
Financial Statements

– Consolidated –

SANYO DENKI CO., LTD. and consolidated subsidiaries

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Financial Review (Consolidated)

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

From the fiscal ended March 31, 2017, the SANYO DENKI Group applied International Financial Reporting Standards (IFRS), transitioning from Japanese Generally Accepted Accounting Principles (JGAAP) it had previously used. Figures for the fiscal year ended March 31, 2016, have been retroactively adjusted to the IFRS basis for purposes of comparison.

Any forward-looking statements in the following financial review are based on the judgment of management as of the date that SANYO DENKI CO., LTD. (hereinafter "the Company") filed its securities report for the fiscal year ended March 31, 2017 with regulatory authorities.

Operating Results for the Fiscal Year under Review

Overview

During the fiscal year ended March 31, 2017, the Japanese economy remained stagnant in the first half due mainly to the appreciation of the yen and the economic slowdown in emerging economies. In the second half, however, it sustained a moderate recovery aided by a halt in the yen's up-trend as well as improved corporate earnings due to the recovery of overseas economies.

In this economic climate, there was solid demand from the equipment industries, such as machine tools, robots and semiconductor manufacturing equipment, which are the Company's main customers, despite a decrease in demand for power conditioners for photovoltaic generation.

As a result, consolidated operating revenue totaled ¥74,798 million in the consolidated fiscal year under review, down 6.8% from the previous year. Consolidated operating profit decreased 0.3%, to ¥5,414 million, and consolidated profit before income taxes rose

1.2% to ¥5,332 million, while net profit attributable to owners of the parent amounted to ¥4,031 million, up 7.8%. The amount of orders fell 2.4%, to ¥77,530 million, while the order backlog expanded 22.9%, to ¥14,637 million.

Operating Revenue

For the fiscal year ended March 31, 2017, the Company recorded consolidated operating revenue of ¥74,798 million, down 6.8% from the previous year.

In the Cooling Systems Division, the Company saw increased demand for servers for data centers. Demand from the telecommunications and network industry also remained solid. In addition, demand from the factory automation industry for capital expenditures for smartphone-related products and semiconductor equipment was also steady. Conversely, we experienced a decline in demand for power conditioners for photovoltaic generation systems. As a result, operating revenue rose 4.1% year on year, to ¥22,081 million.

In the Power Systems Division, the Company saw stagnant demand for power conditioners for photovoltaic generation systems due to the continuous market slump caused by feed-in tariffs for photovoltaic generation. Demand was healthy for uninterruptible power systems (UPSs) from manufacturers of factory equipment and semiconductor equipment. Consequently, operating revenue dropped 17.1% year on year, to ¥9,287 million.

In the Servo Systems Division, the Company saw strong demand from manufacturers of semiconductor equipment and robots due to continuous brisk capital expenditures for semiconductor-related equipment. In addition, demand for machine tools, general industrial machines, and chip mounters increased reflecting a recovery in capital expenditures for smartphone manufacturers in China. Accordingly, operating revenue rose 1.2% year on year, to ¥36,248 million.

In the Electrical Equipment Sales Division, sales of industrial electrical equipment, control equipment and material for electronic equipment remained brisk in the markets of general industrial equipment, medical-related equipment, and semiconductor-related equipment. On the other hand, we saw a significant drop in demand for photovoltaic generation-related products for overseas markets, despite a surge in sales a year earlier. In the steel-related market, demand for the replacement of outdated equipment for production facilities and spare parts for repair remained strong despite lower capital expenditures for new facilities. Consequently, operating revenue fell 49.1% year on year, to ¥4,930 million.

In the Electrical Works Contracting Division, the volume of renewal construction and repair works for steel mill plant equipment progressed in line with the initial plan. As for works related to equipment of photovoltaic generation systems, demand for large-scale construction in mega-solar plants remained solid but showed signs of shrinking in others on the whole. As a result, operating revenue decreased 5.1% year on year, to ¥2,250 million.

Cost of Sales, Selling, General and Administrative Expenses, Other Income, Other Expenses and Operating Profit

The cost of sales fell 8.0% from the previous year, to ¥57,022 million, while the cost of sales ratio decreased by 1.0 percentage point to 76.2%, from 77.2% the previous year.

