The SANYO DENKI Group launched its 8th Mid-term Management Plan from April 2016. We are implementing specific measures aimed at the following four management targets:

(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 that boast uniform high quality to customers around the world.
(3) Manage all information in real time to grasp all points of the current situation concerning 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.

In new product development, during the fiscal year under review, we succeeded in developing a number of new products as planned. They are competitive with the best in the industry in terms of performance, energy saving, and reliability.

We have also been working to ensure that the group companies around the world perform the same functions as the parent company in Japan. Specifically, we have established technical centers at each base that are designed to provide technical assistance, training sessions, after-sales services, and customized products to all our customers worldwide.

We look forward to your continued support.

August 2017

Shigeo Yamamoto
CEO/President & COO
We at SANYO DENKI Group Companies, aim to help all people achieve happiness, and work with people to make their dreams come true.

Leveraging the wealth of knowledge and experience of developing new technologies from our foundation, SANYO DENKI provides products and technologies to six business areas.

Medical  
Business sector that manufactures medical and nursing equipment for contributing to human health.

Information and communications  
Business sector that manufactures ICT equipment such as computers, communications equipment, and their peripheral devices.

Industry  
Business sector that manufactures industrial automation equipment such as machine tools and robots.

Environmental protection  
Business sector that manufactures equipment for promoting the protection of the global environment.

Energy utilization  
Business sector that manufactures equipment for electric power generation and conversion, energy saving, and new energy utilization.

Home automation  
Business sector that manufactures equipment for improving lifestyle.

History of SANYO DENKI

1920
- Aug. 1927: Sanyo Shokai Co., Ltd. founded by Hideo Yamamoto to import and sell electrical components
- Jun. 1932: A factory for the production of small AC and DC generators and communications equipment power units established in the Nishi-Sugamo (current Ueda Kita Works, former Midorigaoka Works) area of Tokyo
- Dec. 1936: Reorganized into a joint stock company (Sanyo Shokai Co., Ltd.)
- Apr. 1942: Renamed SANYO DENKI CO., LTD
- Feb. 1944: Ueda factories (Ueda Kita Works, former Midorigaoka Works) established
- Dec. 1945: Head office and Tokyo Works relocated to the Sugamo (current North Otuka) area of Tokyo

1970
- Apr. 1979: Shioda Works established
- Mar. 1980: Tsujii Works established
- Nov. 1984: Aoki Works established (current Logistics Center)
- Dec. 1988: SANYO DENKI EUROPE S.A. (France) established
- Apr. 1990: Fujyama Works established
- Apr. 1995: SANYO DENKI AMERICA, INC. (U.S.A.) established
- Jul. 1997: Technology Center established
- Mar. 1999: SANYO DENKI Techno Service CO., LTD., established

2000
- Feb. 2000: SANYO DENKI PHILIPPINES, INC. (Philippines) established
- Apr. 2003: SANYO DENKI SHANGHAI CO., LTD. (China) established
- Jun. 2005: SANYO DENKI (H.K.) CO., LIMITED (China) established
- Jun. 2005: SANYO DENKI Techno Service (Shenzhen) CO., LTD. (China) established
- Aug. 2005: SANYO DENKI SINGAPORE PTE. LTD. (Singapore) established
- Oct. 2005: SANYO DENKI GERMANY GmbH (Germany) established
- Nov. 2005: SANYO DENKI KOREA CO., LTD. (Korea) established
- Dec. 2005: SANYO DENKI TAIWAN CO., LTD. (Taiwan) established
- Jan. 2006: SANYO DENKI (Shenzhen) CO., LTD. (China) established
- Jan. 2009: Kangawa Works established
- Jul. 2009: Kangawa Works established

2010
- Apr. 2011: SANYO DENKI (Zhongshan) CO., LTD. (China) established
- Jul. 2011: SANYO DENKI (THAILAND) CO., LTD. (Thailand) established
- Mar. 2013: Listed on the First Section of the Tokyo Stock Exchange
- Aug. 2013: Head office relocated to its current location
- Nov. 2014: SANYO DENKI ENGINEERING Shanghai CO., LTD. (China) established
- Feb. 2015: SANYO DENKI INDIA PRIVATE LIMITED (India) established

At the Heart of SANYO DENKI

Our Vision About SANYO DENKI

Achievements So Far
Executives (As of June 2017)

Back row, from left

Chihiro Nakayama  
Operating Officer  
General Manager of Cooling Systems Division

Norio Tazawa  
Operating Officer  
General Manager of Power Systems Division

Satoru Onodera  
Operating Officer for Production and Production Engineering

Front row, from left

Toshihiko Baba  
Executive Operating Officer  
General Manager of Servo Systems Division

Yasuyuki Koizumi  
Operating Officer for International Business Development

Keiichi Kitamura  
Operating Officer for Administration  
Chief of Ueda Facilities

Business Overview

Cooling Systems Division  
“San Ace” is SANYO DENKI’s brand name for cooling systems products, such as cooling fans and cooling fan units.

