SANDEN
Delivering Excellence

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URL: http://www.sanden.co.jp/english/index.html

Notice Concerning the Transition to a Holding Company Structure by Way of Corporate Separation and the Establishment of Companies in Preparation for the Company Split

Sanden changed its name to Sanden Holdings Corporation on April 1, 2015 and to maintain its status as a publicly listed company under its new holding company structure.

Printed in Japan

ANNUAL REPORT 2015

Year ended March 31, 2015

SANDEN HOLDINGS CORPORATION

Who We Are

All of the Sanden Group's Business Operations Including Core Activities Put Emphasis on Caring for the Environment.

Automotive Systems

Sanden has taken a long and careful look at the evolution of the automobile and is pursuing the development of next-generation, air-conditioning systems that are friendly to both people and the environment.

Sanden's compressors for use in car air-conditioning systems have been adopted by many automotive manufacturers around the world, and Sanden is continuing to contribute as a leader in this field.

Compressor

Commercial Store Systems

Sanden develops, manufactures, and markets refrigerating and freezing showcases used in convenience stores and other kinds of stores as well as vending machines for products including beverages and foods. The Company's global market share in the field of vending machines is approximately 30%. We offer vending machines and refrigerating showcases that employ environment-friendly CO_2 refrigerant.

In 2011, we launched a non-freon heat pump vending machine with LED illumination, and it is now the industry's top product with respect to energy conservation.

Sanden has also been an industry leader in providing equipment maintenance and renovation services that customers require in connection with their store network expansion and store rebuilding strategies.

Open Freezer

Vending Machine

Eco Systems and Other Products

Sanden develops, manufactures, and markets the Eco Cute* CO_2 refrigerant heat pump hot water supply systems as well as wireless communication modems and other IT-related products for our services.

Since 2010, the Company has been providing the Eco Cute technologies it has accumulated in Japan, Australia, and European markets, and plans call for progressively expanding this business to encompass global markets for hot water supply systems products.

* "Eco Cute" is the nickname given to CO_2 natural refrigerant heat pump hot water supply systems that have been promoted by electric power companies and by companies manufacturing and marketing these units.

Heat Pump Hot Water Supply System

Key Figures 2015

(Years ended March 31, 2015 and 2014)

	Millions of yen		Thousands of U.S. dollars (Note)
	2015	2014	2015
For the Year:			
Net Sales	¥306,984	¥274,786	$2,554,581
Operating Income	9,407	4,858	78,280
Comprehensive Income	11,713	13,123	97,470
Capital Expenditures	14,130	16,661	117,583
Research and Development Expenses	6,742	7,095	56,103
At Year-End:			
Total Assets	299,265	277,920	2,490,347
Total Net Assets	75,677	65,651	629,749
	Yen		U.S. dollars (Note)
Per Share:			
Net Income	¥ 40.40	¥ 42.65	$0.33
Cash Dividends Applicable to the Year	10.00	10.00	0.08
Net Assets	510.80	443.68	4.25
Ratios:			
Return on Sales (%)	1.8	2.1	
Current Ratio (%)	119.0	117.3	
Fixed Ratio (%)	177.9	192.2	
Return on Equity (%)	8.5	10.5	
Number of Employees at Year-End	11,063	10,854	

Note: U.S. dollar figures are translated, for convenience only, at the rate of ¥120.17 to US$1.00, the effective rate of exchange prevailing on March 31, 2015.

Environmental Figures

	Unit	2015	2014
Energy Consumption	in MWh	795,438	737,424
CO_2 Emissions (total, scope 1 and 2)	in metric tons CO_{2eq}	131,788	124,051
Waste (total)	in tons	24,866	26,713

Contents

Interview with Sanden's President

We are driving global growth through innovation and utilization of group-wide strengths newly organized on a holding company basis for optimum scope and scale.

Kin-ei Kanda
Director & President

神田金栄

Q What is your basic management philosophy?

Our Company was established some 72 years ago and still draws great strength and inspiration from the words of our founder, Kaihei Ushikubo, who notably said "Let us develop with wisdom and prosper in harmony", and also "The Principle that a Company Is as Good as the People It Keeps." I believe these clear concepts of pioneering development and teamwork have been the vital drivers for the Sanden Group until now and will surely remain so well into the future.

Q What key factors contributed to Sanden recording its highest sales figures two years in row?

Generally speaking, the global economy recorded a gradual recovery in the fiscal year ended March 2015.

During the same period, Japan experienced a steady pace of recovery due to favorable effects of depreciation of the yen, higher stock prices stemming from monetary easing, and improvements in the employment situation, despite the adverse impact on consumer spending of an increase in the consumption tax.

Amid this business environment, the Sanden Group worked to boost its corporate value by focusing on several strategic goals, namely, "Sales Growth Centered on Environmental Technologies," "Strengthening Business Competitiveness Based on Reform of the Corporate Structure," and "Management Reforms Based on the Reform of Management Systems." As a result of these initiatives, in the fiscal year ended March 31, 2015, we increased net sales 11.7%, to ¥306,984 million, marking a record high for the second consecutive year. Operating income rose fully 93.6%, to ¥9,407 million, while ordinary income increased some 107.3%, to ¥10,314 million, both substantially above the preceding fiscal year. Effective April 1, 2015, the Group reorganized its business operations in accordance with a holding company structure, which will provide the scope and scale to maximize corporate value group-wide and to increase the pace of our growth around the world.

