

FY2015 2nd Quarter Consolidated Financial and Operating Results<JGAAP>

(Overview – English translation of the Japanese original)

October 31, 2014

Company Name: SANYO DENKI CO., LTD.

Code Number: 6516 (Listed on the First Section of the Tokyo Stock Exchange)

(URL: <http://www.sanyodenki.co.jp/>)

Representative: Shigeo Yamamoto, President & CEO

Contact: Kanichirou Tamokami, Operating Officer, in charge of Administrative Organization, Manager of Accounting Department

Phone: (03) 5927-1020

Scheduled date for submitting the Quarterly Securities Report: November 11, 2014

Scheduled date for commencement of dividend payments: December 9, 2014

Availability of supplementary briefing material on quarterly results: Yes

Schedule of quarterly results briefing session: Yes (For analysts)

(Amounts below one million yen are truncated.)

1. Overview of the Consolidated Financial and Operating Results for FY2015 Quarter 2 (from April 1, 2014 to September 30, 2014)

(1) Consolidated operating results (cumulative)

(% indicates changes from the previous term)

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2015 Quarter 2	45,071	43.7	3,573	68.8	3,950	67.1	2,848	71.9
FY2014 Quarter 2	31,371	(2.1)	2,116	7.4	2,363	26.0	1,656	54.5

Note: Comprehensive income: FY2015 Quarter 2: ¥3,604 million (9.4%) FY2014 Quarter 2: ¥3,293 million (247.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2015 Quarter 2	45.85	-
FY2014 Quarter 2	26.67	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
FY2015 Quarter 2	85,053	48,022	56.5	773.03
FY2014 Full year	78,232	45,819	58.6	737.51

(Reference) Equity: FY2015 Quarter 2: ¥48,016 million FY2014: ¥45,813 million

2. Dividends

	Annual cash dividend per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2014	-	7.00	-	8.00	15.00
FY2015	-	8.00	-	-	-
FY2015 (Forecast)	-	-	-	8.00	16.00

Note: Revision to the dividend forecast: None

3. Forecast for FY2015 (from April 1, 2014 to March 31, 2015)

(% indicates changes from the previous corresponding term)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Full year	85,000	25.6	6,700	39.0	7,000	30.4	5,100	36.8	82.10

Note: Revision to the dividend forecast: None

In preparation of consolidated financial statements so far, necessary adjustments for consolidated accounting have been made with using the financial statements of 14 overseas consolidated subsidiaries as of three months before. In order to prepare the most up-to-date consolidated financial statements, we will change our method to

use the financial statements of the overseas consolidated subsidiaries for the same period as ours, beginning from FY2015.

Therefore, the above forecast includes the three-month results from January 1 to March 31, 2014 of the overseas consolidated subsidiaries.

The forecast for FY2015, excluding the influence of this measure, with using the data of the same period for all consolidated companies is as follows.

¥80,360 million (18.8%) for net sales, ¥6,270 million (30.0%) for operating income, ¥6,580 million (22.5%) for ordinary income, ¥4,790 million (28.5%) for net income and ¥77.11 for net income per share

* Others

(1) Significant changes in subsidiaries during FY2015 Quarter 2: None
(Change of certain subsidiaries that involves the scope of consolidation)

(2) Adoption of special accounting treatment for preparing quarterly consolidated financial statements:
None

(3) Changes in accounting policies, changes in accounting estimates, and restatements of prior period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards: Exists

2) Changes in accounting policies due to other than 1): None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

1) Number of issued shares at the end of the period (including treasury stock)

FY2015 Quarter 2	64,860,935 shares	FY2014	64,860,935 shares
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2) Number of treasury stock at the end of the period

FY2015 Quarter 2	2,746,414 shares	FY2014	2,741,211 shares
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3) Average number of shares during the period

FY2015 Quarter 2	62,117,027 shares	FY2014 Quarter 2	62,127,003 shares
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*Status of execution of the quarterly review procedures of financial results

These quarterly financial results are prepared outside the quarterly review procedures required under the Financial Instruments and Exchange Act. As such, the quarterly review procedures for the quarterly consolidated financial statements are currently in progress at the time of the disclosure of these quarterly financial results.