Power Systems Division  
“SANUPS” is SANYO DENKI’s brand name for power supply equipment, including power conditioners for photovoltaic generation systems (PV Inverters), uninterruptible power supplies (UPSs), inverters and engine generators.

Servo Systems Division  
“SANMOTION” is SANYO DENKI’s brand name for servo systems, such as servo motors, servo amplifiers, stepping motors, stepping drivers, motion controllers and encoders.

Electrical Equipment Sales Division  
Electrical Equipment Sales Division offers an abundant variety of electrical and electronics products from the world’s leading manufacturers.

Electrical Works Contracting Division  
Electrical Works Contracting Division offers planning, design, construction and maintenance work for industrial control systems.

About SANYO DENKI  
At the Heart of SANYO DENKI  
Our Vision  
Achievements So Far  

San Ace  
San Ace is SANYO DENKI’s brand name for cooling systems products, such as cooling fans and cooling fan units.

Sanups  
Sanups is SANYO DENKI’s brand name for power supply equipment, including power conditioners for photovoltaic generation systems (PV Inverters), uninterruptible power supplies (UPSs), inverters and engine generators.

Sanmotion  
Sanmotion is SANYO DENKI’s brand name for servo systems, such as servo motors, servo amplifiers, stepping motors, stepping drivers, motion controllers and encoders.
Our Vision: The 8th Mid-term Management Plan

Our Vision: The 8th Mid-term Management Plan

Looking Back at the First Year

This 8th Mid-term Management Plan spans a five-year period. While past Mid-term Management Plans were three-year ones, the extended plan period enabled us to really look closely at each initiative. All the initiatives were developed with concrete plans for creating innovative systems or products that no other company has ever offered. Realizing these concrete plans will pave the way toward great results.

It has been a year since the 8th Mid-term Management Plan was launched, and I can already see it paying off in a number of ways. Most notable of all is the progress we have made in factory automation. Since everyone can actually see the changes made to factory operations, the morale of factory workers has been boosted. Also, now that they have been able to see the actual results of their efforts, employees are sharing constructive opinions on how things can be improved and what needs to be introduced to operations. I hope that, as these concrete results pile up, it will boost the morale of employees at site even more and set the mood for achieving the goals set under the 8th Mid-term Management Plan.

Ongoing Initiatives

The 8th Mid-term Management Plan has four key policies: new products, borderless operation, real-time management, and factory automation. Each division developed specific initiatives with these four key policies in mind, and is implementing them on a daily basis.

Future Initiatives

I have so far described the initiatives we are currently focusing on. A year has passed since the launch of our Mid-term Management Plan and to sum up the current status, I would say that we have neither made any unexpected progress in any one of the four key policies (new products, borderless operation, real-time management, and factory automation) nor are we lagging behind in any of them. We are making steady progress in all 333 initiatives related to these and looking forward to how things will turn out.

We have four more years to complete the 8th Mid-term Management Plan. Once all the initiatives have been implemented and begin to work together, they will produce significant results. While the 8th Mid-term Management Plan runs through March 2021, we are looking beyond that as we steadily carry out the plan.
### Ten-Year Financial Summary

#### IFRS **Consolidated**

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<tr>
<th>Fiscal Years</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
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<td>Operating Results:</td>
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<td>Operating revenues</td>
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<td>Cost of sales</td>
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<td>Selling, general, and administrative expenses</td>
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<td>13,099</td>
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<tr>
<td>Operating profit</td>
<td>5,414</td>
<td>5,323</td>
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<tr>
<td>Income before tax</td>
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<td>5,323</td>
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<tr>
<td>Net profit attributable to owners of the parent</td>
<td>¥5,385</td>
<td>¥5,310</td>
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<tr>
<td>Capital expenditures</td>
<td>1,962</td>
<td>3,386</td>
</tr>
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<td>Depreciation and amortization</td>
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<td>Research and development costs</td>
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<tr>
<td>Net cash provided by operating activities</td>
<td>3,746</td>
<td>2,068</td>
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<tr>
<td>Net cash used in investing activities</td>
<td>(2,825)</td>
<td>(2,863)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(2,626)</td>
<td>(1,971)</td>
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<td>Balance Sheet Data (As of March 31):</td>
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<tr>
<td>Total assets</td>
<td>¥93,156</td>
<td>¥88,700</td>
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<tr>
<td>Total equity</td>
<td>58,143</td>
<td>55,976</td>
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<tr>
<td>Current liabilities</td>
<td>28,610</td>
<td>27,481</td>
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<tr>
<td>Interest-bearing debt</td>
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<td>8,692</td>
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<td>Cash and cash equivalents</td>
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<td>64,860,935</td>
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<td>Per Share Data (Yen):</td>
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<tr>
<td>Net profit attributable to owners of the parent</td>
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<td>¥60.20</td>
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<td>860.09</td>
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<td>Ratio of equity attributable to owners of the parent to total assets</td>
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<td>ROE (Return on equity attributable to owners of the parent)</td>
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<td>ROA (Profit before income taxes to total assets)</td>
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#### Japanese GAAP **Consolidated**

