

Sanken Electric Posted Net loss for FY2023—No Immediate Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Sanken Electric Co., Ltd. (security code: 6707)'s posting a net loss for the fiscal year ended March 2024 (FY2023).

- (1) On May 10, Sanken Electric Co., Ltd. (the "Company") announced its financial results for FY2023. Net sales were 235.2 billion (up 4.4% year-on-year), operating profit was 19.5 billion yen (down 25.3% year-on-year) and profit attributable to owners of parent was a loss of 8.1 billion yen (a profit of 9.5 billion yen for FY2022). Although net sales increased due to higher automotive sales, operating profit fell due to the recording of acquisition-related costs overseas and the effects from the Noto Peninsula Earthquake occurred in January this year. The Company also recorded extraordinary losses, including loss on the earthquake disaster due to the damage to domestic factories caused by the earthquake, impairment loss at a US subsidiary, and loss on withdrawal from former unit products. On the other hand, equity capital at the end of FY2023 amounted to 119.3 billion yen, up from 111 billion yen at the end of FY2022. Retained earnings decreased as a result of the recording of the loss attributable to owners of parent, but foreign currency translation adjustments increased due to the weaker yen. The equity ratio at the end of FY2023 was 31.1%, down from 36.8% at the end of FY2022, mainly due to an increase in total assets following the acquisition of Crocus Technology International Corporation.
- (2) The impact of the recent posting of loss attributable to owners of parent on the Company's financial structure is limited and will not immediately affect the rating. On the other hand, the Company's announced financial forecasts for FY2024 are not strong, with net sales of 201 billion yen, operating profit of 13.9 billion yen, and profit attributable to owners of parent 200 million yen. In addition to inventory adjustments in the supply chain in reaction to over-ordering caused by the shortage of semiconductors after the end of COVID-19 pandemic shock, the effects of the earthquake are also expected to linger, and future performance trends require close monitoring. In addition, improving the earnings power of Sanken Electric's own businesses remains an issue, and JCR will closely watch the future growth strategies and the results of measures to improve the profit ratio.

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<Reference>

Issuer: Sanken Electric Co., Ltd.

Long-term Issuer Rating: BBB+ Outlook: Stable

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