Q What are your thoughts about providing returns to investors?

Without question, assuring a healthy return to all Sanden shareholders is one of our fundamental management policies. Our goal is to provide stable dividends on a sustainable basis, and, after a thorough review of our consolidated performance, to aim for a consolidated payout ratio of about 30%. For the fiscal year ended March 31, 2015, assessing our consolidated performance, financial position, and business forecast, we stayed with our original plan of an annual dividend of ¥10 per share. The process of determining the annual dividend for the fiscal year ending March 31, 2016 is currently under way.

What are the core strengths of Sanden?

Our core strengths contribute directly to our growth prospects and are focused in several critical areas, specifically, our robust global network, our commitment to quality, and our dedication to state-of-the-art environmental technologies and products. To cite but one example, we are achieving significant synergies in the area of newly developed non-freon refrigerant products and services. Further, we are confident we can put our core strengths to work to realize substantial growth in product and service business segments competitors may see as having high barriers to entry.

What are your views on good corporate governance?

As I mentioned, our founder's words, "Let us develop with wisdom and prosper in harmony" are as vibrant today as when the Company was established. In fact, our Corporate Philosophy is built on a bedrock of general principles, shared universal values, and our basic stance on engagement with stakeholders. Both in Japan and overseas, the Sanden Group is proactively working to increase its corporate value while enhancing compliance throughout its business operations and making ongoing improvements in management accountability and transparency.

In line with good corporate governance practice, we have included two outside Directors on our Board of Directors and three outside Audit & Supervisory Board Members, who are counted on to proactively voice their opinions at Board of Directors' meetings, Management Committee meetings, and other important meetings. Specifically, both Outside Directors and Audit & Supervisory Board Members can provide valuable oversight of management from an objective and independent perspective and offer insightful suggestions based on their field of expertise. In line with Japan's new Corporate Governance Code, I believe Sanden's corporate governance structure allows for "transparent, fair, timely, and decisive decision making," while balancing the interests of our shareholders and other stakeholders.

Which countries or regions do you believe will achieve significant growth?

Generally speaking, considering continuing global economic trends as well as the uncertainties, China and India will potentially have a notable impact due to population growth and middle-class demand for automobiles, lifestyle, and environmentally related products, which directly link with some of our key business initiatives.

What is your strategy for investment over the medium term?

Between 2011 and 2013, we made a number of key capital investments, and I am happy to report that we are now seeing the fruits of those investments. At the same time, we are continuing to develop new technologies, products, and services that we trust will surpass our customers' expectations. Going forward, we will devise net investment plans that will have the most beneficial impact on both on our productivity and future growth potential both in Japan and overseas.

Sanden continues to create new values through Challenge & Innovation based on the "Environment."

Corporate Philosophy

The Sanden Group (G-SDC) will observe the following 10 principles in full compliance with laws, regulations, and rules.

Basic Principles

(Universal Values Shared by the Sanden Global Community)

1. Good Corporate Citizenship and Harmony with Society
We will grow as good corporate citizens, trusted by society and in harmony with the international community.

2. Respect for Human Rights
We will build a corporate culture founded on respect for individuals and human rights.

3. The Environment
We will endeavor to preserve the environment in every aspect of our corporate activities to ensure that future generations will inherit our beautiful, irreplaceable earth.

4. Corporate Ethics
We will conduct our corporate activities in a spirit of sincerity and fairness based on a strong sense of ethics.

5. Safety and Health
We will enable our employees to achieve a healthy lifestyle by creating an environment that assures their health and safety.

Basic Stance toward Stakeholders

6. Customers
We will stand on the admired ability of engineering development and manufacturing, and can offer products, systems, and services, based on the QUALITY FIRST, that provide constant satisfaction to our customers around the world.

7. Employees
We will grow together with our employees by creating an organizational culture that encourages free and vigorous communication imbued with a spirit of respect for humanity in line with our corporate culture of challenge and innovation.

8. Shareholders and Investors
We will respond to the trust and expectations of our shareholders and investors by expanding the Sanden Group, enhancing our corporate value and making our management more transparent.

9. Communities
We will respect regional customs and cultures around the world and contribute to the social and cultural development of the communities, which we are related with.

10. Suppliers
We will grow together with our suppliers as business partners who provide our customers with the best possible products, systems, and services on the basis of fair and transparent relationships.

Structure of the Corporate Principles

Aiming to Become "Global Excellent Companies"

Founding Spirit

"Let Us Develop with Wisdom and Prosper in Harmony"

"Let Us Develop with Wisdom and Prosper in Harmony" means that we should use our intelligence in combining our development and pioneering abilities to win prosperity for us all.

Management Principles

- **Satisfy our customers' needs with high-quality products**
- **Contribute to the social and cultural improvement of the community through business activity**
- **Build a company of which all are proud, through the efforts of self-motivated employees**

These principles have served as fundamental employee action guidelines since Sanden's founding.

Corporate Philosophy

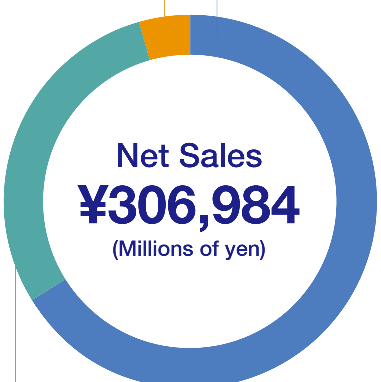
Sanden's Corporate Philosophy comprises a preamble that serves as the starting point for all corporate activities of the "global excellent companies" of the revitalized Sanden Group and designates compliance as the basis for all operations, five universal values common to all peoples of all nations, and five general rules establishing the Company's basic stance toward its stakeholders.

