b>
Miscellaneous income	1,110	<b>398</b>
Total non-operating income	1,385	<b>794</b>
Non-operating expenses		
Interest expenses	784	<b>783</b>
Miscellaneous loss	805	<b>875</b>
Total non-operating expenses	1,589	<b>1,659</b>
Ordinary income	7,573	<b>10,334</b>
Extraordinary income		
Gain on sales of non-current assets	0	<b>488</b>
Gain on sales of investment securities	-	<b>776</b>
Total extraordinary income	0	<b>1,264</b>
Extraordinary losses		
Loss on disposal of non-current assets	26	<b>23</b>
Loss on business liquidation	2,079	<b>-</b>
Total extraordinary losses	2,105	<b>23</b>
Income before income taxes and minority interests	5,468	<b>11,575</b>
Income taxes - current	415	<b>2,509</b>
Income taxes - deferred	1	<b>1,113</b>
Total income taxes	417	<b>3,623</b>
Income before minority interests	5,051	<b>7,952</b>
Minority interests in income	21	<b>10</b>
Net income	5,029	<b>7,942</b>

Millions of yen

	Fiscal Year 2013	<b>Fiscal Year 2014</b>
<b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b>		
Income before minority interests	5,051	<b>7,952</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	320	<b>(90)</b>
Foreign currency translation adjustment	3,443	<b>7,433</b>
Remeasurements of defined benefit plans, net of tax	-	<b>(575)</b>
Total other comprehensive income	<u>3,764</u>	<u><b>6,767</b></u>
Comprehensive income	<u><u>8,815</u></u>	<u><u><b>14,720</b></u></u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,738	<b>14,670</b>
Comprehensive income attributable to minority interests	76	<b>50</b>

### (3) CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FISCAL YEAR 2013 (April 1, 2013 to March 31, 2014)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	20,896	17,573	9,493	(3,926)	44,037
Cumulative effects of changes in accounting policies					-
Restated balance	20,896	17,573	9,493	(3,926)	44,037
Changes of items during the period					
Increase (decrease) from change of fiscal					-
Deficit disposition		(5,816)	5,816		-
Dividends from surplus-other capital surplus		(727)			(727)
Net income			5,029		5,029
Purchase of treasury stock				(27)	(27)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	(6,544)	10,846	(27)	4,273
Balance at the end of current period	20,896	11,028	20,340	(3,954)	48,310

	Accumulated other comprehensive income				Minority 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 the beginning of current period	141	(5,004)	-	(4,862)	262	39,436
Cumulative effects of changes in accounting policies				-		-
Restated balance	141	(5,004)	-	(4,862)	262	39,436
Changes of items during the period						
Increase (decrease) from change of fiscal				-		-
Deficit disposition				-		-
Dividends from surplus-other capital surplus				-		(727)
Net income				-		5,029
Purchase of treasury stock				-		(27)
Disposal of treasury stock				-		0
Net changes of items other than shareholders' equity	320	3,388	1,561	5,200	128	5,308
Total changes of items during the period	320	3,388	1,561	5,270	128	9,672
Balance at the end of current period	461	(1,615)	1,561	407	390	49,108

**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)
Deficit disposition					-
Dividends of surplus - other capital surplus		(727)			(727)
Net income			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				Minority interests	Total net assets
	Valuation difference on	Foreign currency	Remeasurements of	Total accumulated		
Balance at the 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 the period						
Increase (decrease) from change of fiscal				-		(8)
Deficit disposition				-		-
Dividends from surplus-other capital surplus				-		(727)
Net income				-		7,942
Purchase of treasury stock				-		(26)
Disposal of treasury stock				-		0
Net changes of items other than shareholders' equity	(90)	7,394	(575)	6,728	46	6,774
Total changes of items during the period	(90)	7,394	(575)	6,728	46	13,954
Balance at the end of current period	371	5,778	985	7,135	437	62,904