*Explanation for the appropriate use of performance forecasts and other special notes

Statements in these reports regarding the next fiscal year and other future events are evaluations made based upon the information available at the time these reports were prepared and believed to be reasonable. Therefore, they do not constitute a guarantee that they will be realized. Accordingly, actual results may vary significantly from the forecast results stated here for a number of factors.

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1. Qualitative Information on Financial Results for FY2015 Quarter 2

(1) Explanation of Operating Results

During the six months ended September 30, 2014, the Japanese economy showed a moderate recovery trend thanks to continued recovery in capital investments by corporations and other factors. Under such circumstances, demand from the equipment industries, including machine tools, robots and semiconductor manufacturing equipment, which are the Group's main markets, grew at a good rate.

As a result, consolidated net sales totaled ¥45,071million in the six months ended September 30, 2014, up 43.7% from the same period last year. Consolidated operating income increased by 68.8% to ¥3,573 million and consolidated ordinary income rose by 67.1% to ¥3,950 million, while consolidated net income amounted to ¥2,848 million, up 71.9%.

Order intake grew by 44.1% to ¥48,264 million, while a backlog of orders increased by 35.8% to ¥16,981 million.

In preparation of consolidated financial statements so far, necessary adjustments for consolidated accounting have been made with using the financial statements of 14 overseas consolidated subsidiaries as of three months before. In order to prepare the most up-to-date consolidated financial statements, we will change our method to use the financial statements of the overseas consolidated subsidiaries for the same period as ours, beginning from FY2015.

Therefore, the forecast includes the three-month results from January 1 to March 31, 2014 of the overseas consolidated subsidiaries. The actual results for overseas consolidated subsidiaries between January 1, 2014 and March 31, 2014 included in the actual results for this second quarter are as shown in the right column of the following table:

(Unit: ¥ Million)

	FY 2015 Quarter 2 Actual Results	January - March 2014 Actual Results for Overseas Consolidated Subsidiaries
Net Sales	45,071	4,641
Operating Income	3,573	434
Ordinary Income	3,950	425
Net Income	2,848	313

Segment operating results by geographical area are as follows:

1) Japan

Companies operating in Japan are the Company and its consolidated subsidiaries: SANYO KOGYO CO., LTD. and SANYO DENKI Techno Service CO., LTD. Segment sales amounted to ¥40,856 million, up 24.8% from the same period last year. Segment profit increased by 90.3% to ¥2,451 million.

2) North America

The Company has a consolidated subsidiary in North America: SANYO DENKI AMERICA, INC. Segment sales rose by 104.2% to ¥5,417 million. Segment profit increased by 43.3% to ¥203 million.

3) Europe

The Company's consolidated subsidiaries operating in Europe are SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH. Segment sales went up by 77.7% to ¥3,300 million. Segment profit increased by 211.7% to ¥342 million.

4) East Asia

The Company's consolidated subsidiaries operating in East Asia include SANYO DENKI SHANGHAI CO., LTD., SANYO DENKI (H.K.) CO., LIMITED, SANYO DENKI TAIWAN CO., LTD., SANYO DENKI KOREA CO., LTD., as well as SANYO DENKI (Shenzhen) CO., LTD., SANYO DENKI (Zhongshan) CO., LTD. and SANYO DENKI Techno Service (Shenzhen) CO., LTD., all of which are subsidiaries of

SANYO DENKI (H.K.) CO., LIMITED. Segment sales rose by 121.8% to ¥8,495 million. Segment profit increased by 182.7% to ¥338 million.

