

FY2018 1st Quarter Consolidated Financial and Operating Results<IFRS>

(Overview – English translation of the Japanese original)

August 2, 2017

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: August 10, 2017

Scheduled date for commencement of dividend payments: -

Availability of supplementary briefing material on quarterly results: None

Schedule of quarterly results briefing session: None

(Amounts below one million yen are truncated.)

1. Overview of the Consolidated Financial and Operating Results for FY2018 Quarter 1 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

(% indicates changes from the previous term)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2018 Quarter 1	20,480	14.4	1,793	70.8	1,904	159.0	1,473	159.4	1,473	159.4	2,789	-
FY2017 Quarter 1	17,895	-	1,050	-	735	-	568	-	568	-	(778)	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2018 Quarter 1	24.10		-	
FY2017 Quarter 1	9.24		-	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	¥ Million	¥ Million	¥ Million	%	Yen
FY2018 Quarter 1	96,436	59,289	59,282	61.5	969.68
FY2017 Full year	93,156	57,054	57,048	61.2	933.07

2. Dividends

	Annual cash dividend per share				
	1Q	2Q	3Q	4Q	Annual
	Yen				
FY2017	-	9.00	-	9.00	18.00
FY2018	-	-	-	-	-
FY2018 (Forecast)	-	9.00	-	45.00	-

Note: Revision to the dividend forecast: None

Whereas an underlying share for the dividend at the end of the second quarter is not affected by the consolidation of shares, an underlying share for the dividend at the end of the fiscal year takes into account the consolidation of shares. Therefore, these cannot be simply summed up to calculate the total amount of the annual dividend in the current fiscal year and the Company indicates it as “-”. For details, please refer to “Notice Regarding Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2018 in Accordance with Consolidation of Shares,” which is separately disclosed on May 15, 2017.

3. Forecast for FY2018 (from April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding term)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Interim period	40,800	—	3,100	—	3,200	—	2,400	—	39.25
Full year	82,500	10.3	6,500	20.0	6,600	23.8	4,900	21.5	400.72

Note: Revision to the business results forecast: None

For the interim period, changes from the previous corresponding term are not presented.

Basic earnings per share in the full-year forecast for FY2018 include the effect of consolidation of shares. For details, please refer to “Notice Regarding Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2018 in Accordance with Consolidation of Shares,” which is separately disclosed on May 15, 2017.

4. Others

(1) Significant changes in subsidiaries during FY2018 Quarter 1: None
(Change of certain subsidiaries that involves the scope of consolidation)

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: None

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

3) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

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

FY2018 Quarter 1	64,860,935 shares	FY2017	64,860,935 shares
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2) Number of treasury shares at the end of the period

FY2018 Quarter 1	3,724,586 shares	FY2017	3,720,831 shares
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3) Average number of shares during the period

FY2018 Quarter 1	61,137,853 shares	FY2017 Quarter 1	61,465,371 shares
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*These quarterly consolidated financial results are outside the scope of the quarterly review procedures.

*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. 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 FY2018 Quarter 1

(1) Explanation of Operating Results

During the three months ended June 30, 2017, the Japanese economy remained on a gradual recovery trend, aided by a halt in the appreciation of yen as well as improved corporate earnings due to the recovery of overseas economies.

Under such circumstances, demand was strong for machine tools, robots, and semiconductor manufacturing equipment in the equipment industries, which are the Group's main target markets.

As a result, consolidated revenue totaled ¥20,480 million in the three months ended June 30, 2017, up 14.4% from the same period last year. Consolidated operating profit increased by 70.8% to ¥1,793 million, consolidated profit before tax increased by 159.0% to ¥1,904 million, and profit attributable to owners of parent amounted to ¥1,473 million, up 159.4%.

Orders received increased by 36.9% to ¥25,089 million, and order backlog increased by 56.0% to ¥19,246 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 revenue amounted to ¥20,568 million, up 15.2% from the same period last year. Segment profit increased by 166.3% to ¥1,323 million.

