

FY2014 2nd Quarter Consolidated Financial and Operating Results<JGAAP>

(Overview – English translation of the Japanese original)

October 28, 2013

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/>)

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Scheduled date for submitting the Quarterly Securities Report: November 8, 2013

Scheduled date for commencement of dividend payments: December 10, 2013

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

(1) Consolidated operating results (cumulative)

(% indicates changes from the previous term)

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2014 Quarter 2	31,371	(2.1)	2,116	7.4	2,363	26.0	1,656	54.5
FY2013 Quarter 2	32,030	(14.5)	1,971	(30.7)	1,876	(31.1)	1,072	(61.9)

Note: Comprehensive income: FY2014 Quarter 2: ¥3,293 million (+247.1 %) FY2013 Quarter 2: ¥948 million (-63.9 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY2014 Quarter 2	26.67	-
FY2013 Quarter 2	17.26	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	Yen
FY2014 Quarter 2	72,988	44,226	60.6	711.82
FY2013 Full year	68,979	41,495	60.2	667.82

(Reference) Equity: FY2014 Quarter 2: ¥44,221 million FY2013: ¥41,491 million

2. Dividends

	Annual cash dividend per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2013	-	6.00	-	9.00	15.00
FY2014	-	7.00	-	-	-
FY2014 (Forecast)	-	-	-	8.00	15.00

Note: Revision to the dividend forecast: Yes

As for revision to the dividend forecast, please refer to "Notice regarding Dividend of Surplus (Interim)" released today (October 28, 2013).

Note: Breakdown of year end cash dividend per share in FY2013: Common dividend ¥7.00 Commemorative dividend ¥2.00

3. Forecast for FY2014 (from April 1, 2013 to March 31, 2014)

(% indicates changes from the previous term)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Full year	71,000	10.9	5,700	44.3	5,500	22.1	3,800	28.5	61.16

Note: Revision to the performance forecast: None

4. Others

(1) Significant changes in subsidiaries during the FY2014 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: None

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)

FY2014 Quarter 2	64,860,935 shares	FY2013	64,860,935 shares
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2) Number of treasury stock at the end of the period

FY2014 Quarter 2	2,736,513 shares	FY2013	2,731,326 shares
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3) Average number of shares during the period

FY2014 Quarter 2	62,127,003 shares	FY2013 Quarter 2	62,132,478 shares
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*Status of execution of the quarterly review procedures of these quarterly 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 FY2014 Quarter 2

(1) Explanation on Operating Results

During the six months ended September 30, 2013, the Japanese economy showed trends of recovery, thanks to demand for recovery and reconstruction from the Great East Japan Earthquake and the positive effects of the government-led economic stimulus measures. On the other hand, the growth of Chinese economy seemed to remain stagnant.

Under such circumstances, the demand from the equipment industries, including machine tools, robots and semiconductor manufacturing equipment, which are the Group's main clients, stayed sluggish.

As a result, consolidated net sales totaled ¥31,371 million in the six months ended September 30, 2013, down 2.1% from the same period last year. Consolidated operating income increased by 7.4% to ¥2,116 million and consolidated ordinary income rose by 26.0% to ¥2,363 million, while consolidated net income amounted to ¥1,656 million, up 54.5%.

Order intake rose by 2.4% to ¥33,487 million, while a backlog of orders increased by 10.6% to ¥12,501 million.

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 ¥32,724 million, down 0.2% from the same period last year. Segment profit decreased by 6.5% to ¥1,288 million.

2) North America

The Company has a consolidated subsidiary in North America: SANYO DENKI AMERICA, INC. Segment sales rose by 7.4% to ¥2,653 million. Segment profit went up by 692.2% to ¥141 million.