Segment Review

Our Business

Automotive Systems Business
65.2%
¥200,222
(Millions of yen)

Living & Environment Systems and Other Business
3.9%
¥11,867
(Millions of yen)

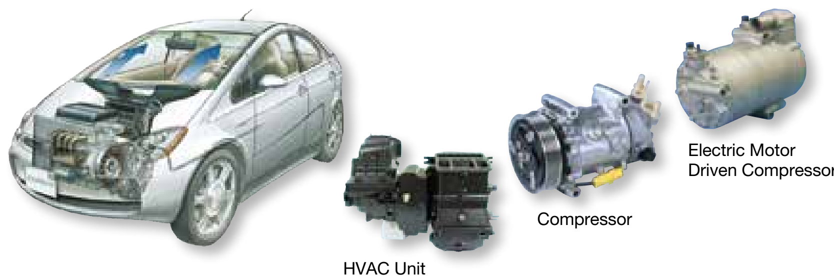


30.9%
¥94,893
(Millions of yen)
Commercial Store Systems Business

Automotive Systems Business

- SANDEN AUTOMOTIVE CLIMATE SYSTEMS CORPORATION
- SANDEN AUTOMOTIVE COMPONENTS CORPORATION

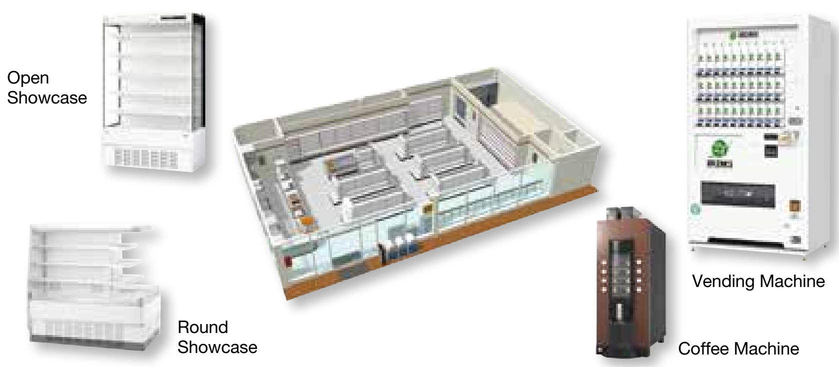
Sanden manufactures and delivers automotive compressors and climate systems around the world. Our state-of-the-art technology suitable for hybrid vehicles and electric vehicles is highly evaluated by the world's leading car manufacturers.



Commercial Store Systems Business

- SANDEN RETAIL SYSTEMS CORPORATION

Sanden manufactures and delivers freezing and refrigerating showcases, and systems and services contribute to our customers' business growth.



Living & Environment Systems Business

- SANDEN LIVING & ENVIRONMENTAL SYSTEMS CORPORATION

Based on our CO_2 heat pump technology, Sanden provides eco-friendly products such as home use hot water supply systems and heaters which contribute to comfortable life.

Performance Overview

In the fiscal year that ended in March 2015, the global economy has seen a gradual recovery in the current fiscal year with steady economic recovery in the United States and signs of improvement in Europe as a result of monetary easing policies, etc., this despite a slowdown in growth in China and some emerging countries.

Meanwhile, despite a rise in the consumption tax in Japan that led to a fall in personal consumption, the country has seen a steady pace of economic recovery driven by the weak yen and high stock prices resulting from additional monetary easing, as well as improvements in the employment situation.

In this business environment, the Sanden Group is working to create further corporate value by continuing to concentrate on the strategic goals of “Sales Growth Centered on Environmental Technologies,” “Strengthening Business Competitiveness Based on Reform of the Corporate Structure,” and “Management Reforms Based on the Reform of Management Systems.”

As a result of these initiatives, net sales increased 11.7%, to ¥306,984 million and showing a record high for the second year in a row. Operating income increased 93.6%, to ¥9,407 million, and ordinary income increased 107.3%, to ¥10,314 million, both higher than the previous fiscal year.

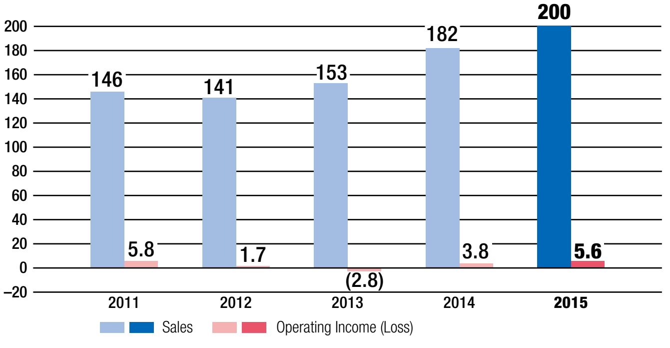
Effective April 1, 2015, the Group transferred to a holding company structure to allow it to maximize corporate value across the Group as a whole, and increase the pace of worldwide growth.

