

To our shareholders and investors

117th Semiannual Business Report

April 1, 2018 to September 30, 2018

Security Identification Code: 6516

<http://www.sanyodenki.co.jp>

SANYODENKI

117th



First of all, thank you for your continued support.

Allow me to take the opportunity of the publication of our 117th semiannual business report to share a few words with you.

Two and a half years have passed since the SANYO DENKI Group launched its 8th Mid-term Management Plan. We aim to achieve the following four management targets, and in the second quarter under review we saw the specific effects listed below.

- (1) Continue to develop **world-leading products** in terms of quality, performance, and reliability.
- (2) Establish a **borderless** sales system in which all Group companies operate under the same management policy to deliver products and services of uniform high quality to customers around the world.
- (3) Manage all information in **real time** to grasp every aspect of the current situation in regard to business activities from anywhere in the world.

- (4) Build **factory automation** to improve production efficiency and quality as well as contribute effectively to inventory reduction and production management.

At our factory in Ueda City, Nagano Prefecture, the automation of motors production has progressed, and the automation line of printed circuit boards for servo amplifiers has improved operational effectiveness.

At our factory in the Philippines, an expansion completed last autumn has boosted production capacity and the technology center in the Philippines will be completed soon.

In new product development for the interim period, we succeeded in completing as planned the development of new products that are competitive with the best in the industry.

The Company's operating results for the interim period ended September 30, 2018 are described below. In the second quarter, demand for the factory automation industry, one of our major markets, is beginning to decelerate mainly due to trade friction between the United States and China. It is necessary to watch the market trends in the second half.

For the interim period, we declared cash dividends of ¥55.00 per share.

We thank you for your continued support and understanding of the Group.

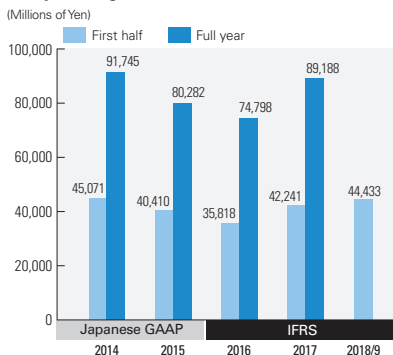
December 2018

Shigeo Yamamoto
CEO / President & COO

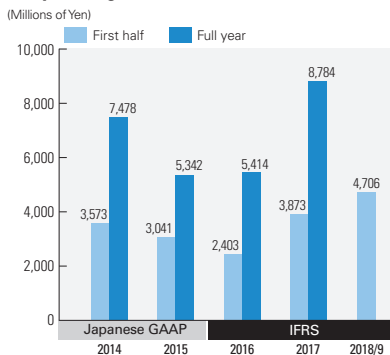
Consolidated Financial Highlights

From the fiscal year ended March 31, 2017 (fiscal 2016), consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

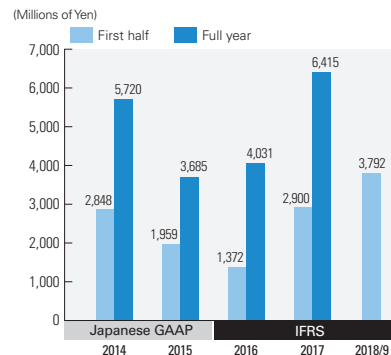
Operating Revenues



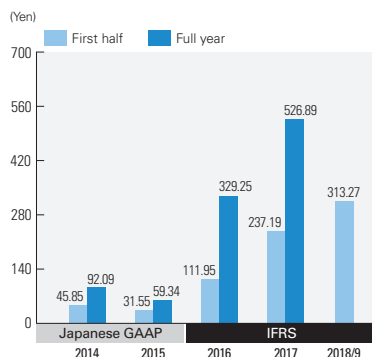
Operating Profit



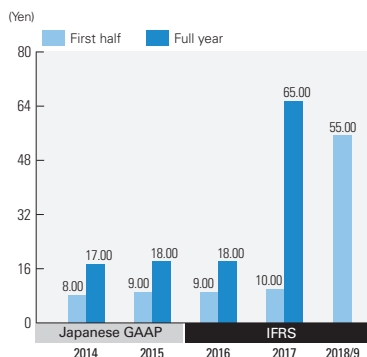
Net Profit Attributable to Owners of the Parent