2) North America

The Company has a consolidated subsidiary in North America: SANYO DENKI AMERICA, INC. Segment revenue increased by 9.3% to ¥2,795 million. Segment profit increased by 5.6% to ¥217 million.

3) Europe

The Company's consolidated subsidiaries operating in Europe are SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH. Segment revenue increased by 4.8% to ¥1,218 million. Segment profit increased by 1.8% to ¥80 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., SANYO DENKI ENGINEERING (Shanghai) CO., LTD., SANYO DENKI (Shenzhen) CO., LTD., SANYO DENKI (Zhongshan) CO., LTD., and SANYO DENKI Techno Service (Shenzhen) CO., LIMITED. Segment revenue increased by 32.2% to ¥4,116 million. Segment profit increased by 259.2% to ¥147 million.

5) 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. Segment revenue increased by 29.4% to ¥5,188 million. Segment profit decreased by 52.0% to ¥54 million.

The general state of business by division is as follows:

1) Cooling Systems Division

“San Ace,” Sanyo Denki’s brand name for cooling system products, experienced increased demand for servers for data centers. Demand for machine tools, semiconductor manufacturing equipment and servo amplifiers was also solid. In contrast, we saw a decline in demand for power conditioners for photovoltaic generation.

As a result, revenue increased by 10.6% year on year to ¥6,095 million. The amount of orders received increased by 18.4% to ¥6,347 million, and the order backlog increased by 26.0% to ¥3,834 million.

2) Power Systems Division

“SANUPS,” Sanyo Denki’s brand name for power supply equipment, saw stagnant demand for power conditioners due to the shrinking market of the feed-in tariff scheme for electricity generated by photovoltaic power. On the other hand, demand for uninterruptible power systems for the factory automation industry remained solid.

As a result, revenue decreased by 9.4% year on year to ¥1,524 million. The amount of orders received dropped by 20.7% to ¥1,751 million, and the order backlog decreased by 13.6% to ¥2,408 million.

3) Servo Systems Division

“SANMOTION,” Sanyo Denki’s brand name for servo system products, experienced favorable demand from manufacturers of semiconductor manufacturing equipment and robots, reflecting continuously solid capital investment related to semiconductors. In addition, demand for machine tools, general industrial machines, and chip mounters increased, helped by increasing capital investment for smartphones in China.

As a result, revenue increased by 33.3% year on year to ¥11,570 million. The amount of orders received increased by 77.3% to ¥15,723 million, and the order backlog increased by 132.3% to ¥11,814 million.

4) Electrical Equipment Sales Division

Sales of industrial electrical equipment, control equipment and material for electronic equipment remained solid in the markets of general industrial equipment and semiconductor-related equipment. On the other hand, demand for photovoltaic generation-related products for overseas markets declined significantly.

In iron and steel-related business sectors, demand for capital investment in new facilities, the replacement of aged equipment for production facilities and spare parts for repair remained solid.

As a result, revenue decreased by 38.7% year on year to ¥852 million. The amount of orders received fell by 38.0% to ¥854 million, and the order backlog decreased by 36.0% to ¥498 million.

5) Electrical Works Contracting Division

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

As a result, revenue decreased by 30.5% year on year to ¥437 million. The amount of orders received dropped by 19.8% to ¥412 million, and the order backlog increased by 7.5% to ¥691 million.

(2) Explanation of Financial Position

As for the financial position at the end of the three months ended June 30, 2017, total assets increased by ¥3,280 million from the end of the previous fiscal year, total liabilities increased by ¥1,045 million, and total equity increased by ¥2,234 million.

Major factors of changes in assets were an increase of ¥1,811 million in inventories, an increase of ¥1,044 million in other financial assets (non-current assets), and a decrease of ¥776 million in trade and other receivables.

Major factors of changes in liabilities were an increase of ¥1,017 million in borrowings (current liabilities), a decrease of ¥833 million in income taxes payable, and an increase of ¥547 million in deferred tax liabilities.