5) Southeast Asia

The Company's consolidated subsidiaries operating in Southeast Asia include SANYO DENKI PHILIPPINES, INC., SANYO DENKI SINGAPORE PTE. LTD., as well as SANYO DENKI (THAILAND) CO., LTD. and SANYO DENKI TECHNO SERVICE (SINGAPORE) PTE. LTD., both of which are subsidiaries of SANYO DENKI SINGAPORE PTE. LTD. Segment sales increased by 78.8% to ¥10,999 million. Segment profit fell by 25.5% to ¥291 million.

The general state of business by division is as follows:

1) Cooling Systems Division

As for "San Ace," that is Sanyo Denki's brand name for cooling system products, demand grew within the factory automation industry for servo amps, machine tools, and others. In addition, demand within the environmental industry for power conditioners for photovoltaic generation also saw strong growth. Demand for servers for data centers and for products relating to power units, which continue to be large markets, increased in North America, Taiwan and Japan.

As a result, net sales increased by 43.1% year on year to ¥12,763 million. The amount of orders received rose by 35.2% to ¥12,685 million, and the order backlog increased by 15.2% to ¥2,734 million.

2) Power Systems Division

Among our products under the brand name of "SANUPS" for power supply equipment, demand for engine generators from the government sector, and for uninterruptible power systems centering around the information and telecommunication fields, showed strong growth. Demand increased for power conditioners for photovoltaic generation in the low-stress interconnection market, owing to the introduction of new products.

As a result, net sales increased by 11.5% year on year to ¥5,325 million, the amount of orders received rose by 9.2% to ¥6,665 million, and the order backlog increased by 15.4% to ¥3,927 million.

3) Servo Systems Division

As for "SANMOTION," which is the brand name for servo systems, capital expenditure in IT related industries in China showed steady growth, and the demand for machine tools, mounters, and general industrial machines increased.

Furthermore, thanks to the expansion of capital expenditure in automobile-related industries, the demands for robots and injection machines achieved strong growth.

Consequently, net sales went up by 55.2% year on year to ¥ 22,238 million, the amount of orders received increased by 57.1% to ¥22,736 million, and the order backlog rose by 38.2% to ¥5,201 million.

4) Electrical Equipment Sales Division

Sales of industrial electrical equipment, control equipment and electric materials showed strong increases in the transportation, telecommunications and production equipment-related sectors, and demand for photovoltaic generation equipment and its related control panels continued to be strong.

In iron and steel-related business sectors, demand greatly increased as a result of a response to renewal of aged equipment. In addition, demand for spare parts for important equipment, to ensure stable operation of equipment, showed large increases.

As a result, net sales increased by 45.5% year on year to ¥3,647 million, the amount of orders received rose by 64.4% to ¥4,894 million, and the order backlog increased by 57.8% to ¥4,261 million.

5) Electrical Works Contracting Division

With respect to steel mill-related equipment, equipment renewal and repair work in iron and steel-production facilities progressed as expected.

Moreover, demand for overall construction including photovoltaic generation equipment and its devices and work design continued to boom, and there was an increase in inquiries regarding projects confirmed in the previous fiscal year.

As a result, net sales increased by 30.1% year on year to ¥1,096 million, the amount of orders received increased by 131.8% to ¥1,282 million, and the order backlog went up by 231.5% to ¥856 million.

(2) Explanation of Financial Position

As for the financial position during the six months ended September 30, 2014, total assets went up by ¥6,821 million from the end of the previous consolidated fiscal year, liabilities rose by ¥4,618 million, and net assets increased by ¥2,203 million.

Major factors of fluctuation in total assets were an increase of ¥1,393 million in notes and accounts receivable-trade, an increase of ¥1,074 million in buildings and structures, net and an increase of ¥574 million in investments in securities.

Major factors of fluctuation in liabilities were an increase of ¥2,539 million in notes and accounts payable-trade, a reduction of ¥542 million in short-term debt, and an increase of ¥1,311 million in net defined benefit liability.