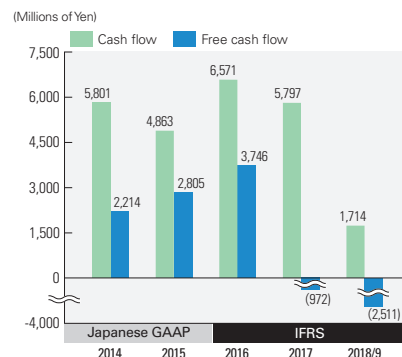
Net Profit Attributable to Owners of the Parent per Share



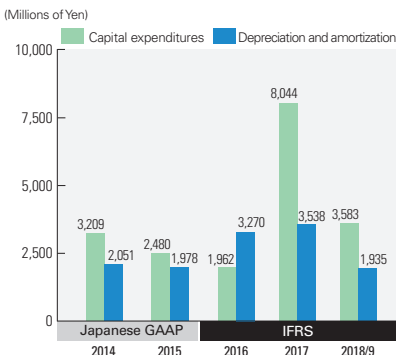
Cash Dividends per Share



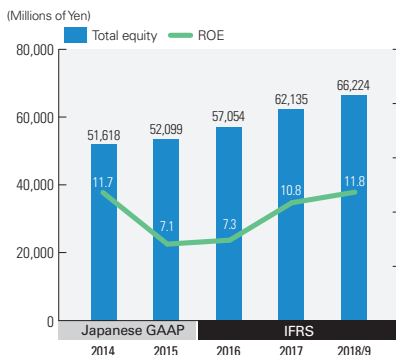
Cash Flow / Free Cash Flow



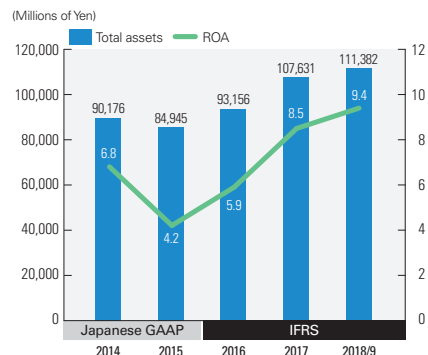
Capital Expenditures / Depreciation and Amortization



Total Equity / ROE (Return on Equity Attributable to Owners of the Parent)



Total Assets / ROA (Profit before Income Taxes to Total Assets)



Notes: 1. The Company implemented a share consolidation in which five shares were consolidated into one share on October 1, 2017. Net profit attributable to owners of the parent per share is calculated based on the assumption that the share consolidation was executed at the beginning of fiscal 2016.
2. Previously, in preparing the consolidated financial statements, the necessary adjustments for consolidated accounting were made using the financial statements of 14 overseas consolidated subsidiaries as of three months earlier. Effective from fiscal 2014, however, to achieve greater accuracy in the consolidated financial statements, our accounting method uses the financial statements of the overseas consolidated subsidiaries for the same period as that of the Company. Accordingly, the above results for fiscal 2014 include the three-month results from January 1 to March 31, 2014 of the overseas consolidated subsidiaries.

Review of Operations

During the six-month period ended September 30, 2018, the Japanese economy continued a gradual recovery, supported by a recovery trend in corporate capital expenditures accompanying active capacity expansion and labor-saving investments in the manufacturing industry, even though export growth slowed slightly.

Against this backdrop, although some markets experienced a slowdown to a certain extent, machine tools, robots, and semiconductor manufacturing equipment in the equipment industries, which are the Group's primary markets, saw solid demand as a whole.