Automotive Systems Business

Net sales in Automotive Systems increased in comparison with the previous fiscal year, driven not only by higher vehicle sales in China and elsewhere in Asia, but also by capturing new business in this segment by using our original strength of environmental technologies. Profit rose in comparison with the previous fiscal year, driven on one hand by the Company’s active investment in the development of environmental technologies for the future; cost reductions and productivity improvements realized as a result of further development of overseas production bases, in-house production of components, and structural reforms in global procurement of components; and also the impact of the weak yen. As a result, net sales increased 9.9%, to ¥200,222 million, and operating income increased 48.9%, to ¥5,602 million, compared with the previous fiscal year.

Sales and Operating Income (Loss)

(Billions of yen)



Commercial Store Systems Business

In the retail store systems sector, business increased as we supported customers' growth strategies by suggesting and providing comprehensive solutions in terms of products, systems, and services that reflect changes in environmental attitudes and lifestyles. The result was an increase in sales compared with the previous fiscal year.

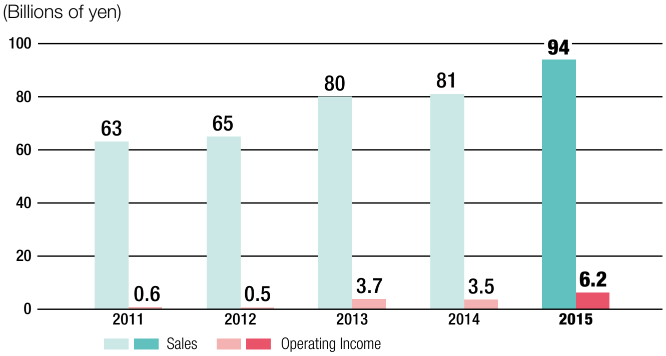
In the domestic market, the vending systems sector saw an increase in sales compared with the previous fiscal year. This was the result of our aggressive development of environment-friendly products, for example, vending machines that use our exclusive CO_2 heat pumps, as well as initiatives to expand new business domains, such as coffee dispensers, etc.

Profit rose in comparison with the previous fiscal year as a result of increased sales, plus ongoing and thorough structural reforms aimed primarily at reducing costs and improving productivity.

As a result, net sales increased 17.1%, to ¥94,893 million, and operating income increased 75.3%, to ¥6,211 million compared with the previous fiscal year.

Sales and Operating Income

(Billions of yen)



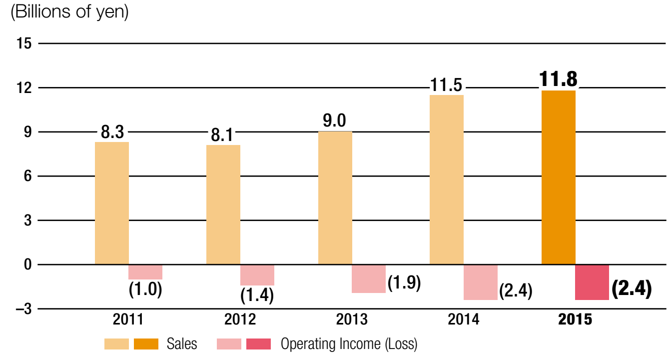
Living & Environment Systems and Other Business

We have been concentrating on sales in Japan and other countries of Eco Cute, a heat pump hot water supply system using a natural CO_2 refrigerant. In addition, we are continuing to make substantial investments for the development of exclusive technologies for a hot water heating unit using heat pump technology and for other products. We are making steady progress toward the goal of extending operations to more business domains.

We already started business operations in Europe and Australia, and are currently conducting a feasibility study in the United States, China, and other Asian countries where we believe business operations will grow rapidly based on growing awareness to preserve the natural environment. We will completely align our business with our Corporate Philosophy, which implies we will endeavor to preserve the natural environment in every aspect of our corporate activities to ensure that future generations will inherit our beautiful, irreplaceable earth.

Sales and Operating Income (Loss)

(Billions of yen)



Our Group Structure

SANDEN HD

SANDEN AT

SANDEN ADVANCED TECHNOLOGY CORPORATION

Main business areas:
Technology Development of Automotive Air-Conditioning, Retail System, and Living & Environmental System Devices

The company aims to open up a future of new possibilities by providing next-generation technologies and products to our Group companies. The Company also contributes by proposing and planning new technologies and products that will be needed by our Group companies in the future.

SANDEN BE

SANDEN BUSINESS EXPERT CORPORATION

Main business areas:
Shared Service Center of Sanden Group, including Administration, Accounting, and Human Resources

The company's role is to support the entire Sanden Group through its Accounting, Administration, and Human resources. The company will continue to pursue the maximization of its performance to reduce costs and increase speed with its high professional capabilities, aiming to strengthen the competitiveness of our business throughout the world.

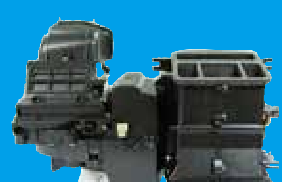
SANDEN AS

SANDEN AUTOMOTIVE CLIMATE SYSTEMS CORPORATION

Main business area:
Automotive Air-Conditioning Systems

The company engages globally in the manufacture and sales of components for vehicle air-conditioning units. As our customers have deep concern for the use of environmental products, the market expects us to deliver more of these products, going forward.

Major Products



HVAC Unit

Compact HVAC Unit

Evaporator

SANDEN AC

SANDEN AUTOMOTIVE COMPONENTS CORPORATION

Main business area:
Automotive Air-Conditioning Compressors

The company manufactures and delivers compressors for air-conditioning units in vehicles. The world's major automakers continue to use the company's compressors because their superior performance and light weight contribute to better fuel efficiency, making these products especially suitable for environmental-friendly vehicles, such as hybrid and electric vehicles.