Selling, general and administrative expenses (SG&A) amounted to ¥12,469 million, down 4.8%. The SG&A expense ratio rose 0.4 percentage point, to 16.7%.

Other income declined ¥55 million, to ¥179 million and other expenses increased ¥60 million, to ¥72 million.

As a result, operating profit declined 0.3%, to ¥5,414 million.

Finance Income or Costs, and Net Profit Attributable to Owners of the Parent

The net difference between finance income and finance costs was ¥82 million in costs. Accordingly, profit before income taxes came to ¥5,332 million. Of the net profit, derived by deducting income taxes from profit before income taxes, net profit attributable to owners of the parent totaled ¥4,031 million, up 7.8%, compared to a profit of ¥3,738 million in the previous year.

Segment Operating Results by Geographical Area

Japan

Operating in Japan are the Company and its consolidated subsidiaries SANYO KOGYO CO., LTD. and SANYO DENKI Techno Service CO., LTD. Operating revenues to external customers decreased 11.6% from the previous year, to ¥51,535 million, and intersegment transactions

Financial Review (Consolidated)

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

rose 11.5%, to ¥24,297 million, for total operating revenues of ¥75,832 million, down 5.4%. Segment profit fell 1.3%, to ¥3,796 million.

North America

The Company has a consolidated subsidiary in North America: SANYO DENKI AMERICA, INC. Operating revenues to external customers amounted to ¥9,610 million, up 18.0%, and intersegment transactions were ¥63 million, down 3.5%, for total operating revenues of ¥9,674 million, up 17.9% from the prior year. Segment profit increased 155.5%, to ¥623 million.

Europe

In Europe, the Company has consolidated subsidiaries SANYO DENKI EUROPE S.A. and SANYO DENKI GERMANY GmbH. Operating revenues to external customers amounted to ¥4,372 million, down 4.5%, and intersegment transactions were ¥23 million, down 28.5%, for total operating revenues of ¥4,395 million, down 4.6% from the previous year. Segment profit declined 5.5%, to ¥301 million.

East Asia

The Company's consolidated subsidiaries operating in East Asia consist of 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 to external customers amounted to ¥8,111 million, up 1.0%, and intersegment transactions were ¥4,012 million, up 7.4%, for total operating revenues

of ¥12,124 million, up 3.0% from the previous year. Segment profit declined 86.4%, to ¥30 million a year earlier.

Southeast Asia

The Company's consolidated subsidiaries in Southeast Asia comprise SANYO DENKI PHILIPPINES, INC., SANYO DENKI SINGAPORE PTE. LTD., SANYO DENKI INDIA PRIVATE LIMITED and SANYO DENKI (THAILAND) CO., LTD. Operating revenues to external customers amounted to ¥1,168 million, down 3.2%, and intersegment transactions were ¥16,112 million, up 5.6%, for total operating revenues of ¥17,280 million, up 5.0% from the previous year. Segment profit declined 15.2%, to ¥611 million.

Analysis of Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter "cash") at the end of the consolidated fiscal year under review amounted to ¥13,766 million, up ¥1,023 million from the previous year.

Net cash provided by operating activities totaled ¥6,571 million, up ¥1,641 million from the previous year. This mainly reflected ¥5,332 million in profit before income taxes, ¥3,270 million in depreciation and amortization despite an increase of ¥1,989 million in trade and other receivables.

Net cash used in investing activities totaled ¥2,825 million, down ¥36 million from the prior year. Cash was mainly used for expenditure of ¥1,279 million incurred in the purchase of property, plant and equipment, including production facilities, and purchase of ¥1,101 million in intangible assets.

Net cash used in financing activities amounted to ¥2,626 million, up ¥655 million from the previous year. Primary outflows of cash included ¥1,108 million in dividends paid, ¥738 million in repayments of long-term debt, and ¥516 million in purchase of treasury stock.

Financial Position

Total assets at the year-end expanded ¥4,455 million year on year. Significant changes in total assets were increases of ¥2,345 million in other financial assets in non-current assets, ¥2,087 million in trade and other receivables and ¥1,023 million in cash and cash equivalents.

Total liabilities climbed ¥822 million. This mainly reflected rises of ¥931 million in trade and other payables, ¥886 million in income taxes payable, which was partly offset by a decrease of ¥520 million in borrowings in current liabilities.