Accordingly, consolidated operating revenues for the six-month interim period under review increased 5.2%

year on year, to ¥44,433 million, while consolidated operating profit rose 21.5% to ¥4,706 million. Consolidated profit before income taxes climbed 28.3%, to ¥5,126 million, and net profit attributable to owners of the parent amounted to ¥3,792 million, up 30.8%.

Conversely, orders received fell 14.0%, to ¥41,776 million, and the order backlog declined 5.3%, to ¥19,886 million. This result mainly reflected sluggish orders received due to the narrowing trend of overall capital investment in China triggered by U.S.-China trade friction, in addition to production adjustments by semiconductor manufacturing equipment makers.

Operating Revenues

¥44,433 million YoY **5.2% up**

Operating Profit

¥476 million YoY **21.5% up**

Profit before income taxes

¥5,126 million YoY **28.3% up**

Net Profit Attributable to Owners of the Parent

¥3,792 million YoY **30.8% up**

Orders Received

¥41,776 million YoY **14.0% down**

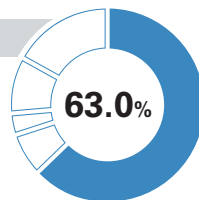
Order Backlog

¥19,886 million YoY **5.3% down**

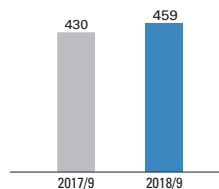
Operating Results by Reportable Segment

Japan

Companies operating in Japan are the Company and its consolidated subsidiaries: SANYO KOGYO CO., LTD. and SANYO DENKI Techno Service CO., LTD. Operating revenues increased 6.8% from the previous year, to ¥45,960 million, and segment profit rose 14.6%, to ¥3,237 million.

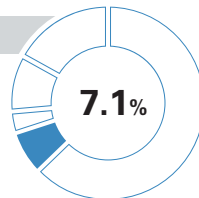


▶ Operating revenues (Billions of Yen)

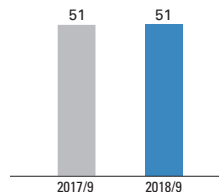


North America

The Company has a consolidated subsidiary in North America: SANYO DENKI AMERICA, INC. Operating revenues amounted to ¥5,181 million, up 0.7%, and segment profit increased 20.9%, to ¥360 million.

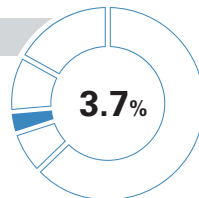


▶ Operating revenues (Billions of Yen)

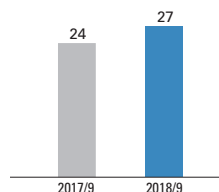


Europe

The Company's consolidated subsidiaries operating in Europe are SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH. Operating revenues rose 10.3%, to ¥2,747 million, and segment profit climbed 15.0%, to ¥255 million.

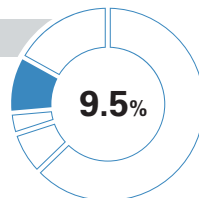


▶ Operating revenues (Billions of Yen)

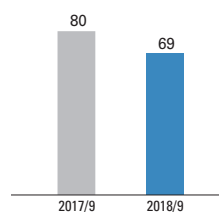


East Asia

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., SANYO DENKI ENGINEERING (Shanghai) CO., LTD., SANYO DENKI (Shenzhen) CO., LTD., SANYO DENKI (Zhongshan) CO., LTD. and SANYO DENKI ENGINEERING (Shenzhen) CO., LTD. Operating revenues amounted to ¥6,905 million, down 13.8%, and segment profit increased 22.3%, to ¥440 million.