Major Products

Swash Plate Type Compressor

Scroll Type Compressor

Electric Motor Driven Compressor

SANDEN RS

SANDEN RETAIL SYSTEMS CORPORATION

Main business area:
Retail Systems

The company supplies a variety of equipment for retail store operations, including freezing and refrigerating showcases, vending machines, and coffee servers. Always taking the customer's perspective, the company offers retail store systems and servicing tailored to customers' business needs.

Major Products


CO_2 System Self-Contained Open Showcase


Horizontal Open Freezer

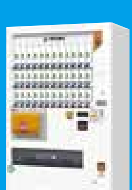

CO_2 Unit

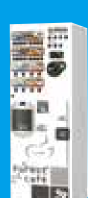

CO_2 System Self-Contained Round Showcase


Walk-in Vault


CO_2 Unit


Coffee Machine


Vending Machine for Both Regular Use and Use after a Disaster


Coffee Vending Machine

SANDEN LS

SANDEN LIVING & ENVIRONMENTAL SYSTEMS CORPORATION

Main business area:
Living and Environmental Systems

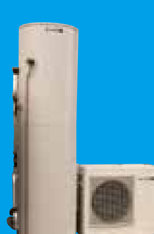
The company develops environmental products based on CO_2 heat pump (hereinafter HP) technology, mainly HP hot water supply units and HP hot water heaters for home use. By improving basic performance, we are increasing the energy savings offered by our Eco Cute* units for the Japanese market year by year. Using this technology, we have already expanded into Europe and Australia, and we are seeking to stimulate significant growth by collaborating with local affiliates to rapidly expand our business in the North American and Asian markets.

* "Eco Cute" is the nickname given to CO_2 natural refrigerant heat pump hot water supply systems that have been promoted by electric power companies and by companies manufacturing and marketing these units.

Major Products


Eco Cute


CO_2 Heat Pump Heater


Hot Water Supply System (Australian Model)


Hot Water Supply System (EU Model)

SANDEN EP

SANDEN ENVIRONMENTAL PRODUCTS CORPORATION

Main business area:
Natural Refrigerant Compressors

The company sets CO_2 refrigerant as a core since it is extremely important to our Automotive Systems business. CO_2 compressors are the key product here, and we are currently delivering our products all over the world. The company will continue to develop CO_2 technologies and products that enable our business divisions and customers to generate further growth.

Major Products


CO_2 Piston Type Compressor


CO_2 Scroll Type Compressor


Heat Exchanger

CSR Activities

Sanden’s CSR Activities Are Putting Our Corporate Philosophy into Practice.

The slogan of the Sanden Group is “Delivering Excellence.” Through corporate activities with the environment at the core, this slogan also means to offer the highest-level products, systems, and services to satisfy all stakeholders, which will lead Sanden to be a “Global Excellent Company.”

As a policy for these initiatives, upon its 60th anniversary in 2003, Sanden formulated its “Corporate Philosophy” (see p. 4). The Sanden Group believes that it is very important for all employees to put the content of its “Corporate Philosophy” into practice in activities every day and that putting ethics into practice is synonymous with its CSR.

January 2015/Malaysia

Donation for flood victims

Donated to support flood survivors, families, and victims.

Associates in Sanden Air Conditioning (Malaysia)

July 2014/Poland

Donation for intractable diseases

Donated to support patients with intractable diseases and their families through volleyball tournament games.

Associates in Sanden Manufacturing Poland

November 2014/Japan

Host soccer festival for children

Hosted soccer festival for children at Sanden’s soccer park located in Japan.

Children at Sanden Football Park

April 2014/USA

Support for families in need

Supported a food bank in Detroit to help families in need.

Associates in Detroit Office

November 2014/Thailand

Support to repair school buildings

Supported the renovation of old school buildings in Ayutthaya.

Before

After

April 2014/France

Offer sportswear to a children’s soccer team

Offered sportswear to a power wheelchair soccer team.

Powerchair Football Team

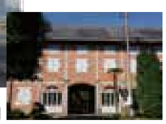
For other CSR activities, please see the following website.
► **http://www.sanden.co.jp/english/environment/activity.html**

Topics

Established “Industrial Sightseeing Center”

In May 2014, Sanden established the non-profit organization “Industrial Sightseeing Center” in our training facility Communication Plaza in Saitama Prefecture. The center supports the Tomioka Silk Mill and Related Industrial Heritage, which was registered as one of the World Heritage sites in 2014. The Center aims to spread understanding of values of the Tomioka Silk Mill and Related Industrial Heritage, which were built in the Meiji era. The Center also seeks to nurture human resources to make a bright future for industries of the area through learning about the Heritages.

Sanden Communication Plaza



Tomioka Silk Mill

Opens a New Sales Branch Office in France

In July 2014, Sanden opened Sanden Environmental Solutions, a new sales branch office in Rennes, France. The branch aims to drive environmental business in the European market. Sanden will continue to expand the business, setting Japan and Europe as global bases, through developing CO_2 devices and delivering modules, systems, and services on a global basis.

Associates in Sanden Environmental Solutions

8th STQM World Convention in Shanghai

In October 2014, Sanden held the 8th STQM World Convention in Shanghai, China. Among 1,200 circles in 23 countries/regions and 54 business locations, 15 winners of each district gathered. Sanden has held conventions from 2003 in Japan, Singapore, France, and the U.S., and it was the first time to hold the Convention in China.