Major factors of changes in equity included an increase of ¥1,279 million in retained earnings and an increase of ¥959 million in other components of equity.

(Condition of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the three months ended June 30, 2017, increased by ¥539 million from the end of the previous fiscal year to ¥14,306 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 three months ended June 30, 2017, amounted to ¥1,246 million (net cash provided of ¥2,384 million in the same period last year). This is mainly attributable to an increase of ¥2,051 million in inventories, profit before tax of ¥1,904 million, and income taxes paid of ¥966 million.

(Cash flows from investing activities)

Net cash used in investing activities during the three months ended June 30, 2017, amounted to ¥1,154 million (net cash used of ¥666 million in the same period last year). This is mainly attributable to purchase of property, plant and equipment of ¥978 million and purchase of intangible assets of ¥214 million.

(Cash flows from financing activities)

Net cash provided by financing activities during the three months ended June 30, 2017, amounted to ¥338 million (net cash provided of ¥10 million in the same period last year). This is mainly attributable to net increase in short-term borrowings of ¥1,007 million and dividends paid of ¥550 million.

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

No revisions have been made to the business results forecast for the fiscal year ending March 31, 2018, which was announced on April 27, 2017.

The Company will change the number of shares constituting one unit from 1,000 shares to 100 shares on October 1, 2017 as the effective date, and also consolidate five shares of its common shares to one share. Accordingly, the dividend forecast for the fiscal year ending March 31, 2018 is revised to the effect that the amount of dividend per share increases five-fold according to the consolidation rate. This revision of the dividend forecast revises the forecast for the dividend per share amount in order to align it with the consolidation of shares. Therefore, there is no actual change in the dividend forecast.

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statements of Financial Position

(Million yen)

	Note	As of March 31, 2017	As of June 30, 2017
Assets			
Current assets			
Cash and cash equivalents		13,766	14,306
Trade and other receivables		26,967	26,191
Other financial assets		924	1,044
Inventories		16,233	18,045
Other current assets		250	416
Total current assets		58,143	60,003
Non-current assets			
Property, plant and equipment		18,916	19,437
Intangible assets		3,850	3,787
Investment property		1,503	1,503
Other financial assets		9,823	10,867
Deferred tax assets		413	337
Other non-current assets		504	498
Total non-current assets		35,012	36,432
Total assets		93,156	96,436
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		18,876	19,414
Borrowings		7,033	8,050
Other financial liabilities		322	733
Income taxes payable		1,111	278
Other current liabilities		1,266	1,249
Total current liabilities		28,610	29,726
Non-current liabilities			
Borrowings		159	70
Other financial liabilities		180	154
Net defined benefit liability		6,954	6,455
Deferred tax liabilities		3	550
Other non-current liabilities		194	189
Total non-current liabilities		7,491	7,420
Total liabilities		36,101	37,147
Equity			
Share capital		9,926	9,926
Share premium		11,460	11,460
Retained earnings		35,526	36,805
Treasury shares		(1,436)	(1,440)
Other components of equity		1,570	2,529
Total equity attributable to owners of parent		57,048	59,282
Non-controlling interests		6	6
Total equity		57,054	59,289
Total liabilities and equity		93,156	96,436

(2) Condensed Consolidated Statements of Income and Comprehensive Income
Condensed Consolidated Statements of Income

(Million yen)

	Note	FY2017 Quarter 1 (from April 1, 2016 to June 30, 2016)	FY2018 Quarter 1 (from April 1, 2017 to June 30, 2017)
Revenue		17,895	20,480
Cost of sales		13,753	15,199
Gross profit		4,142	5,280
Selling, general and administrative expenses		3,142	3,522
Other income		52	39
Other expenses		1	4
Operating profit		1,050	1,793
Finance income		82	117
Finance costs		397	6
Profit before tax		735	1,904
Income tax expense		167	431
Profit		568	1,473
Profit attributable to			
Owners of parent		568	1,473
Non-controlling interests		0	0
Profit		568	1,473
Earnings per share			
Basic earnings per share (yen)		9.24	24.10