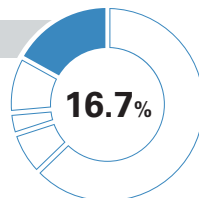


▶ Operating revenues (Billions of Yen)

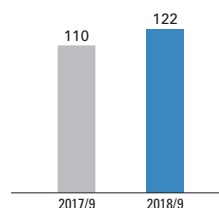


Southeast Asia

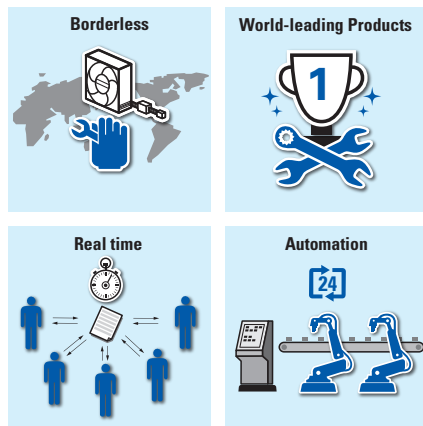
The Company's consolidated subsidiaries operating in Southeast Asia include SANYO DENKI PHILIPPINES, INC., SANYO DENKI SINGAPORE PTE. LTD., SANYO DENKI INDIA PRIVATE LIMITED and SANYO DENKI (THAILAND) CO., LTD. Operating revenues increased 10.9%, to ¥12,202 million, and segment profit rose 56.9%, to ¥607 million.



▶ Operating revenues (Billions of Yen)



The 8th Mid-term Management Plan



Two and a Half Years Have Passed since the Launch, and the Results of the Initiatives Have Become Clear

The 8th Mid-term Management Plan has four key policies: world-leading products, borderless operation, real time, and factory automation.

The plan launched in in April 2016 marks its third year in this term, and concrete results have emerged.

This fiscal year, the midway point of the plan, is positioned as the finishing year of factory automation, accelerating our efforts.

Factory Automation Is in the Final Stage

We have introduced our own automation line, the "Innovation Line," to promote automation of our factories. The Innovation Line is an automation line unique to the SANYO DENKI Group, incorporated with our brand products.

The Kangawa Works, the main factory for servo motors and stepping motors, has improved automation for the assembly lines.

The Fujiyama Works, which manufactures servo amplifiers and stepping drivers, has completed the production process automation such as for mounting and soldering of printed circuit boards. In this way, we have achieved a speedy and stable production system operation, improving production efficiency and product quality.



Encoder assembly line at the Kangawa Works



Printed circuit board mounting line at the Fujiyama Works

SANYO DENKI PHILIPPINES, INC.

Expansion of Production Capacity and Establishment of Technology Center

In January 2018, expansion of the third factory of SANYO DENKI PHILIPPINES, INC. was completed. This expansion has boosted SANYO DENKI PHILIPPINES' overall production capacity by approximately 20%. The New Technology Center that designs and develops our products is scheduled to be

established in the adjacent area of the factory. The Technology Center will design products to be manufactured at SANYO DENKI PHILIPPINES, INC. We will cooperate with the Technology Center in Japan to provide higher quality products more speedily.



The third factory



Conceptual drawing of the Technology Center

Renewal of the Head Office Showroom

In October 2018, the head office showroom was renewed. In the showroom, we have installed demonstration models with hands-on experience that can be operated easily. This is a showroom with functions that can be used to solve customers' technical problems and improve product knowledge.



Change in the System from One Representative to Two Representatives

To further strengthen the management structure, we changed the system from one representative director to two representative directors.



Nobumasa Kodama
Representative Director,
Vice President and Operating Officer

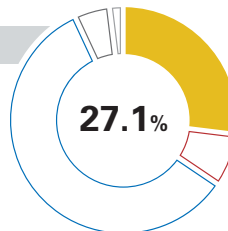
(As of April 1, 2018)

Operating Results by Business Segment

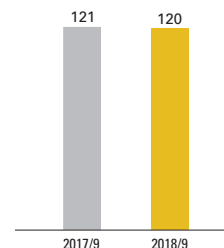
Cooling Systems Division

San Ace, SANYO DENKI's brand name for cooling systems products, saw solid demand for communications equipment and medical equipment. On the other hand, we experienced lower demand for high-end servers and factory automation (FA).