Major factors of fluctuation in net assets included an increase of ¥1,450 million in retained earnings, an increase of ¥368 million in unrealized holding gains on securities, and an increase of ¥303 million in foreign currency translation adjustments.

(Condition of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) during the six months ended September 30, 2014 increased by ¥43 million from the end of the previous consolidated fiscal year to ¥13,763 million. The conditions of each cash flow and factors thereof are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities during the six months September 30, 2014 increased to ¥3,638 million (an increase of ¥3,355 million in the same period last year). This is mainly attributable to income before income taxes and minority interests of ¥3,949 million, an increase in inventories of ¥1,813 million, and an increase in trade receivables of ¥1,216 million.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended September 30, 2014 decreased to ¥2,026 million (a decrease of ¥1,558 million in the same period last year). This is mainly attributable to acquisition of tangible fixed assets such as production equipment and others amounting to ¥1,490 million.

(Cash flows from financing activities)

Net cash used in financing activities during the six months ended September 30, 2014 decreased to ¥1,757 million (a decrease of ¥830 million in the same period last year). This is mainly attributable to repayments of long-term debt of ¥587 million, decrease in short-term debt of ¥500 million and ¥499 million in dividends paid.

(3) Explanation of Forward-Looking Information such as Forecast Consolidated Business Results

Forecast of results for the fiscal year ending March 31, 2015 has not changed from the forecast of business results announced on October 27, 2014.

2. Matters Related to Summary Information (Notes)

(1) Significant Changes in Subsidiaries during the FY2015 Quarter 2

Not applicable.

(2) Adoption of Special Accounting Treatment for Preparing Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements of Prior Period Financial Statements after Error Corrections

(Changes in Accounting Policies)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 of May 17, 2012; hereinafter referred to as the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012; hereinafter referred to as the "Guidance on Retirement Benefits Accounting Standard") shall apply from the consolidated accounting period from the first quarter of the fiscal year ending March 31, 2015 with respect to the provisions provided in the main section of paragraph 35 of the Retirement Benefits Accounting Standard and the main section of paragraph 67 of the Guidance on Retirement Benefits Accounting Standard; the accounting methods for retirement benefit obligations and service costs were reviewed; the periodic attribution method for forecasted retirement benefit payments was changed from a periodic fixed-rate standard to a benefit calculation formula standard; and the method for calculating discount rates was also changed.

With respect to the application of the Retirement Benefits Accounting Standard, etc. the cumulative effect associated with changing the accounting method for retirement benefit obligations and service costs shall be deleted or added to retained earnings at the beginning of the first quarter's consolidated accounting period, in accordance with the transitional procedure prescribed by paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net defined benefit liability at the beginning of the first quarter of the fiscal year ending March 31, 2015 increased by ¥1,387 million, and retained earnings fell by ¥900 million. In addition, impact on profit and loss for the six months ended September 30, 2015 is minor.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and bank deposits	14,162	14,127
Notes and accounts receivable-trade	21,952	23,346
Securities	60	203
Merchandise and finished goods	4,442	4,982
Work in process	3,299	3,830
Raw materials and supplies	6,079	6,985
Costs on uncompleted construction contracts	188	134
Other receivables	484	659
Deferred tax assets	850	1,033
Others	475	1,348
Allowance for doubtful accounts	(36)	(36)
Total current assets	51,959	56,615
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	8,614	9,688
Machinery, equipment and vehicles, net	2,052	2,042
Land	6,443	6,447
Construction in progress	817	516
Others, net	727	756
Total tangible fixed assets	18,656	19,452
Intangible fixed assets	508	515
Investments and other assets		
Investments in securities	4,659	5,234
Deferred tax assets	160	542
Others	2,317	2,711
Allowance for doubtful accounts	(28)	(17)
Total investments and other assets	7,108	8,471
Total fixed assets	26,273	28,438
Total assets	78,232	85,053