Total equity rose ¥3,633 million. This was mainly due to increases of ¥2,834 million in retained earnings and ¥1,315 million in other components of equity, despite an increase of ¥516 million in treasury stock.

Outlook for the Current Fiscal Year Ending March 31, 2018

We expect the Japanese economy to remain on a moderate recovery trend, supported by domestic demand spurred by economic measures and increased capital expenditures in line with a recovery in corporate earnings. This should occur despite concerns about a possible slowdown in the economy reflecting the deflation observed in Europe and deceleration in the Chinese economy.

In this environment, the SANYO DENKI Group intends to continue to expand all its corporate activities on a global scale and to promote manufacturing and selling industry-leading products in terms of quality, performance, and reliability.

For the fiscal year ending March 31, 2018, consolidated forecasts are as follows: operating revenues of ¥82,500 million, operating income of ¥6,500 million, profit before income taxes of ¥6,600 million, and net profit attributable to owners of the parent of ¥4,900 million.

Dividend Policy

SANYO DENKI pursues a basic principle of bolstering its corporate strength to withstand intensifying competition in the industry, increasing retained earnings in the light of future business plans, and paying dividends in line with financial results.

For the fiscal year under review, ended March 31, 2017, we decided to pay a year-end dividend of ¥9 per share, bringing the total dividend for the year to ¥18 per share, including an interim dividend of ¥9 per share. For the fiscal year ending March 31, 2018, we plan to pay an annual dividend of ¥18 per share, including an interim dividend of ¥9 per share and a year-end dividend of ¥9 per share.

Consolidated Statement of Financial Position

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

March 31, 2017

	Millions of Yen			Thousands of
	Date of transition (April 1, 2015)	2016 (March 31, 2016)	2017 (March 31, 2017)	U.S. Dollars 2017 (March 31, 2017)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	¥ 13,151	¥ 12,743	¥ 13,766	\$ 122,709
Trade and other receivables	26,711	24,879	26,967	240,376
Other financial assets	988	693	924	8,240
Inventories	17,320	16,356	16,233	144,695
Other current assets	1,176	702	250	2,236
Total current assets	59,348	55,376	58,143	518,259
NON-CURRENT ASSETS:				
Property, plant and equipment	19,545	19,514	18,916	168,612
Intangible assets	3,835	3,768	3,850	34,323
Investment property	1,503	1,503	1,503	13,403
Other financial assets	8,158	7,478	9,823	87,561
Deferred tax assets	368	572	413	3,687
Other non-current assets	440	487	504	4,498
Total non-current assets	33,852	33,324	35,012	312,085
TOTAL ASSETS	¥ 93,201	¥ 88,700	¥ 93,156	\$ 830,345

Note:

Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥112.19=\$1.00, the effective exchange rate prevailing as of March 31, 2017, has been used in the conversion.

Consolidated Statement of Financial Position

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

March 31, 2017

	Millions of Yen			Thousands of
	Date of transition (April 1, 2015)	2016 (March 31, 2016)	2017 (March 31, 2017)	U.S. Dollars
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade and other payables	¥ 20,228	¥ 17,945	¥ 18,876	\$ 168,257
Borrowings	7,429	7,554	7,033	62,691
Other financial liabilities	477	349	322	2,870
Income taxes payable	1,979	224	1,111	9,905
Other current liabilities	2,293	1,408	1,266	11,293
Total current liabilities	32,407	27,481	28,610	255,017
NON-CURRENT LIABILITIES:				
Borrowings	1,263	514	159	1,421
Other financial liabilities	463	304	180	1,608
Liabilities for retirement benefits	4,283	6,793	6,954	61,987
Deferred tax liabilities	526	1	3	26
Other non-current liabilities	201	183	194	1,731
Total non-current liabilities	6,738	7,798	7,491	66,775
TOTAL LIABILITIES	39,146	35,279	36,101	321,793
EQUITY:				
Common stock	9,926	9,926	9,926	88,483
Capital surplus	11,460	11,460	11,460	102,154
Retained earnings	31,942	32,691	35,526	316,661
Treasury shares	(912)	(919)	(1,436)	(12,804)
Other components of equity	1,630	254	1,570	13,999
Total equity attributable to owners of the parent	54,048	53,414	57,048	508,494
Non-controlling interests	6	6	6	56
TOTAL EQUITY	54,054	53,420	57,054	508,551
TOTAL LIABILITIES AND EQUITY	¥ 93,201	¥ 88,700	¥ 93,156	\$ 830,345