Accordingly, operating revenues fell 0.7% year on year, to ¥12,030 million. The amount of orders received decreased 2.1%, to ¥11,967 million, and the order backlog climbed 7.9%, to ¥3,977 million.



▶ Operating revenues (Billions of Yen)



Splash-Proof Centrifugal Fan

San Ace 9W2T type **NEW**

This product is a $\phi 175 \times 69$ mm splash-proof centrifugal fan that has achieved an industry-leading* high airflow and static pressure. It is suitable for outdoor ICT equipment, PV inverters, commercial refrigerators, air conditioning equipment, and dust collectors.

* Information based on SANYO DENKI's research as of December 2018 collected from same-capacity industrial cooling fans.



ACDC Fan

San Ace 9AD type **NEW**

This product is a $\phi 225 \times 99$ mm ACDC fan that has achieved an industry-leading* high airflow and static pressure. With an embedded AC-DC converter, the fan can be driven by an AC power-supply. The new lineup includes a centrifugal fan and a splash-proof centrifugal fan. It is suitable for ICT equipment cabinets, control boards, heat exchangers, air conditioning systems, dust collectors, fan filter units and renewable energy inverters.

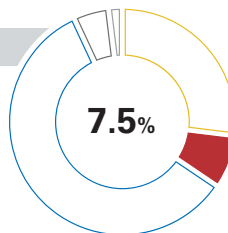
* Information based on SANYO DENKI's research as of December 2018 collected from same-capacity industrial cooling fans.



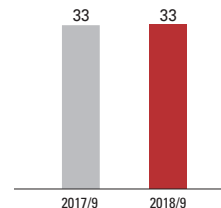
Power Systems Division

SANUPS, SANYO DENKI's brand name for power supply equipment, experienced sluggish demand due to a slow-down in the market of photovoltaic power and a slump in the information and telecommunications market. In contrast, demand for plant equipment and public facilities remained robust.

Accordingly, operating revenues rose 0.2% year on year, to ¥3,325 million. The amount of orders received fell 5.8%, to ¥3,657 million, and the order backlog declined 21.8%, to ¥2,148 million.



▶ Operating revenues (Billions of Yen)



Standby UPS Equipped with Lithium-ion Batteries

SANUPS N11C-Li **NEW**

This product is a standby UPS equipped with lithium-ion batteries. The operating temperature range is available from -20 to +55°C, which is the widest in the industry*. This ensures a carefree operation even in harsh cold or hot environments. It is suitable for use in outdoor equipment cabinets and containers, emergency monitoring systems, and indoor facilities without air conditioning.

* Information based on SANYO DENKI's research as of December 2018, collected from same-capacity-and-voltage UPSs.



Online UPS

SANUPS A22A NEW

These products are highly reliable online UPSs that have achieved an industry leading* high efficiency levels of up to 94.5%. The new lineup features 3-phase 4-wire 400 VAC class and single-phase 2-wire 200 VAC class. Even during power outages or voltage dips, power can be supplied without interruption.

* Information based on SANYO DENKI's research as of December 2018, collected from same-capacity-and-voltage UPSs.



Cabinet

Cabinet
(half size)

IoT-Enabled Emergency Diesel Generator

SANUPS G53A NEW

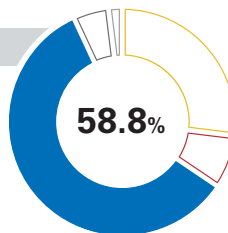
This product is an IoT-enabled emergency diesel generator. It is possible to connect to the LAN and peripheral devices via Ethernet, RS-485, or other general-purpose interfaces. Connecting with our uninterruptible power supply (UPS) ensures the continuous supply of stable power over long periods without interruption. It contributes to the supply of electricity in the event of a disaster.