STQM World Convention in Shanghai

Declares for Promoting Diversity in the Group

In December 2014, Sanden held “Sanden Women’s Forum” in order to Boost Diversity in the Group at Sanden Communication Plaza in Saitama Prefecture. Then-President Mitsuya Yamamoto announced the declaration at the Forum in front of 200 female employees at the Plaza and attendees participated at the conference from all parts of Japan. The Company aims to increase female managers to 12% of all managers through promoting female employees’ activities.

Selected as a Member Company of Morningstar Socially Responsible Investment Index (MS-SRI)

In January 2015, Sanden was selected as a member company of Morningstar Socially Responsible Investment Index (MS-SRI). MS-SRI is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among approximately 4,000 listed companies in Japan by assessing their social responsibility, and converts their stock prices into the index.

Chairman of the Board Wins “Officer” of the Legion of Honor

In March 2015, Masayoshi Ushikubo, Chairman of the Board, was named the prestigious rank of “Officer” of the Legion of Honor, following the first recognition of “Chavalier” in 2000. This honor serves as a sign of France’s appreciation for his long dedication and contribution to the strengthening of the bilateral relationship.

French Minster of Defense, Mr. Jean-Yves Le Drian (Left) giving the Medal to Chairman of the Board, Masayoshi Ushikubo (Right)

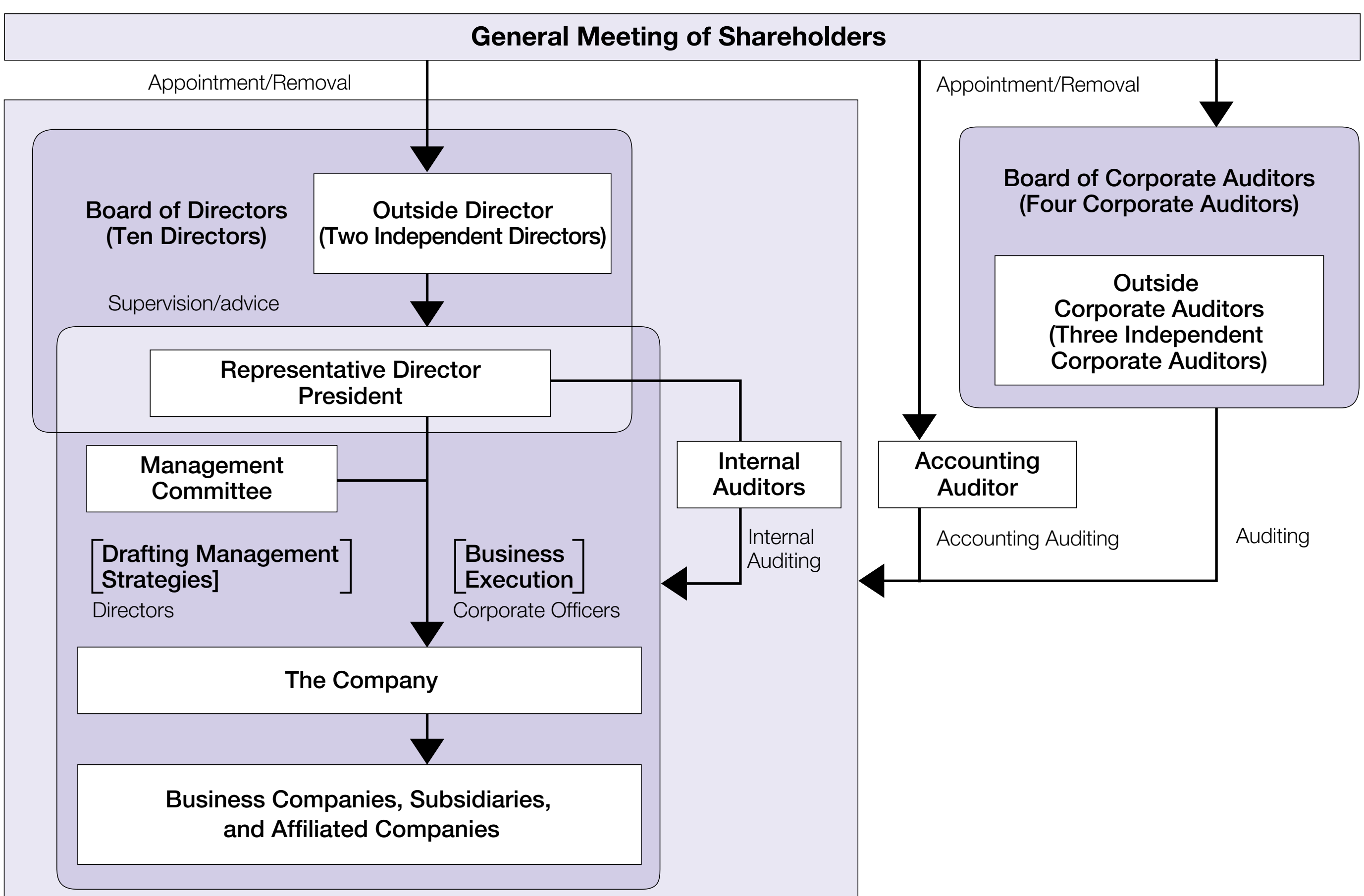
Corporate Governance

Fundamental Corporate Governance Policies

Sanden's Founding Spirit, "Let Us Develop with Wisdom and Prosper in Harmony," is still alive today and is as vibrant as when the Company was founded in 1943. In 2003, Sanden established a new Corporate Philosophy, which includes "Basic Principles (Universal Values Shared by the Sanden Global Community)" and a "Basic Stance toward Stakeholders." Both in Japan and overseas, the Sanden Group is relentlessly and proactively striving to increase corporate value while further improving corporate governance with a view toward further improving management efficiency and transparency.