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<td>Per Share Data (Yen):</td>
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<tr>
<td>Ratios (%):</td>
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</table>

**Footnotes:**
1. Since fiscal 2015, consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).
2. EBITDA = Operating profit/loss + Depreciation and amortization
3. Effective from the year ended March 31, 2012, the Group adopted Accounting Standard for Presentation of Comprehensive Income.
4. 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 the fiscal year ended March 31, 2015, however, for acquiring more accurate consolidated financial statements, we have employed on our accounting method to use the financial statements of the overseas consolidated subsidiaries for the same period as that of the Company. Accordingly, the above results for the year ended March 31, 2015 include the three-month results from January 1 to March 31, 2014 of the overseas consolidated subsidiaries.
## Financial Highlights

### Operating Revenues (Millions of Yen)

<table>
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<tbody>
<tr>
<td>Value</td>
<td>¥67,986</td>
<td>¥40,585</td>
<td>¥88,972</td>
<td>¥84,950</td>
<td>¥67,670</td>
<td>¥91,749</td>
<td>¥60,282</td>
<td>¥74,798</td>
<td>¥80,332</td>
<td>¥74,798</td>
</tr>
</tbody>
</table>

### Net Profit Attributable to Owners of the Parent (Millions of Yen) / Net Profit to Operating Revenues (%)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>¥5,414 million</td>
<td>¥3,301 million</td>
<td>¥3,948 million</td>
<td>¥4,662 million</td>
<td>¥5,685 million</td>
<td>¥7,478 million</td>
<td>¥5,414 million</td>
<td>¥6,432 million</td>
<td>¥7,478 million</td>
<td>¥5,342 million</td>
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</tbody>
</table>

### Total Equity (Millions of Yen) / ROE (%)

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Value</td>
<td>¥67,386 million</td>
<td>¥49,089 million</td>
<td>¥42,505 million</td>
<td>¥64,050 million</td>
<td>¥67,670 million</td>
<td>¥91,745 million</td>
<td>¥80,282 million</td>
<td>¥80,282 million</td>
<td>¥74,798 million</td>
<td>¥57,054 million</td>
</tr>
</tbody>
</table>

### Operating Profit (Millions of Yen) / Operating Profit to Operating Revenues (%)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Value</td>
<td>¥57,054 million</td>
<td>¥35,159 million</td>
<td>¥32,444 million</td>
<td>¥35,820 million</td>
<td>¥38,810 million</td>
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<td>¥52,093 million</td>
<td>¥58,279 million</td>
</tr>
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</table>

### Net Profit Attributable to Owners of the Parent per Share (Yen)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Value</td>
<td>¥65.85</td>
<td>¥4,348</td>
<td>¥3,130</td>
<td>¥2,342</td>
<td>¥2,957</td>
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<td>¥3,700</td>
<td>¥5,685</td>
<td>¥4,031</td>
<td>¥4,518</td>
</tr>
</tbody>
</table>

### Cash Dividends per Share (Yen)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
<td>¥18</td>
</tr>
</tbody>
</table>
**Topics for Fiscal 2016**

**Full-scale operation of technical centers in eight countries worldwide**

Technical centers were established in eight locations in Japan (Osaka), the United States, China (Shanghai and Shenzhen), Taiwan, Singapore, Thailand, Germany, and France.

**Acquired treasury stock**

We acquired 952,000 shares of treasury stock as part of our flexible capital policy that adjusts to changes in the business environment.

**Third consecutive award at AUTOMATION 2016 (India)**

As the company with the No. 1 ability to attract customers, we received this award for the third consecutive year.

**Held a global sales meeting**

The meeting was conducted to share information among sales members of group companies worldwide.

**Conducted a global technical meeting**

The meeting was held for engineers at group companies around the world to share information on technical and regional issues and acquire the necessary knowledge and skills.

**Double win at the 12th China (Shandong) International Equipment Manufacturing Expo**

We won the Best Product Gold Award for an exhibit that best contributed to automation, and also received the Best Booth Design Award in booth design.