Consolidated Statement of Profit or Loss

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars	
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)
Operating revenues	¥ 80,282	¥ 74,798	\$ 666,714	
Cost of sales	(61,975)	(57,022)	(508,263)	
Gross profit	18,307	17,776	158,451	
Selling, general, and administrative expenses	(13,098)	(12,469)	(111,142)	
Other income	235	179	1,602	
Other expenses	(11)	(72)	(647)	
Operating profit	5,432	5,414	48,263	
Finance income	154	157	1,400	
Finance costs	(318)	(239)	(2,136)	
Profit before income taxes	5,268	5,332	47,527	
Income taxes	(1,528)	(1,299)	(11,586)	
Net profit	¥ 3,739	¥ 4,032	\$ 35,940	
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	¥ 3,738	¥ 4,031	\$ 35,935	
Non-controlling interests	0	0	4	
Net profit	¥ 3,739	¥ 4,032	\$ 35,940	
EARNINGS PER SHARE:				
Basic earnings per share	¥ 60.20	¥ 65.85	\$ 0.59	

Note:

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Consolidated Statement of Comprehensive Income

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars	
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)	
NET PROFIT.....	¥ 3,739	¥ 4,032	\$ 35,940	
OTHER COMPREHENSIVE INCOME:				
Items that will not be reclassified subsequently to profit or loss				
Financial assets measured at fair value through other comprehensive income	(398)	1,554	13,859	
Remeasurements of defined benefit plans	(1,871)	(85)	(761)	
Items that may be reclassified subsequently to profit or loss				
Translation difference on foreign operations	(977)	(241)	(2,156)	
Total other comprehensive income, net of tax	(3,247)	1,227	10,940	
COMPREHENSIVE INCOME.....	¥ 492	¥ 5,259	\$ 46,881	
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	¥ 491	¥ 5,259	\$ 46,879	
Non-controlling interests	0	0	1	
Comprehensive income	¥ 492	¥ 5,259	\$ 46,881	

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Consolidated Statement of Changes in Equity

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

Year Ended March 31, 2017

	Millions of Yen											
	Equity attributable to owners of the parent								Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury shares	Other components of equity							
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Translation difference on foreign operations					
BALANCE, APRIL 1, 2015	¥ 9,926	¥ 11,460	¥ 31,942	¥ (912)	¥ 1,630	¥ —	¥ —	¥ 1,630	¥ 54,048	¥ 6	¥ 54,054	
Net profit	—	—	3,738	—	—	—	—	—	3,738	0	3,739	
Other comprehensive income	—	—	—	—	(398)	(1,871)	(977)	(3,247)	(3,247)	(0)	(3,247)	
Total comprehensive income	—	—	3,738	—	(398)	(1,871)	(977)	(3,247)	491	0	492	
Purchase of treasury shares	—	—	—	(7)	—	—	—	—	(7)	—	(7)	
Cash dividends	—	—	(1,117)	—	—	—	—	—	(1,117)	(0)	(1,118)	
Transfer from other components of equity to retained earnings	—	—	(1,871)	—	—	1,871	—	1,871	—	—	—	
Total transactions with owners	—	—	(2,989)	(7)	—	1,871	—	1,871	(1,125)	(0)	(1,126)	
BALANCE, MARCH 31, 2016	9,926	11,460	32,691	(919)	1,232	—	(977)	254	53,414	6	53,420	
Net profit	—	—	4,031	—	—	—	—	—	4,031	0	4,032	
Other comprehensive income	—	—	—	—	1,554	(85)	(241)	1,227	1,227	(0)	1,227	
Total comprehensive income	—	—	4,031	—	1,554	(85)	(241)	1,227	5,259	0	5,259	
Purchase of treasury shares	—	—	—	(516)	—	—	—	—	(516)	—	(516)	
Cash dividends	—	—	(1,109)	—	—	—	—	—	(1,109)	(0)	(1,109)	
Transfer from other components of equity to retained earnings	—	—	(87)	—	2	85	—	87	—	—	—	
Total transactions with owners	—	—	(1,197)	(516)	2	85	—	87	(1,625)	(0)	(1,626)	
BALANCE, MARCH 31, 2017	¥ 9,926	¥ 11,460	¥ 35,526	¥ (1,436)	¥ 2,789	¥ —	¥ (1,219)	¥ 1,570	¥ 57,048	¥ 6	¥ 57,054	