Sanden has a Board of Directors, a Board of Corporate Auditors, and an Accounting Auditor. The Board of Directors is comprised of ten members (with two outside Directors), and the Board of Corporate Auditors is comprised of four members (with three outside Auditors). To strengthen management oversight functions, Sanden appoints fully independent outside Directors and outside Corporate Auditors. Currently, Sanden's five outside executives are all certified as "independent" under the Securities Listing Regulations of the Tokyo Stock Exchange. By setting Directors' terms to one year, Sanden has put in place a system to ensure management transparency and one that enables quick responses to changes in the market environment. Also, by adopting an executive officer system, the Group aims to strengthen business execution functions and increase management efficiency. Moreover, the Executive Committee and Board of Directors deliberate in a timely fashion on important matters in compliance and risk management. Furthermore, by putting in place internal and external hot lines as an internal reporting system, Sanden is working to strengthen risk management, corporate ethics, and legal compliance.

Sanden's Corporate Governance and Internal Control Organization Units and Their Interrelationships



As of June 2015

Summary of Selected Financial Data

Years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note)
	2015	2014	2013	2012	2011	2010	**2015**
Net sales	**¥306,984**	¥274,786	¥241,780	¥214,282	¥216,539	¥194,696	**$2,554,581**
Net income (loss)	**5,580**	5,843	1,084	1,204	6,087	4,410	**46,434**
Comprehensive income	**11,713**	13,123	5,331	57	2,340	—	**97,470**
Total net assets	**¥ 75,677**	¥ 65,651	¥ 52,961	¥ 48,199	¥ 49,329	¥ 47,232	**$ 629,749**
Total assets	**299,265**	277,920	247,387	212,300	207,925	205,140	**2,490,347**
Net assets per share (yen and U.S. dollars)	**¥ 510.80**	¥ 443.68	¥ 364.35	¥ 331.08	¥ 335.11	¥ 323.92	**$ 4.25**
Net income (loss) per share (yen and U.S. dollars)	**40.40**	42.65	7.96	8.84	44.66	32.36	**0.33**
Capital adequacy ratio (%)	**23.6%**	22.1%	20.1%	21.3%	22.0%	21.5%	
Return on equity (%)	**8.5**	10.5	2.3	2.7	13.6	10.4	
Price earnings ratio (%)	**13.3**	10.8	47.1	30.6	7.8	10.6	
Cash flows from operating activities	**¥ 16,223**	¥ 18,803	¥ 3,148	¥ (5,227)	¥ 7,820	¥ 18,772	**$ 135,000**
Cash flows from investing activities	**(13,301)**	(12,105)	(16,794)	(7,588)	(6,038)	(5,327)	**(110,684)**
Cash flows from financing activities	**(2,022)**	(8,675)	17,740	9,432	(6,551)	(11,312)	**(16,826)**
Cash and cash equivalents at end of the year	**20,588**	19,078	19,961	14,842	18,526	24,100	**171,323**
Number of employees	**11,063**	10,854	10,194	8,545	8,281	7,880	
Gross profit	**¥ 57,246**	¥ 48,101	¥ 36,731	¥ 35,928	¥ 40,613	¥ 37,201	**$ 476,375**
Gross profit ratio (%)	**18.6%**	17.5%	15.2%	16.8%	18.8%	19.1%	
Ratio of SG&A expenses (%)	**15.6**	15.7	15.6	16.4	16.3	16.4	
Total net assets ratio (%)	**23.6**	22.1	20.1	21.3	22.0	21.5	

Note: U.S. dollar figures are translated, for convenience only, at the rate of ¥120.17 to US$1.00, the effective rate of exchange prevailing on March 31, 2015.

Management's Discussion & Analysis

Net Sales

On a consolidated basis of the Sanden Group, net sales for fiscal year 2015, ended March 31, 2015, reached a new record high level and increased by 11.7%, or ¥32.1 billion, compared with the previous fiscal year, to ¥306.9 billion ($2,554.5 million).

First, in the Automotive Systems Business, sales expanded due to the increases in sales in China and the rest of Asia outside Japan as well as the obtaining of new business through the introduction of the environment-friendly products, which are one of our strengths.

While investing in the development of environment-friendly technology that meets the expanding needs of the environment and energy conservation in the market, the segment's operating income increased due to our sustained efforts to reduce the costs and to improve productivity through the reform in overseas manufacturing operations, which includes internalizing key component production and the successful structural reforms in global parts procurement, and the supportive effects of yen depreciation.

As a result, segment sales were ¥200.2 billion ($1,666.1 million), up 9.9% from the previous fiscal year. Operating income was ¥5.6 billion ($46.6 million), representing an increase of 48.9% from the previous fiscal year.

Second, in the Retail Store Systems Sector of the Commercial Store Systems Business, as a result of the comprehensive proposals for products, systems, and services that respond to rising environmental awareness and changes in lifestyles, the Sanden Group contributed to the growth strategies of our customers. As a consequence, we were able to expand our business activities and then sales expanded over the previous fiscal year.