**Formulated the 8th Mid-term Management Plan**

**Started production innovation initiatives**

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### Overview of Operating Results for Fiscal 2016

<table>
<thead>
<tr>
<th>Reportable segment</th>
<th>Operating revenues</th>
<th>Segment profit</th>
<th>Segment profit margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥75,832</td>
<td>¥3,796</td>
<td>5.0%</td>
</tr>
<tr>
<td>North America</td>
<td>9,674</td>
<td>623</td>
<td>6.4%</td>
</tr>
<tr>
<td>Europe</td>
<td>4,395</td>
<td>301</td>
<td>6.8%</td>
</tr>
<tr>
<td>East Asia</td>
<td>12,124</td>
<td>30</td>
<td>0.2%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>17,280</td>
<td>611</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

(Intersegment transactions) (44,509) | 51 | — |

| **Total** | **¥74,798** | **¥5,414** | **7.2%** |

**Operating Results by Reportable Segment**

- **Japan**
  - Operating in Japan are the Company and its consolidated subsidiaries SANYO KOGYO CO., LTD. and SANYO DENKI Techno Service CO., LTD. Operating revenues decreased 5.4% from the previous year, to ¥75,832 million, and 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 amounted to ¥9,674 million, up 17.9%, and segment profit jumped 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 amounted to ¥4,395 million, down 4.6%, and 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 (Shenzhen) ENGINEERING (Shenzhen) CO., LTD. Operating revenues amounted to ¥12,124 million, up 3.0%, and 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 amounted to ¥17,280 million, up 5.0%, and segment profit declined 15.2%, to ¥611 million.

*Excluding intersegment transactions*
### Operating Results by Business Segment

#### Electrical Works Contracting Division
- **Segment Share:** 3.0%
- **Operating Revenues:** ¥2,250 million

#### Electrical Equipment Sales Division
- **Segment Share:** 6.6%
- **Operating Revenues:** ¥4,930 million

#### Servo Systems Division
- **Segment Share:** 48.5%
- **Operating Revenues:** ¥36,248 million

#### Power Systems Division
- **Segment Share:** 12.4%
- **Operating Revenues:** ¥9,287 million

#### Cooling Systems Division
- **Segment Share:** 29.5%
- **Operating Revenues:** ¥22,081 million

### Overview of Operating Results for Fiscal 2016 (¥ millions)

<table>
<thead>
<tr>
<th>Business segment</th>
<th>Operating revenues</th>
<th>Orders received</th>
<th>Order backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooling Systems Division</td>
<td>¥22,081</td>
<td>¥22,465</td>
<td>¥3,581</td>
</tr>
<tr>
<td>Power Systems Division</td>
<td>¥9,287</td>
<td>¥9,208</td>
<td>¥2,181</td>
</tr>
<tr>
<td>Servo Systems Division</td>
<td>¥36,248</td>
<td>¥39,013</td>
<td>¥7,661</td>
</tr>
<tr>
<td>Electrical Equipment Sales Div.</td>
<td>¥4,930</td>
<td>¥4,633</td>
<td>¥496</td>
</tr>
<tr>
<td>Electrical Works Contracting D.</td>
<td>¥2,250</td>
<td>¥2,208</td>
<td>¥716</td>
</tr>
<tr>
<td>**Total</td>
<td>¥74,798</td>
<td>¥77,530</td>
<td>¥14,637</td>
</tr>
</tbody>
</table>

### Summary

**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. The amount of orders received increased 4.6%, to ¥22,465 million, and the order backlog climbed 12.0%, to ¥3,581 million.

**Power Systems Division**
- 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. Accordingly, operating revenue dropped 17.1% year on year, to ¥9,287 million. The amount of orders received decreased 17.6%, to ¥9,208 million, and the order backlog declined 3.5%, to ¥2,181 million.

**Servo Systems Division**
- 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 semiconductor manufacturers in China. Consequently, operating revenue rose 1.2% year on year, to ¥36,248 million. The amount of orders received rose 13.2%, to ¥39,013 million, and the order backlog increased 56.5%, to ¥7,661 million.

**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. The amount of orders received declined 52.8%, to ¥4,633 million, and the order backlog fell 37.4%, to ¥496 million.

**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 6.1% year on year, to ¥2,250 million. The amount of orders received fell 12.0%, to ¥2,208 million, and the order backlog dropped 5.5%, to ¥716 million.
Research and Development

The SANYO DENKI Group implements R&D activities under the leadership of SANYO DENKI CO., LTD. and increases collaboration between the sales divisions and the design and development groups of our research facility, based on the underlying concept of developing products with which customers can create new value.

Our three production divisions actively carry out R&D activities, aiming to contribute to the development of technologies for protecting the global environment, protecting the health and safety of individuals, utilizing new energy sources, and conserving energy.