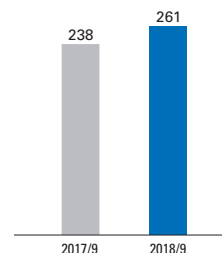
Servo Systems Division

SANMOTION, SANYO DENKI's brand name for servo system products, faced favorable demand for injection molding machines and electronic part surface mounters. In contrast, orders received were stagnant due to the narrowing trend of overall capital expenditures in China triggered by US-China trade friction in addition to production adjustments made by semiconductor manufacturing equipment makers.

Consequently, operating revenues rose 9.7% year on year, to ¥26,103 million. The amount of orders received decreased 22.6%, to ¥23,073 million, and the order backlog declined 11.0%, to ¥12,164 million.



▶ Operating revenues (Billions of Yen)



AC Servo Amplifier

SANMOTION R 3E Model **NEW**

The lineup of *SANMOTION R 3E Model* has been expanded. These servo amplifiers have been equipped with a function for predicting equipment failures using the operating data of the amplifier and motor. It can operate 5.5 to 30 kW motors smoothly, making it ideal for equipment such as machine tools and injection molding machines.



Motion Controller

SANMOTION C **NEW**

This product is the industry's smallest motion controller featuring a high-speed EtherCAT fieldbus. The new lineup features two types: a high-performance type for controlling robots and electronic cams, and a standard type that specializes in point-to-point (PTP) positioning. They are suitable for motion control applications such as robots, conveying machines, and semiconductor manufacturing equipment.

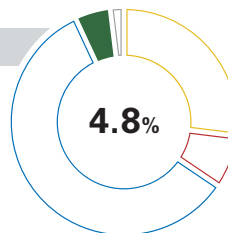


Electrical Equipment Sales Division

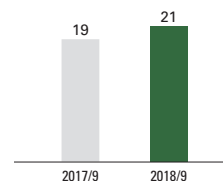
With regard to sales of industrial electrical equipment, control equipment and materials for electric equipment, demand remained solid for medical-related and semiconductor-related equipment. Domestic demand for photovoltaic generation-related equipment decreased, but inquiries for new transactions increased.

In the steel-related market, some of the capital expenditures and the renewal construction of aged equipment for production facilities were postponed, and the delivery of spare parts for repair also slightly declined.

As a result, operating revenues rose 10.4% year on year, to ¥2,152 million. The amount of orders received increased 23.7%, to ¥2,290 million, and the order backlog jumped 107.9%, to ¥828 million.



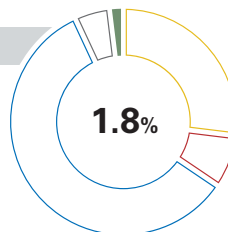
▶ Operating revenues (Billions of Yen)



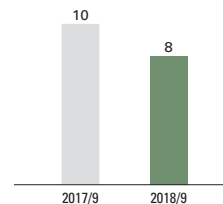
Electrical Works Contracting Division

As for works related to steel mill plant equipment, demand was solid as the volume of renewal construction and repair works was in line with the initial plan. However, demand for works related to PV generation facilities decreased significantly.

As a result, operating revenues decreased 21.9% year on year, to ¥821 million. The amount of orders received fell 5.6%, to ¥786 million, and the order backlog jumped 54.2%, to ¥767 million.