Condensed Consolidated Statements of Comprehensive Income

(Million yen)

	Note	FY2017 Quarter 1 (from April 1, 2016 to June 30, 2016)	FY2018 Quarter 1 (from April 1, 2017 to June 30, 2017)
Profit		568	1,473
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income		375	830
Remeasurements of defined benefit plans		(420)	355
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(1,301)	129
Total other comprehensive income		(1,346)	1,315
Comprehensive income		(778)	2,789
Comprehensive income attributable to			
Owners of parent		(777)	2,788
Non-controlling interests		(0)	0
Comprehensive income		(778)	2,789

(3) Condensed Consolidated Statements of Changes in Equity
 FY2017 Quarter 1 (from April 1, 2016 to June 30, 2016)

(Million yen)

	Note	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
						Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at April 1, 2016		9,926	11,460	32,691	(919)	1,232	–
Profit		–	–	568	–	–	–
Other comprehensive income		–	–	–	–	375	(420)
Comprehensive income		–	–	568	–	375	(420)
Purchase of treasury shares		–	–	–	(512)	–	–
Dividends		–	–	(558)	–	–	–
Transfer to retained earnings		–	–	(423)	–	3	420
Total transactions with owners and other		–	–	(982)	(512)	3	420
Balance at June 30, 2016		9,926	11,460	32,277	(1,431)	1,610	–

	Note	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Exchange differences on translation of foreign operations	Total			
Balance at April 1, 2016		(977)	254	53,414	6	53,420
Profit		–	–	568	0	568
Other comprehensive income		(1,300)	(1,345)	(1,345)	(0)	(1,346)
Comprehensive income		(1,300)	(1,345)	(777)	(0)	(778)
Purchase of treasury shares		–	–	(512)	–	(512)
Dividends		–	–	(558)	(0)	(559)
Transfer to retained earnings		–	423	–	–	–
Total transactions with owners and other		–	423	(1,071)	(0)	(1,071)
Balance at June 30, 2016		(2,277)	(667)	51,565	5	51,571

FY2018 Quarter 1 (from April 1, 2017 to June 30, 2017)

(Million yen)

	Note	Share capital	Share premium	Retained earnings	Treasury shares	Other components of equity	
						Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at April 1, 2017		9,926	11,460	35,526	(1,436)	2,789	–
Profit		–	–	1,473	–	–	–
Other comprehensive income		–	–	–	–	830	355
Comprehensive income		–	–	1,473	–	830	355
Purchase of treasury shares		–	–	–	(3)	–	–
Dividends		–	–	(550)	–	–	–
Transfer to retained earnings		–	–	355	–	–	(355)
Total transactions with owners and other		–	–	(194)	(3)	–	(355)
Balance at June 30, 2017		9,926	11,460	36,805	(1,440)	3,619	–

	Note	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Exchange differences on translation of foreign operations	Total			
Balance at April 1, 2017		(1,219)	1,570	57,048	6	57,054
Profit		–	–	1,473	0	1,473
Other comprehensive income		129	1,314	1,314	0	1,315
Comprehensive income		129	1,314	2,788	0	2,789
Purchase of treasury shares		–	–	(3)	–	(3)
Dividends		–	–	(550)	(0)	(550)
Transfer to retained earnings		–	(355)	–	–	–
Total transactions with owners and other		–	(355)	(553)	(0)	(554)
Balance at June 30, 2017		(1,089)	2,529	59,282	6	59,289

(4) Condensed Consolidated Statements of Cash Flows

(Million yen)