(Million yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable–trade	12,703	15,243
Short-term debt	8,265	7,722
Accrued income taxes	1,080	1,238
Deferred tax liabilities	5	6
Reserve for bonuses to directors and corporate auditors	72	35
Other current liabilities	3,878	5,633
Total current liabilities	26,006	29,878
Long-term liabilities		
Long-term debt	2,206	1,766
Lease obligations	356	310
Deferred tax liabilities	128	153
Deferred tax liabilities–revaluation	977	977
Net defined benefit liability	2,598	3,909
Other long term liabilities	139	34
Total non-current liabilities	6,406	7,152
Total liabilities	32,412	37,031
Net assets		
Shareholders' equity		
Common stock	9,926	9,926
Capital surplus	11,460	11,460
Retained earnings	23,605	25,056
Treasury stock	(906)	(910)
Total shareholders' equity	44,086	45,533
Accumulated other comprehensive income		
Unrealized holding gain on securities	690	1,058
Revaluation reserve for land, net of tax	799	799
Foreign currency translation adjustments	1,125	1,429
Remeasurements of defined benefit plans	(887)	(804)
Total accumulated other comprehensive income	1,727	2,483
Minority interests	5	6
Total net assets	45,819	48,022
Total liabilities and net assets	78,232	85,053

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
 Quarterly Consolidated Statements of Income
 FY2014 Quarter 2 and FY2015 Quarter 2

(Million yen)

	FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)	FY2015 Quarter 2 (from April 1, 2014 to September 30, 2014)
Net sales	31,371	45,071
Cost of sales	24,201	34,876
Gross profit	7,169	10,194
Selling, general and administrative expenses	5,053	6,621
Operating income	2,116	3,573
Other income		
Interest income	23	40
Dividend income	54	61
Foreign exchange gain	181	223
Subsidy income	29	15
Others	16	100
Total other income	304	441
Other expenses		
Interest expense	43	36
Others	14	27
Total other expenses	57	64
Ordinary income	2,363	3,950
Extraordinary income		
Gain on sales of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on sales of fixed assets	0	-
Loss on retirement of fixed assets	35	1
Loss on valuation of investment securities	116	-
Directors' retirement benefits	20	-
Total extraordinary loss	172	1
Income before income taxes and minority interests	2,192	3,949
Income taxes-current	602	1,391
Income taxes-deferred	(66)	(290)
Total income taxes	536	1,100
Income before minority interests	1,656	2,848
Minority interests (loss)	(0)	0
Net income	1,656	2,848

Quarterly Consolidated Statements of Comprehensive Income
 FY2014 Quarter 2 and FY2015 Quarter 2

(Million yen)

	FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)	FY2015 Quarter 2 (from April 1, 2014 to September 30, 2014)
Income before minority interests	1,656	2,848
Other comprehensive income		
Unrealized holding gain on securities	503	368
Foreign currency translation adjustments	1,133	303
Remeasurements of defined benefit plans, net of tax	-	83
Total other comprehensive income	1,636	755
Comprehensive income	3,293	3,604
Comprehensive income attributable to:		
Owners of the parent	3,293	3,604
Minority interests	0	0

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)	FY2015 Quarter 2 (from April 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	2,192	3,949
Depreciation and amortization	1,007	1,092
Decrease (increase) in notes and accounts receivable-trade	2,007	(1,216)
Decrease (increase) in inventories	(1,051)	(1,813)
Increase (decrease) in notes and accounts payable-trade	422	2,337
Others	(535)	397
Subtotal	4,043	4,747
Income taxes paid	(715)	(1,169)
Others	27	60
Net cash provided by (used in) operating activities	3,355	3,638
Cash flows from investing activities		
Purchase of property, plant and equipment	(996)	(1,490)
Others	(562)	(535)
Net cash provided by (used in) investing activities	(1,558)	(2,026)
Cash flows from financing activities		
Increase (decrease) in short-term debt	76	(500)
Proceeds from long-term debt	477	-
Repayments of long-term debt	(648)	(587)
Dividends paid	(557)	(499)
Acquisition of treasury stock	(4)	(3)
Others	(174)	(165)
Net cash provided by (used in) financing activities	(830)	(1,757)
Effect of exchange rate change on cash and cash equivalents	755	188
Net increase (decrease) in cash and cash equivalents	1,722	43
Cash and cash equivalents at beginning of year	9,733	13,719
Cash and cash equivalents at end of quarter	11,455	13,763