We have implemented a unique design and development work group system in our R&D structure at Technology Center. This enables us to easily form new teams for each product issue, which helps us anticipate market needs and better respond to customer needs.

During the fiscal year ended in March 31, 2017, R&D costs including development expenses recorded in tangible assets, on a consolidated basis, amounted to ¥2,215 million. All the costs were recorded in the Japan segment.

### Research and Development Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,215</td>
</tr>
<tr>
<td>2015</td>
<td>2,495</td>
</tr>
<tr>
<td>2014</td>
<td>2,495</td>
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<tr>
<td>2013</td>
<td>2,461</td>
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<td>2012</td>
<td>2,405</td>
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<tr>
<td>2011</td>
<td>2,329</td>
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<tr>
<td>2010</td>
<td>2,162</td>
</tr>
<tr>
<td>2009</td>
<td>1,957</td>
</tr>
<tr>
<td>2008</td>
<td>2,105</td>
</tr>
<tr>
<td>2007</td>
<td>1,770</td>
</tr>
</tbody>
</table>

Japanese GAAP

We developed the following products for San Ace cooling systems.

In communications equipment and power supply units, the main user industries for cooling fans, we saw an expansion in the Internet and cloud computing, which increasingly requires equipment with higher density, larger capacity, and high speed. This development requires higher performance and reliability for cooling fans.

To meet these requirements, SANYO DENKI expanded its lineup of the new-size high airflow counter rotating fan San Ace 92 with high cooling efficiency, the low power consumption fan San Ace 120 and the high airflow centrifugal fan San Ace C175, which delivers high cooling performance.

We also developed new products: the bracket-mounted centrifugal San Ace C270, which is easy to install and maximizes the characteristics of the fan, and the reversible flow fan San Ace SRF, which can be fit in Ø100 mm home ventilation ducts in response to new demand from the residential ventilation market.

To stay ahead of market trends amid technological innovation, SANYO DENKI works actively to develop new cooling fans with higher performance and energy saving. We implemented an initiative to commercialize new products with world-class performance and reliability.

During the fiscal year under review, R&D costs in this division amounted to ¥275 million.

### Cooling Systems Division

In this division, we developed the following product for SANUPS power systems.

In the field of uninterruptible power supplies (UPSs), SANYO DENKI worked to develop products with lithium-ion batteries that have wider operating temperature range than the conventional batteries, which can achieve space-saving and maintenance-free operation.

In the field of power conditioners for photovoltaic generation systems (PV inverters), we developed a new 3-phase PV inverter SANUPS P73J that meets the industry standard. It is possible to shorten the installation time for multiple interconnection systems. We also expanded the lineup of a remote monitoring tool for PV systems SANUPS PV Monitor Type C with an output control function. It enables remote control of the amount of power generation based on information from power companies.

R&D costs in this division amounted to ¥706 million in the fiscal year under review.

### Power Systems Division

We developed the following product for SANMOTION servo systems.

SANYO DENKI expanded the lineup of the SANMOTION R series and developed AC servo motors with 100 mm/130 mm square flange size, featuring high-speed rotation and high acceleration/deceleration. Seven models with rated output of 1 kW to 5 kW have been prepared to shorten the equipment tact time and improve productivity.

We also expanded the lineup of the SANMOTION R 3E Model series and developed a 400 VAC input model AC servo amplifier with high-speed positioning control function and safe torque cutoff function. Six models with capacity of 26A to 100A are available.

In the field of stepping systems, we developed SANMOTION Model No. PB with a DC input, 4-axis integrated driver, which is equipped with a high-speed fieldbus EtherCAT interface and deviation-less closed loop control. This model eliminates delays in position command, so that device tact time can be reduced.

In the fiscal year under review, R&D costs in this division totaled ¥1,233 million.

### Servo Systems Division

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In the fiscal year under review, R&D costs in this division totaled ¥1,233 million.
Corporate Governance

Basic Corporate Governance Philosophies

The Company has established an internal control system, through which we strive to achieve our corporate principles through fair and reasonable management, and have every employee fully understand those principles in our daily business operations. We will revise the system when necessary.

Corporate Governance System

Basic information of corporate organization

(a) The Board of Directors always ensures that the activities of directors and employees comply with laws, regulations and the Company’s Articles of Incorporation, and it receives reports from the heads of divisions at regular Board of Directors meetings, or when needed. It also makes decisions, gives instructions and offers guidance, when necessary.

(b) The Board of Directors appoints the necessary number of operating officers to realize systematic, appropriate and speedy execution of operations, gives individuals the responsibility and authority they need to carry out their duties, oversees operations, and receives reports from our operating officers at Board of Directors meetings. It also makes decisions, gives instructions and offers guidance, when necessary.