▶ Operating revenues (Billions of Yen)



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	FY2018 (As of September 30, 2018)	FY2017 (As of March 31, 2018)	Change
ASSETS:			
Current Assets	68,620	66,738	1,882
Non-current Assets	42,762	40,892	1,869
Property, plant and equipment	25,252	23,720	1,531
Intangible assets	4,554	4,031	522
Other non-current assets	12,954	13,140	(185)
Total Assets	111,382	107,631	3,751

	FY2018 (As of September 30, 2018)	FY2017 (As of March 31, 2018)	Change
LIABILITIES:			
Current Liabilities	33,522	34,849	(1,327)
Non-current Liabilities	11,636	10,646	989
Total Liabilities	45,158	45,495	(337)
EQUITY:			
Total Equity Attributable to Owners of the Parent	66,216	62,127	4,088
Non-controlling Interests	7	7	0
Total Equity	66,224	62,135	4,089
Total Liabilities and Equity	111,382	107,631	3,751

Consolidated Statements of Income

(Millions of Yen)

	FY2018 (Six months ended September 30, 2018)	FY2017 (Six months ended September 30, 2017)	Change
Operating Revenues	44,433	42,241	2,192
Cost of Sales	32,710	31,307	1,403
Gross Profit	11,723	10,934	789
Selling, General and Administrative Expenses	7,125	7,131	(5)
Other Income	112	77	35
Other Expenses	3	7	(4)
Operating Profit	4,706	3,873	833
Financial Income	468	132	336
Financial Costs	48	11	37
Profit before Income Taxes	5,126	3,994	1,132
Income Taxes	1,333	1,093	239
Net Profit Attributable to:			
Owners of the Parent	3,792	2,900	892
Non-controlling Interests	0	0	0
Net Profit	3,792	2,900	892

Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2018 (Six months ended September 30, 2018)	FY2017 (Six months ended September 30, 2017)	Change
Net Cash Provided by Operating Activities	1,714	3,162	(1,448)
Net Cash Used in Investing Activities	(4,226)	(2,593)	(1,632)
Net Cash Provided by (Used in) Financial Activities	2,182	(936)	3,119
Effect of Foreign Exchange Fluctuation on Cash and Cash Equivalents	176	273	(97)
Net Increase (Decrease) in Cash and Cash Equivalents	(152)	(93)	(59)
Cash and Cash Equivalents, Beginning of Period	13,182	13,766	(584)
Cash and Cash Equivalents, End of Period	13,029	13,673	(643)

Number of Shares and Shareholders		(As of September 30, 2018)
Number of Authorized Shares	50,000,000 shares	
Number of Issued Shares	12,972,187 shares	
Number of Shareholders	4,935	

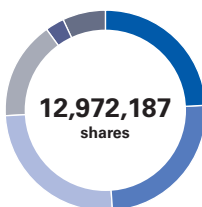
Major Shareholders			(As of September 30, 2018)
Name	Thousands of Shares	% of Total Shares	
KYODO KOGYO CO., LTD.	1,845	14.23	
The Master Trust Bank of Japan, Ltd. (trust account)	545	4.20	
Japan Trustee Services Bank, Ltd. (trust account)	497	3.84	
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	430	3.31	
SANYO KAIHATSU CO., LTD.	318	2.46	
Nippon Life Insurance Company	278	2.15	
Mizuho Bank Ltd.	227	1.75	
THE HACHIJUNI BANK, LTD.	195	1.50	
Sumitomo Mitsui Trust Bank, Limited	194	1.50	
Tokio Marine & Nichido Fire Insurance Co., Ltd.	191	1.48	

Notes: 1. The number of shares shown in the above list is rounded down to the nearest thousand shares.

2. The Company holds 867 thousand shares of treasury stock, which are excluded from the major shareholders listed above.

Breakdown by Type of Shareholders

Type of Shareholders	Shares	%
Individuals and Others	3,152,259	24.30
Financial Institutions	3,199,878	24.67
Other Domestic Corporations	3,277,338	25.27
Foreign Investors	2,067,022	15.93
Securities Companies	408,645	3.15
Treasury Stock	867,045	6.68



Corporate Data		(As of September 30, 2018)
Company Name	SANYO DENKI CO., LTD.	
Established	August 1927	
Head Office	3-33-1, Minami-Otsuka, Toshima-ku, Tokyo 170-8451, Japan TEL: +81-3-5927-1020	
Capital	¥9.9 billion	
Number of Employees	3,456 (SANYO DENKI Group)	