(4) Notes on Quarterly Consolidated Financial Statements
(Notes on Going Concern Assumption)

Not applicable

(Notes in Event of Significant Change in Shareholders' Equity)

Not applicable

(Segment Information, etc.)

I FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)

1. Information on net sales and income (loss) by reporting segment

(Million yen)

	Reporting segment					
	Japan	North America	Europe	East Asia	Southeast Asia	Total
Sales						
Sales to customers	23,636	2,620	1,846	2,773	494	31,371
Intersegment sales or transfers	9,088	33	11	1,055	5,658	15,846
Total	32,724	2,653	1,857	3,829	6,152	47,217
Segment profit	1,288	141	109	119	390	2,051

2. Differences between amounts of income (loss) recognized in reporting segments and the corresponding amounts reported in the quarterly consolidated statements of income, and the primary items contributing to the difference

(Million yen)

Profit	Amount
Total of reporting segments	2,051
Elimination of intersegment transactions	65
Operating income in quarterly consolidated statements of income	2,116

II FY2015 Quarter 2 (from April 1, 2014 to September 30, 2014)

1. Information on net sales and income (loss) by reporting segment

(Million yen)

	Reporting segment					
	Japan	North America	Europe	East Asia	Southeast Asia	Total
Sales						
Sales to customers	29,539	5,369	3,281	5,964	916	45,071
Intersegment sales or transfers	11,317	47	19	2,530	10,083	23,998
Total	40,856	5,417	3,300	8,495	10,999	69,069
Segment profit	2,451	203	342	338	291	3,627

2. Differences between amounts of income (loss) recognized in reporting segments and the corresponding amounts reported in the quarterly consolidated statements of income, and the primary items contributing to the difference

(Million yen)

Profit	Amount
Total of reporting segments	3,627
Elimination of intersegment transactions	(54)
Operating income in quarterly consolidated statements of income	3,573

3. Matters related to changes of reporting segments, etc.

In preparation of consolidated financial statements so far, necessary adjustments for consolidated accounting have been made with using the financial statements of 14 overseas consolidated subsidiaries as of three months before. In order to prepare the most up-to-date consolidated financial statements, we will change our method to use the financial statements of the overseas consolidated subsidiaries for the same period as ours, beginning from FY2015.

Therefore, the forecast includes the three-month results from January 1 to March 31, 2014 of the overseas consolidated subsidiaries. The actual results for overseas consolidated subsidiaries between January 1, 2014 and March 31, 2014 included in the actual results for this second quarter are as follows:

(From January 1, 2014 to March 31, 2014)

(1) Information on net sales and income (loss) by reporting segment

(Million yen)

	Reporting segment					
	Japan	North America	Europe	East Asia	Southeast Asia	Total
Sales						
Sales to customers	-	1,841	1,074	1,446	278	4,641
Intersegment sales or transfers	-	19	8	600	3,391	4,019
Total	-	1,861	1,083	2,046	3,669	8,661
Segment profit	-	86	102	77	151	417

(2) Differences between amounts of income (loss) recognized in reporting segments and the corresponding amounts reported in the quarterly consolidated statements of income, and the primary items contributing to the difference

(Million yen)

Profit	Amount
Total of reporting segments	417
Elimination of intersegment transactions	17
Operating income in quarterly consolidated statements of income	434