(c) Audit & Supervisory Board Members audit the operations of the directors, and check whether operating officers, and the divisions under their control, are executing operations appropriately pursuant to laws, regulations, the Articles of Incorporation and in-house rules.

(d) The Auditing Department, under direct control of the president, performs audits to check whether operations in all divisions of the Company and affiliated group companies are being conducted appropriately according to laws, regulations, the Articles of Incorporation and in-house rules. It also offers guidance when it believes a practice needs to be improved.

(e) The Business Conduct Committee, appointed by the Boards of Directors, provides employees of the Company and affiliated group companies, with thorough training on compliance with laws and regulations and the Corporate Code of Conduct.

(f) The Internal Control Evaluation Committee evaluates the internal control of the Company and group companies and reports it to the Board of Directors, and the Board of Directors instructs or offers guidance based on the evaluation report.

Strengthening our risk management system

(a) The Company’s Crisis Management Committee, appointed by the Board of Directors, fully recognizes the risks that affect operations of the Company and its affiliated group companies, and strives to improve our crisis management system. During normal operations, the committee formulates measures to prevent risks from occurring.

(b) The Crisis Management Committee has established a system to prepare for any unforeseen situation that might seriously affect operations of the Company and its affiliated group companies.

Internal Audits and Audits by Audit & Supervisory Board Members

(a) As a tool of internal auditing, our Auditing Department was established with five Audit & Supervisory Board Members to prevent illegal corporate activities of the Company and affiliated group companies before happen and improve the quality of management.

(b) Audit & Supervisory Board Members attend all Board of Directors meetings, and the Operating Board meeting held twice a month, to fully oversee management’s corporate conduct.

(c) The Auditing Department, Audit & Supervisory Board Members and certificated public accountants are enhancing their mutual cooperation by exchanging information at various opportunities, including the regular meeting to discuss the annual schedule, earnings reports, and other data.

Limit on the Number of Directors

It has been established within the Articles of Incorporation, that there shall be no more than 10 Directors.

Resolutions to Appoint Directors

It has been established within the Articles of Incorporation that resolutions concerning the appointment of Directors shall be adopted when shareholders having one-third of the total voting rights of shareholders, and who are entitled to exercise their voting rights are present, and when approved by a majority of the votes of the shareholders present.

General Meeting of Shareholders Resolution Items That May Be Resolved by the Board of Directors

Acquisition of treasury stock

With regard to the acquisition of treasury stock, it has been established within the Articles of Incorporation that in accordance with Article 165, Paragraph 2 of the Companies Act, treasury stock may be acquired in accordance with resolutions of the Board of Directors. The aim of this is to enable the execution of flexible capital policies in response to the business environment.

Interim dividends

With regard to the distribution of retained earnings, it has been established within the Articles of Incorporation that in accordance with Article 454, Paragraph 5 of the Companies Act, interim dividends may be paid upon the resolution of the Board of Directors on September 30 of each year, or the nearest business day, except as otherwise stipulated by law. The aim of this is to enable the flexible distribution of profits to shareholders by authorizing the Board of Directors to decide on the distribution of retained earnings.
Environmental Management

Environmental Policy

Basic Policy
The SANYO DENKI Group helps preserve the global environment and enhance humanity’s prosperity through its corporate activities for society and the environment.

Basic Philosophy
The SANYO DENKI Group, comprising Kangawa Works, Shioda Works, Fujiyama Works, Technology Center and Head Office, develops, designs, manufactures and sells cooling fans, UPSs, power conditioners for photovoltaic generation systems (PV inverters), engine generators, servo systems, stepping systems, controllers, encoders, and driving devices. Under the principles listed below, each member of SANYO DENKI will take part in eco-friendly activities to help preserve our abundant global environment.

1. To enhance our environmental performance, we will continuously improve the environmental management system and work hard to prevent pollution and reduce the environmental impact of our activities.
2. We will assess the environmental impact of our corporate activities and focus on our environmental targets. We will also deal with the following as high-priority themes for environmental management.
   (1) Develop, design, manufacture, and sell environment-friendly products
   (2) Reduce or eliminate the use of hazardous chemicals
   (3) Reduce the environmental impact (energy consumption, number of copies, waste, etc.) of business activities
   (4) Contribute to the local community
   (5) Protect biodiversity and ecosystem
3. We observe environmental laws, restrictions and other rules relevant to our company and work hard for environmental preservation.
4. We document, carry out and maintain our environmental principles, make them known to all our employees, and ask that our employees both cooperate in the pursuit of these principles and reflect them in our environmental management.
5. We will review the environmental management system periodically.
6. We will openly publicize the environmental principles to parties in and outside the company.