	Note	FY2017 Quarter 1 (from April 1, 2016 to June 30, 2016)	FY2018 Quarter 1 (from April 1, 2017 to June 30, 2017)
Cash flows from operating activities			
Profit before tax		735	1,904
Depreciation and amortization expense		792	804
Interest and dividend income		(82)	(103)
Interest expenses		9	5
Decrease (increase) in trade and other receivables		(108)	743
Decrease (increase) in inventories		(132)	(2,051)
Increase (decrease) in trade and other payables		1,536	954
Other, net		(150)	(141)
Subtotal		2,599	2,116
Interest received		6	8
Dividend received		76	93
Interest paid		(11)	(5)
Income taxes paid		(286)	(966)
Net cash flows from operating activities		2,384	1,246
Cash flows from investing activities			
Purchase of property, plant and equipment		(350)	(978)
Purchase of intangible assets		(206)	(214)
Proceeds from sales of property, plant and equipment and intangible assets		6	(1)
Proceeds from sales of other financial assets		2	2
Other, net		(118)	37
Net cash flows from investing activities		(666)	(1,154)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		1,378	1,007
Repayments of long-term borrowings		(261)	(88)
Purchase of treasury shares		(512)	(3)
Dividends paid		(560)	(550)
Other, net		(33)	(26)
Net cash flows from financing activities		10	338
Effect of exchange rate changes on cash and cash equivalents		(634)	110
Net increase (decrease) in cash and cash equivalents		1,094	539
Cash and cash equivalents at beginning of period		12,743	13,766
Cash and cash equivalents at end of period		13,837	14,306

(5) Notes on Condensed Consolidated Financial Statements
(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Events of Significant Change in Shareholders' Equity)

There is no relevant information.

(Segment Information, etc.)

1 Overview of reportable segments

The Group's reportable segments are determined on the basis that separate financial information of such segments are available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments.

The Group mainly produces and sells cooling fans, power supply equipment and servomotors, and operates the business globally through strategic planning with a focus on regional characteristics.

Reportable segments are composed of five reportable segments, namely, Japan, North America, Europe, East Asia and Southeast Asia, which are determined by regional characteristics including economic blocs in which the business is operated. In determining reportable segments, the Group has not aggregated operating segments.

2 Information on reportable segments

FY2017 Quarter 1 (from April 1, 2016 to June 30, 2016)

(Million yen)

	Reportable segment						Adjustments (Note 2)	Consolidated
	Japan	North America	Europe	East Asia	Southeast Asia	Total		
Revenue								
Revenue from external customers	11,731	2,548	1,159	2,141	314	17,895	–	17,895
Intersegment revenue or transfers (Note 1)	6,117	9	2	972	3,695	10,797	(10,797)	–
Total	17,848	2,557	1,161	3,113	4,010	28,692	(10,797)	17,895
Segment profit	496	206	79	40	113	936	113	1,050
Finance income	–	–	–	–	–	–	–	82
Finance costs	–	–	–	–	–	–	–	397
Profit before tax	–	–	–	–	–	–	–	735

Notes: 1. Intersegment transaction prices are based on prevailing market prices.

2. Adjustments of segment profit of ¥113 million are elimination of intersegment transactions.

FY2018 Quarter 1 (from April 1, 2017 to June 30, 2017)

(Million yen)

	Reportable segment						Adjustments (Note 2)	Consolidated
	Japan	North America	Europe	East Asia	Southeast Asia	Total		
Revenue								
Revenue from external customers	13,703	2,767	1,212	2,528	267	20,480	–	20,480
Intersegment revenue or transfers (Note 1)	6,864	28	5	1,588	4,921	13,407	(13,407)	–
Total	20,568	2,795	1,218	4,116	5,188	33,887	(13,407)	20,480
Segment profit (loss)	1,323	217	80	147	54	1,823	(29)	1,793
Finance income	–	–	–	–	–	–	–	117
Finance costs	–	–	–	–	–	–	–	6
Profit before tax	–	–	–	–	–	–	–	1,904

Notes: 1. Intersegment transaction prices are based on prevailing market prices.

2. Adjustments of segment profit of ¥(29) million are elimination of intersegment transactions.