3) Europe

The Company's consolidated subsidiaries operating in Europe are SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH. Segment sales increased by 26.0% to ¥1,857 million. Segment profit increased by 25.8% to ¥109 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. and SANYO DENKI Techno Service (Shenzhen) CO., LTD., which is a subsidiary of SANYO DENKI Techno Service CO., LTD., as well as SANYO DENKI (Shenzhen) CO., LTD. and SANYO DENKI (Zhongshan) CO., LTD., both of which are subsidiaries of SANYO DENKI (H.K.) CO., LIMITED. Segment sales declined by 8.3% to ¥3,829 million. Segment profit rose by 86.6% to ¥119 million.

5) Southeast Asia

The Company's consolidated subsidiaries operating in Southeast Asia include SANYO DENKI PHILIPPINES, INC., SANYO DENKI SINGAPORE PTE. LTD., and SANYO DENKI TECHNO SERVICE (SINGAPORE) PTE. LTD., which is a subsidiary of SANYO DENKI Techno Service CO., LTD., as well as SANYO DENKI (THAILAND) CO., LTD., which is a subsidiary of SANYO DENKI SINGAPORE PTE. LTD. Segment sales increased by 23.3% to ¥6,152 million. Segment profit rose by 48.3% to ¥390 million.

The general state of business by division is as follows:

1) Cooling Systems Division

As for "San Ace," which is Sanyo Denki's brand name for cooling system products, the demand from environment-related new markets mainly in Japan such as power conditioners for photovoltaic generation, high-speed battery chargers and dischargers for electric vehicles and fuel cells for residential use has become higher. Also, the demand from the telecommunications industry which has been a large market has remained steady both at home and abroad, due to the increase in capital

expenditure for providing LTE services.

As a result, net sales increased by 17.0% from the same period last year to ¥8,921 million. The amount of orders received rose by 22.8% to ¥9,382 million, and the order backlog increased by 32.4% to ¥2,374 million.

2) Power Systems Division

Among our products under the brand name of “SANUPS” for power supply equipment, the sales volume of power conditioners for photovoltaic generation remained weak as the market growth was limited due to a short supply of Japanese made solar panels and delays in installation work due to shortage of installers. On the other hand, the demands for engine generators and static power supply units from the government sector and telecommunications and broadcasting industries remained steady.

As a result, net sales increased by 6.0% from the same period last year to ¥4,776 million, the amount of orders received rose by 1.5% to ¥6,103 million, and the order backlog went down by 1.3% to ¥3,402 million.

3) Servo Systems Division

As for “SANMOTION” which is the brand name for servo systems, demands for machine tools and general industrial machines for China was weak due to the continuation of the stagnation in the Chinese market. On the other hand, capital expenditure in semiconductor related industry showed a recovery trend and the demand from semiconductor manufacturing equipment industry remained firm.

Consequently, net sales decreased by 14.7% from the same period last year to ¥14,324 million, the amount of orders received dropped by 7.4% to ¥14,471 million, and the order backlog rose by 6.3% to ¥3,764 million.

4) Electrical Equipment Sales Division

The sales of industrial electrical equipment, control equipment and electric materials remained sluggish, as the demand for general industrial equipment including medical equipment and those related to semiconductors did not recover. On the other hand, the demands for equipment related to new energy such as power conditioners for photovoltaic generation and control panels for power conditioners showed a strong growth.

In addition, inquiries about renewal of aged equipment used in the iron and steel-related businesses remained stagnant as some of the equipment renewal plans were put off.

As a result, net sales increased by 2.0% from the same period last year to ¥2,506 million, the amount of orders received rose by 16.5% to ¥2,976 million, and the order backlog increased by 36.0% to ¥2,700 million.

5) Electrical Works Contracting Division

With respect to steel mill-related equipment as a main line of this business, inquiries about new construction works became smaller and the growth of maintenance works remained at a low level.

However, the demand for packaged photovoltaic generation system installation work, including devices and work design, remained vigorous and a lot of works were successfully completed.

As a result, net sales increased by 29.9% from the same period last year to ¥842 million, the amount of orders received fell by 35.6% to ¥553 million, and the order backlog dropped by 51.0% to ¥258 million.

(2) Explanation on Financial Position

As for the financial position during the six months ended September 30, 2013, total assets increased by ¥4,009 million from the end of the previous fiscal year, liabilities rose by ¥1,278 million, and net assets went up by ¥2,730 million.