Eco-products

Efforts for designing Eco-products
As for product design, we are carrying out R&D to incorporate the latest energy-saving technologies into our new products. At the same time, we carry out product assessments to evaluate the environmental impact of products at each stage, such as component and material procurement, manufacture, distribution, use, recycling, and disposal. Newly developed products are compared with commercially available and existing products and are certified as Eco-products (Eco-design products) if they satisfy the specified evaluation standards. In fiscal 2016, 11 types of products were certified as Eco-products. Going forward, we will continue to reduce CO2 emissions during use and promote product development with consideration of LCA.

Implementation of Life cycle assessment (LCA)
LCA is one of the techniques used to provide a general quantitative measure of levels of environmental impact including global warming that products have through their life cycles. We evaluate the environmental compatibility of a product using this method. Our rate of implementing LCA in our Eco-products was over 90% in fiscal 2016.

Life Cycle Processes Reviewed in LCA

Effects on the natural environment (global warming) are assessed at each stage of the life cycle, based on energy consumption and the amount of CO2 emissions.
Eco-Products in Fiscal 2016

Results of LCA
Eleven new Eco-products were developed in fiscal 2016. The LCA results are based on a comparison of the amounts of CO₂ emissions during use between newly developed models and their immediate predecessors. Since these products are used for a long time, the reduction of CO₂ emissions during use will be effective in preventing global warming. The following results are calculated based on the CO₂ emission volume for one year (result of LCA divided by the service life of a product).

Reduction of Hazardous Chemical Substances
The Hazardous Chemical Reduction Design Working Group, a subordinate body of the Chemical Emission Subcommittee, is working together with the design sections of business divisions to focus on dealing with regulated substances or those banned by the RoHS directive.

- We are expanding the number of models that comply with the RoHS directive (six substances): Cooling fans and stepping motors are compliant. Servo motors, servo amplifiers, stepping motor drivers, and power supply systems are on their way toward becoming compliant. Models complying with the RoHS directive are expanding.
- Examinations and measures to find alternatives for phthalic esters (four substances) added to the RoHS directive are being implemented (with a plan to become compliant by July 2018).
- Examinations and measures to find alternatives for new and additional regulated substances will be conducted at the customer’s request.
- Examinations for the specified substances in rules and restrictions will be conducted at the customer’s request.
- Examinations for hazardous chemical substances contained in our products are under way, based on the Chemical Substance Management Guidelines.

We are providing guidelines within the Company regarding China RoHS and countermeasures for substances banned by the revised RoHS directive and REACH.
- Analysis for the six RoHS substances contained in procured materials is being conducted using an X-ray fluorescence (XRF) analyzer.
- We are conducting inclusion surveys for substances of very high concern (SVHC) (173 substances) in REACH regulations and providing information to our customers.
- We are conducting inclusion surveys according to the Article Information Sheet (AIS) specified by the Joint Article Management Promotion Consortium (JAMPC), and providing information to our customers.
- We are on the transition process from AIS to chemSHERPA, which is a common scheme for transmitting information about the chemical substances contained in products.

Chemical Substance Management

Establishment and Use of Chemical Substance Management Guidelines
In August 2005, the Company established its Chemical Substance Management Guidelines for the management of hazardous substances, concerning parts and materials used for the Company’s products. The Guidelines provide management rules concerning substances specified in various laws and regulations, such as substances whose use is restricted or prohibited by the RoHS directive, SVHC (high-concern material) in REACH, substances banned by domestic and foreign legislation, and substances designated by the Japan Green Procurement Survey Standardization Initiative (former JGPSSI). We keep these guidelines up-to-date by making necessary revisions in response to changes in relevant laws and regulations (last updated in March 2017). These include definitions of terms, RoHS threshold values, survey questionnaires for our suppliers on chemical substances that affect the environment, and a guarantee form to assure that no RoHS-restricted substances are included in the materials we use. Currently, we request that our suppliers agree to abide by our Guidelines, and that they submit a survey questionnaire and a guarantee form to assure that their supplies contain no RoHS-restricted substances.

Green Purchases
The Company actively purchases stationary and office supplies that are environmentally friendly, such as products using recycled materials, substitute materials and waste materials, refillable products, products with replaceable parts, and products designed for recycling.
Internal Training

Global Sales Meeting
SANYO DENKI hosts the annual Global Sales Meeting to provide its sales representatives around the world with an opportunity to get to know one another. During the meeting, participants engage in discussions on a wide range of topics, including sales-related information, product development status, and some of the recent developments at the eight technical center locations across the globe, in order to further their knowledge and understanding.

Global Technical Meeting
The Global Technical Meeting is designed to enable the SANYO DENKI Group engineers to share technical information so that they can use it in future product development. Engineers from SANYO DENKI locations around the world gather under one roof and participate in factory tours, technical training, and new product demonstrations. The meeting has served as a great opportunity for engineers to gain a better understanding of one another and enhance their technical knowledge.

