

Sanken Electric Announced Partial Share Sale in Allegro— Financial Impact and Future Performance Direction to be Confirmed and Reflected in Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Sanken Electric Co., Ltd. (security code: 6707)'s announcement of the partial sale of its common shares in a U.S. consolidated subsidiary, Allegro MicroSystems, Inc.

- (1) Sanken Electric Co., Ltd. (the "Company") announced today that it would sell a portion of its common shares (equivalent to approximately 20% of the outstanding shares) in Allegro MicroSystems, Inc. ("Allegro"), through a share repurchase by Allegro. As a result, Allegro will be excluded as a consolidated subsidiary of the Company and become its equity method affiliate. The proceeds from this sale will be used for (i) distribution to shareholders through the share repurchase, (ii) investments to achieve the profitability improvement, and (iii) reduction of interest-bearing debt to improve financial strength. Due to the impact of the transaction, the Company withdrew the consolidated earnings forecast for the fiscal year ending March 2025 (FY2024) announced on May 10, 2024.
- (2) Considering Allegro's share price and the size of the shares to be sold, the Company is expected to record a large amount of cash inflow and a gain on the sale, which will likely strengthen its financial base. On the other hand, Allegro currently generates most of the Company's profits, and the exclusion of Allegro as a consolidated subsidiary would significantly reduce its earning power. The Company, excluding Allegro, posted an operating loss for FY2023, partly due to the earthquake in Noto region that occurred in January 2024 and inventory adjustments by customers. Improving the Company's earnings power excluding Allegro is an urgent issue, and JCR will closely watch the results of future growth strategies and various measures to improve the profit margin. JCR will confirm the financial impact of the sale and the future direction of the business performance, and incorporate the results in the rating.

Hiroaki Sekiguchi, Takahiko Yamaguchi

<Reference>

Issuer: Sanken Electric Co., Ltd.

Long-term Issuer Rating: BBB+ Outlook: Stable

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