Major factors of fluctuations in total assets were an increase of ¥2,032 million in cash and bank deposits, a decrease of ¥1,512 million in notes and accounts receivable-trade and an increase of ¥792 million in investments in securities.

Major factors of fluctuations in liabilities were an increase of ¥1,085 million in trade notes and accounts payable, an increase of ¥167 million in short-term debt, and a decrease of ¥155 million in long-term debt.

Major factors of fluctuations in net assets included an increase of ¥1,097 million in retained earnings and an increase of ¥1,133 million in foreign currency translation adjustments.

(Conditions of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) during the six months ended September 30, 2013 increased by ¥1,722 million from the end of the previous fiscal year to ¥11,455 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 ended September 30, 2013 increased to ¥3,355 million (an increase of ¥3,120 million in the same period last year). This is mainly attributable to income before income taxes and minority interests of ¥2,192 million, depreciation and amortization of ¥1,007 million and a decrease of ¥2,007 million in notes and accounts receivable-trade.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended September 30, 2013 decreased to ¥1,558 million (a decrease of ¥502 million in the same period last year). This is mainly attributable to purchase of tangible fixed assets of ¥996 million such as production equipment and others.

(Cash flows from financing activities)

Net cash used in financing activities during the six months ended September 30, 2013 decreased to ¥830 million (a decrease of ¥2,629 million in the same period last year). This is mainly attributable to proceeds from long-term debt of ¥477 million, repayments of long-term debt of ¥648 million and ¥557 million in dividends paid.

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

Forecast of business results for the fiscal year ending March 31, 2014 has not changed from the forecast of business results announced on April 25, 2013.

2. Matters Related to Summary Information (Notes)

(1) Significant Changes in Subsidiaries during the FY2014 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

Not applicable

3. Significant Events on Going Concern Assumption

Not applicable

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

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and bank deposits	10,163	12,196
Notes and accounts receivable-trade	19,540	18,028
Securities	48	27
Merchandise and finished goods	3,909	4,685
Work in process	3,201	3,329
Raw materials and supplies	5,639	5,919
Costs on uncompleted construction contracts	121	142
Other receivables	503	584
Deferred tax assets	751	799
Others	360	917
Allowance for doubtful accounts	(30)	(35)
Total current assets	44,209	46,596
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	8,743	8,818
Machinery, equipment and vehicles, net	1,949	2,242
Land	6,373	6,437
Construction in progress	527	584
Others, net	516	712
Total tangible fixed assets	18,110	18,794
Intangible fixed assets	578	549
Investments and other assets		
Investments in securities	3,729	4,521
Deferred tax assets	6	7
Others	2,372	2,547
Allowance for doubtful accounts	(28)	(28)
Total investments and other assets	6,079	7,047
Total fixed assets	24,769	26,391
Total assets	68,979	72,988

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable–trade	10,214	11,299
Short-term debt	7,811	7,978
Accrued income taxes	647	557
Deferred tax liabilities	3	4
Reserve for bonuses to directors and corporate auditors	66	35
Other current liabilities	3,642	3,658
Total current liabilities	22,386	23,534
Long-term liabilities		
Long-term debt	2,171	2,015
Lease obligations	339	373
Deferred tax liabilities	210	455
Deferred tax liabilities–revaluation	977	977
Reserve for retirement benefits	1,050	1,162
Other long term liabilities	348	243
Total non-current liabilities	5,097	5,227
Total liabilities	27,483	28,762
Net assets		
Shareholders' equity		
Common stock	9,926	9,926
Capital surplus	11,460	11,460
Retained earnings	20,871	21,969
Treasury stock	(899)	(903)
Total shareholders' equity	41,359	42,453
Accumulated other comprehensive income		
Net unrealized holding gain on securities	188	691
Revaluation reserve for land, net of tax	799	799
Foreign currency translation adjustments	(856)	276
Total accumulated other comprehensive income	131	1,768
Minority interests	4	4
Total net assets	41,495	44,226
Total liabilities and net assets	68,979	72,988