**(4) CONSOLIDATED STATEMENTS OF CASH FLOWS**

Millions of yen

	Fiscal Year 2013	Fiscal Year 2014
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	5,468	<b>11,575</b>
Depreciation	8,432	<b>9,130</b>
Increase (decrease) in allowance for doubtful accounts	(6)	<b>(46)</b>
Increase (decrease) in net defined benefit liability	(543)	<b>29</b>
Interest and dividend income	(39)	<b>(52)</b>
Interest expenses	784	<b>783</b>
Loss (gain) on sales of property, plant and equipment	(0)	<b>(488)</b>
Loss (gain) on sales of investment securities	-	<b>(776)</b>
Decrease (increase) in notes and accounts receivable - trade	(870)	<b>(1,703)</b>
Decrease (increase) in inventories	(483)	<b>(4,685)</b>
Increase (decrease) in notes and accounts payable - trade	1,056	<b>654</b>
Other, net	(1,547)	<b>(1,208)</b>
<b>Subtotal</b>	<b>12,248</b>	<b>13,212</b>
Interest and dividend income received	41	<b>52</b>
Interest expenses paid	(716)	<b>(785)</b>
Income taxes paid	(914)	<b>(2,505)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>10,658</b>	<b>9,973</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	10,052	<b>14,801</b>
Proceeds from sales of property, plant and equipment	88	<b>908</b>
Purchase of intangible assets	(889)	<b>(1,736)</b>
Proceeds from sales of investment securities	-	<b>1,476</b>
Payments of loans receivable	(8)	<b>(11)</b>
Collection of loans receivable	14	<b>6</b>
Other, net	(328)	<b>(77)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(11,176)</b>	<b>(14,234)</b>
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	2,802	<b>238</b>
Increase (decrease) in commercial papers	2,000	<b>7,500</b>
Repayments of finance lease obligations	(1,290)	<b>(1,293)</b>
Proceeds from long-term loans payable	-	<b>7,500</b>
Repayments of long-term loans payable	-	<b>7,500</b>
Proceeds from issuance of bonds	19,908	-
Redemption of bonds	(20,000)	-
Proceeds from issuance of common stock assigned to minority shareholders of consolidated subsidiaries	48	-
Proceeds from sales of treasury shares	0	<b>0</b>
Purchase of treasury shares	(27)	<b>(26)</b>
Cash dividends paid	(726)	<b>(726)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>2,714</b>	<b>5,692</b>
Effect of exchange rate change on cash and cash equivalents	586	<b>1,051</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,783</b>	<b>2,482</b>
Cash and cash equivalents at beginning of period	12,036	<b>14,820</b>
Increase (decrease) in cash and cash equivalents resulting from changes of accounting period of subsidiaries	-	<b>(77)</b>
<b>Cash and cash equivalents at end of period</b>	<b>14,820</b>	<b>17,225</b>



## 6. SEGMENT INFORMATION

FISCAL YEAR 2013 (April 1, 2013 to March 31, 2014)

Millions of yen

	Reporting Segment				Total	Adjustment	Amount stated in CONSOLIDATED STATEMENTS OF INCOME
	Semi-conductor Devices	CCFL	PM	PS			
Sales							
(1) Sales to customer	111,937	144	15,791	16,593	144,467	—	144,467
(2) Intersegment Sales or Transfer	1,419	—	677	5	2,102	(2,102)	—
Total	113,357	144	16,468	16,598	146,569	(2,102)	144,467
Operating income (loss) by segment	10,716	(720)	(1,251)	1,148	9,893	(2,116)	7,777
Assets	121,977	368	16,478	11,331	150,156	14,606	164,762
Other							
Depreciation	7,868	72	56	118	8,115	316	8,432
Increase in property, plant, equipment and intangible assets	10,354	1	224	160	10,741	1,760	12,501

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	144,537	18,966	12,680	176,184	16,060	192,244
Other						
Depreciation	8,722	69	118	8,910	329	9,239
Increase in property, plant, equipment and intangible assets	15,040	417	267	15,725	1,738	17,463