Thousands of U.S. Dollars											
Equity attributable to owners of the parent											
	Other components of equity							Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury shares	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Translation difference on foreign operations				
BALANCE, MARCH 31, 2016	\$ 88,483	\$102,154	\$291,397	\$ (8,199)	\$ 10,983	\$ —	\$ (8,712)	\$ 2,271	\$476,107	\$ 57	\$476,165
Net profit	—	—	35,935	—	—	—	—	—	35,935	4	35,940
Other comprehensive income	—	—	—	—	13,859	(761)	(2,153)	10,944	10,944	(3)	10,940
Total comprehensive income	—	—	35,935	—	13,859	(761)	(2,153)	10,944	46,879	1	46,881
Purchase of treasury shares	—	—	—	(4,605)	—	—	—	—	(4,605)	—	(4,605)
Cash dividends	—	—	(9,887)	—	—	—	—	—	(9,887)	(2)	(9,889)
Transfer from other components of equity to retained earnings	—	—	(784)	—	22	761	—	784	—	—	—
Total transactions with owners	—	—	(10,671)	(4,605)	22	761	—	784	(14,492)	(2)	(14,494)
BALANCE, MARCH 31, 2017	\$ 88,483	\$102,154	\$316,661	(12,804)	\$ 24,865	\$ —	\$ (10,865)	\$ 13,999	\$508,494	\$ 56	\$508,551

Note:

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Consolidated Statement of Cash Flows

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	2017 (From April 1, 2016 to March 31, 2017)
OPERATING ACTIVITIES:			
Profit before income taxes	¥ 5,268	¥ 5,332	\$ 47,527
Depreciation and amortization	3,133	3,270	29,155
Interest and dividends income	(154)	(157)	(1,400)
Interest expenses	65	31	277
(Increase) decrease in trade and other receivables	2,225	(1,989)	(17,737)
(Increase) decrease in inventories	507	(136)	(1,214)
Increase (decrease) in trade and other payables	(2,383)	755	6,735
Other	(473)	68	609
Subtotal	8,188	7,174	63,953
Interest received	39	34	309
Dividends received	114	123	1,101
Interest paid	(77)	(37)	(337)
Income taxes paid	(3,335)	(723)	(6,449)
Net cash provided by operating activities — (Forward)	¥ 4,930	¥ 6,571	\$ 58,576

Consolidated Statement of Cash Flows

SANYO DENKI Co., Ltd. and Consolidated Subsidiaries

Year Ended March 31, 2017

	Millions of Yen		Thousands of
	2016 (From April 1, 2015 to March 31, 2016)	2017 (From April 1, 2016 to March 31, 2017)	U.S. Dollars 2017 (From April 1, 2016 to March 31, 2017)
Net cash provided by operating activities – (Forward)	¥ 4,930	¥ 6,571	\$ 58,576
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(2,180)	(1,279)	(11,402)
Purchases of intangible assets	(952)	(1,101)	(9,820)
Proceeds from sales of property, plant and equipment and intangible assets	3	7	68
Proceeds from sales of other financial assets	88	8	78
Other	179	(460)	(4,104)
Net cash used in investing activities	(2,862)	(2,825)	(25,180)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	601	(119)	(1,063)
Proceeds from long-term borrowings	21	—	—
Repayments of long-term borrowings	(1,180)	(738)	(6,582)
Purchase of treasury shares	(7)	(516)	(4,605)
Cash dividends paid	(1,113)	(1,108)	(9,882)
Other	(291)	(143)	(1,280)
Net cash used in financing activities	(1,971)	(2,626)	(23,414)
EFFECT OF FOREIGN EXCHANGE FLUCTUATION ON CASH AND CASH EQUIVALENTS	(504)	(96)	(861)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(407)	1,023	9,119
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,151	12,743	113,590
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 12,743	¥ 13,766	\$ 122,709

Note:

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