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

FY2013 Quarter 2 and FY2014 Quarter 2

(Millions of yen)

	FY2013 Quarter 2 (from April 1, 2012 to September 30, 2012)	FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)
Net sales	32,030	31,371
Cost of sales	25,547	24,201
Gross profit	6,483	7,169
Selling, general and administrative expenses	4,512	5,053
Operating income	1,971	2,116
Other income		
Interest income	26	23
Dividend received	52	54
Foreign currency translation gain	–	181
Subsidy income	3	29
Others	21	16
Total other income	103	304
Other expenses		
Interest expense	59	43
Foreign currency translation loss	128	–
Others	10	14
Total other expenses	199	57
Ordinary income	1,876	2,363
Extraordinary income		
Gain on sales of fixed assets	1	1
Total extraordinary income	1	1
Extraordinary loss		
Loss on sales of fixed assets	–	0
Loss on retirement of fixed assets	60	35
Unrealized loss on securities	304	116
Directors' retirement benefits	12	20
Total extraordinary loss	376	172
Income before income taxes and minority interests	1,501	2,192
Income taxes-current	420	602
Income taxes-deferred	1	(66)
Total income taxes	422	536
Income before minority interests	1,079	1,656
Minority interests	6	(0)
Net income	1,072	1,656

Quarterly Consolidated Statements of Comprehensive Income
 FY2013 Quarter 2 and FY2014 Quarter 2

(Millions of yen)

	FY2013 Quarter 2 (from April 1, 2012 to September 30, 2012)	FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)
Income before minority interests	1,079	1,656
Other comprehensive income		
Net unrealized holding loss (gain) on securities	(201)	503
Foreign currency translation adjustments	71	1,133
Total other comprehensive income	(130)	1,636
Comprehensive income	948	3,293
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	929	3,293
Comprehensive income attributable to minority interests	19	0

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	FY2013 Quarter 2 (from April 1, 2012 to September 30, 2012)	FY2014 Quarter 2 (from April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	1,501	2,192
Depreciation and amortization	1,030	1,007
Decrease (increase) in notes and accounts receivable-trade	645	2,007
Decrease (increase) in inventories	465	(1,051)
Increase (decrease) in notes and accounts payable-trade	937	422
Others	(559)	(535)
Subtotal	4,021	4,043
Income taxes paid	(914)	(715)
Others	14	27
Net cash provided by operating activities	3,120	3,355
Cash flows from investing activities		
Purchase of property, plant and equipment	(572)	(996)
Others	70	(562)
Net cash used in investing activities	(502)	(1,558)
Cash flows from financing activities		
Increase (decrease) in short-term debt	(1,342)	76
Proceeds from long-term debt	–	477
Repayments of long-term debt	(590)	(648)
Dividends paid	(495)	(557)
Acquisition of treasury stock	(0)	(4)
Others	(199)	(174)
Net cash provided by (used in) financing activities	(2,629)	(830)
Effect of exchange rate change on cash and cash equivalents	19	755
Net increase (decrease) in cash and cash equivalents	8	1,722
Cash and cash equivalents at beginning of quarter	9,378	9,733
Cash and cash equivalents at end of quarter	9,386	11,455

(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 FY2013 Quarter 2 (from April 1, 2012 to September 30, 2012)

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

(Millions of yen)

	Reporting segment					
	Japan	North America	Europe	East Asia	Southeast Asia	Total
Sales						
Sales to customers	25,075	2,432	1,453	2,735	332	32,030
Intersegment sales or transfers	7,725	36	19	1,440	4,657	13,879
Total	32,801	2,469	1,473	4,176	4,989	45,910
Segment profit	1,378	17	87	64	263	1,811

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

(Millions of yen)

Profit	Amount
Total of reporting segments	1,811
Elimination of intersegment transactions	160
Operating income in quarterly consolidated statements of income	1,971

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

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

(Millions of 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

(Millions of yen)

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