Group Companies		(As of September 30, 2018)
Japan	SANYO DENKI CO., LTD. SANYO DENKI Techno Service CO., LTD.	
Asia	SANYO DENKI PHILIPPINES, INC. SANYO DENKI (Zhongshan) CO., LTD. SANYO DENKI SHANGHAI CO., LTD. SANYO DENKI ENGINEERING (Shanghai) CO., LTD. SANYO DENKI (H.K.) CO., LIMITED SANYO DENKI (Shenzhen) CO., LTD. SANYO DENKI ENGINEERING (Shenzhen) CO., LTD. SANYO DENKI TAIWAN CO., LTD. SANYO DENKI KOREA CO., LTD. SANYO DENKI SINGAPORE PTE. LTD. SANYO DENKI (THAILAND) CO., LTD. SANYO DENKI INDIA PRIVATE LIMITED	
North America	SANYO DENKI AMERICA, INC.	
Europe	SANYO DENKI EUROPE S.A. SANYO DENKI GERMANY GmbH	

Board of Directors and Audit & Supervisory Board Members

Board of Directors and Audit & Supervisory Board Members		(As of November 13, 2018)
Chief Executive Officer*	Shigeo Yamamoto	
Representative Director*	Nobumasa Kodama	
Director*	Kaoru Tamura	
Director*	Yoshimasa Matsumoto	
Director*	Shigejiro Miyata	
Director	Yuichiro Miyake	
Director	Toru Suzuki	
Director	Hiroshi Suwa	
Audit & Supervisory Board Member (Full-time)	Sakon Hatanaka	
Audit & Supervisory Board Member (Full-time)	Fumio Amano	
Audit & Supervisory Board Member (Part-time)	Hisayuki Ogura	
Audit & Supervisory Board Member (Part-time)	Takeshi Yamamoto	

*Operating Officer

SHAREHOLDER INFORMATION

Fiscal Year	From April 1 to March 31 of the following year
Regular General Meeting of Shareholders	To be held within three months from April 1 each year
Record Date for Shareholders Entitled to Receive Dividends	For year-end cash dividends: March 31 of each year For interim dividends: September 30 of each year
Method of Notification	Via electronic notification. (In case electronic notification is unavailable because of unavoidable circumstances, notification will be published in the Nihon Keizai Shimbun.)
Custodian of Shareholder Registration	JAPAN SECURITIES AGENTS, LTD. 1-2-4, Nihonbashi-Kayabacho, Chuo-ku, Tokyo 103-8202, Japan
Handling Office	JAPAN SECURITIES AGENTS, LTD. (Head Office) 1-2-4, Nihonbashi-Kayabacho, Chuo-ku, Tokyo 103-8202, Japan
Mailing Address and Telephone Referral	JAPAN SECURITIES AGENTS, LTD. (Agency Department) 2-8-4, Izumi, Suginami-ku, Tokyo 168-8620, Japan Toll Free: 0120-707-843 (In Japan only)

Stock-related Inquiries and Notifications:

Payment of unpaid dividends

Please contact the above-mentioned custodian of shareholder registration.

Contact for changes of address, requests for buyback of odd-lot shares or sales of additional lots, and the payment of dividends

Please contact the securities company with which your account is held.

*If you set up a special account in lieu of an account with a securities company, please contact JAPAN SECURITIES AGENTS, LTD.

Requests regarding various kinds of share-related procedures can be made via the Internet.

JAPAN SECURITIES AGENTS, LTD.:

<https://www.jsa-hp.co.jp/name/index.html>

SANYO DENKI's IR Information Section:

http://www.sanyodenki.co.jp/ir/index_ir.html

This Business Report contains forward-looking statements including earnings forecasts. The actual results may differ materially from the forecasts herein due to various factors.

SANYO DENKI CO., LTD.

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TEL: +81-3-5927-1020

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