Next-Generation Training
SANYO DENKI is moving ahead with an eye on realizing the objectives of the Japanese Act on Advancement of Measures to Support Raising Next-Generation Children, i.e., helping build a society in which the next generation of children are born and raised in good health. That includes enhancing the work environment and conditions for its employees so they can do their jobs with peace of mind as they maintain a healthy balance between work and family life. Pursuant to this act, in July 2016 the Company was awarded a certificate (known as Kurumin) in recognition of the excellent childcare support it provides to employees.

Work-Life Balance Support
Semiannual briefing sessions are held for pregnant employees, those who will be providing nursing care for family members, as well as those juggling work and child or family care responsibilities. The session is designed to provide these employees with information about laws related to childbirth, child rearing, and family nursing care, the relevant employee rules and regulations, health insurance benefits, and so on. In fiscal 2016, the briefing sessions were held at the Fujiyama Works and Technology Center in September, October, and February.

Internships
Internships were provided to university students at the Technology Center in August and October 2016. Internships offer opportunities for students to get hands-on experience in product evaluation tests, control simulations, and other operations performed at the Company.

Factory Tours
The Company hosts factory tours for elementary and junior high school students as well as users of care facilities for the disabled. In July 2017, six people from a local care facility were invited to the Fujiyama Works. The visit included a tour of the uninterruptible power supply (UPS) production line and a meeting with Fujiyama Works employees where they talked about operations at the factory.

Community Engagement

Employees of the Head Office, Technology Center, and domestic factories participate in neighborhood cleanup activities at least once a month. The Kanagawa Works carried out a large-scale neighborhood cleanup program in cooperation with the local community association.

Safety and Health
To prevent occupational accidents and ensure the safety as well as mental and physical health of employees, we formed the Safety and Health Committee at the Head Office and Ueda Area (its Technology Center and factories). Designed to provide a safe and healthy work environment, the committee appoints officially certified administrators and environmental management experts to ensure occupational safety and health.

Activities of the Safety and Health Committee
- **<Workplace inspection visits>** Committee members visit workplaces to inspect whether appropriate measures have been taken to solve any problems pointed out in the previous month’s inspection and checks for any areas that need improvement.
- **<Preventing occupational accidents>** During workplace inspection visits, committee members check certain priority issues to prevent occupational accidents. All branch offices and factories are informed of occupational accidents that have occurred so that they can implement appropriate measures to prevent any recurrence.
- **<Reports from administrators>** The committee receives reports from safety and health administrators concerning environmental measurements, inspection schedules, announcements, training sessions, and revisions to laws and regulations.
- **<Activities for maintaining and improving health>** The committee organizes medical checkups for employees with the aim of achieving a 100% examination rate. Employees with health problems are provided with medical counseling and follow-up examinations. The committee also provides health consultation services to prevent lifestyle diseases in accordance with the annual schedules of branch offices and factories.
- **<Mental health care>** The committee provides contacts for consultation services, training for administrators, self-care training for general employees, and counseling by nurses.
- **<Training and drills>** Emergency drills are conducted.
- **<Installation of automatic external defibrillators (AED)>** AEDs are installed at the Head Office, Osaka Branch, Nagoya Branch, and Ueda Area (its Technology Center and factories). On top of that, to enable employees to act quickly when the unexpected happens, training on general emergency life-saving methods is periodically provided.

Eliminating Conflict Minerals

**Procurement Policy**
The Electronic Industry Citizenship Coalition (EICC), whose members include major electronics companies and their suppliers around the world, encourages companies to monitor their supply chains to eliminate the use of mineral resources produced in the Democratic Republic of the Congo which are considered conflict minerals. To address this issue, the SANYO DENKI Group has formulated the procurement policy stated below.

1. The SANYO DENKI Group recognizes its responsibilities as a member of the global community and acts in accordance with social norms and relevant laws and regulations of the countries where it operates.
2. Under this policy, conflict minerals include tin, gold, tantalum, tungsten, and cobalt.
3. We will occasionally check whether or not suppliers of parts and materials, which are likely to include any of these minerals, use minerals produced in the Congo as well as the country of origin of the minerals they use.
4. We will immediately stop buying parts or materials when they are found to contain any minerals produced in the Democratic Republic of the Congo or neighboring conflict zones. Suppliers are asked to promptly contact our purchasing department whenever they have discovered that any of their products contain or may contain a conflict mineral and follow the instructions provided.
5. Regardless of the policy stated above, it may be difficult to identify the country of origin, refinery, and upstream suppliers of a material since conflict minerals constitute rare metals or precious metals and are traded in various forms and through different channels. We will conduct follow-up investigations at appropriate intervals to ensure that the investigation is thorough.