In the Vending Systems Sector of the Commercial Store Systems Business, the Sanden Group actively developed environment-friendly products, especially our unique vending machines equipped with CO_2 heat pumps in the domestic market, and expanded new business areas, including coffee servers. As a consequence, sales increased from the previous fiscal year.

The segment's operating income continues to increase due to the increases of sales as well as a result of the thoroughgoing emphasis on business reforms, including the cost reduction and improvements in productivity.

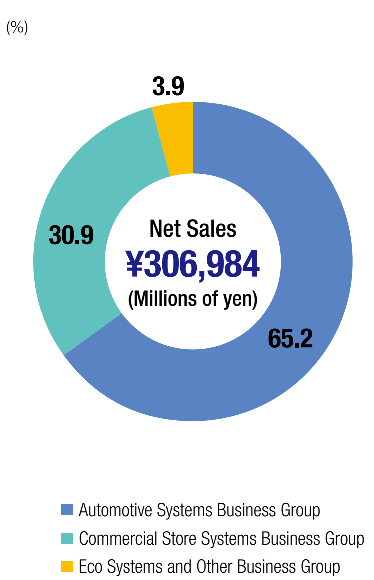
As a result, segment sales were ¥94.8 billion ($789.6 million), up 17.1% from the previous fiscal year, and operating income was ¥6.2 billion ($51.6 million), representing an increase of 75.3% from the previous fiscal year.

In the Eco Systems and Other Products Business, in line with our medium-term strategies for "Sales Growth Centered on Environment-Friendly Technologies", we promoted "Eco Cute," CO_2 refrigerant heat-pump hot-water-supply-system products, not only in Japan, but also in European and China markets. In addition, we continued to invest proactively in the development of our unique technologies, such as high-efficiency boilers, and steadily expanded this business to introduce new products and models to the market.

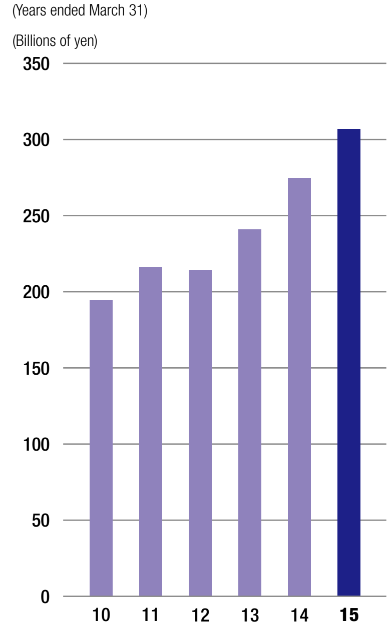
Costs, Expenses, and Earnings

Net sales increased by 11.7%, or ¥32.1 billion, to ¥306.9 billion ($2,554.5 million) as mentioned above. Cost of sales increased by 10.2%, or ¥23.0 billion, compared with the previous fiscal year, to

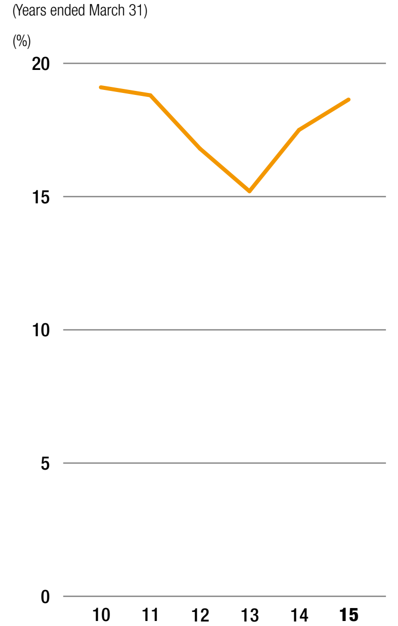
Breakdown of Net Sales



Net Sales
(Years ended March 31)



Gross Profit Ratio
(Years ended March 31)



¥249.7 billion ($2,078.2 million). Consequently, gross profit amounted to ¥57.2 billion ($476.3 million), up 19.0%, or ¥9.1 billion, and the gross profit ratio rose from 17.5% to 18.6%.

SG&A expenses increased by 10.6%, or ¥4.5 billion, to ¥47.8 billion ($398.0 million), and the ratio of SG&A expenses to net sales dropped 0.1 percentage point, to 15.6%, compared with the previous fiscal year. Research and development (R&D) expenses, which are charged to cost of sales and SG&A expenses, decreased 5.0%, or ¥0.3 billion, to ¥6.7 billion ($56.1 million). The ratio of R&D expenses to net sales dropped 0.4 percentage point, to 2.2%, compared with the previous fiscal year.

Although the Company invested aggressively in the development of environmental technology concerning CO_2 compressors for future growth, the Company recorded an increase in income due to the effects of continuous improvements in productivity and product cost reduction, local production and self-manufacture that were launched in the previous year and the positive impact of the depreciation of the yen.

Operating income amounted to ¥9.4 billion ($78.2 million), compared with ¥4.8 billion in the previous fiscal year.

Other income (expenses) amounted to a loss of ¥1.4 billion ($11.7 million), compared with a gain of ¥0.9 billion in the previous fiscal year. This mainly resulted from a ¥1.9 billion decrease in gains, which were recorded in the previous fiscal year, due to switching the Company's retirement benefits plan from the "Defined Benefit Retirement Plan" to the "Defined Contribution Pension Plan."

As a result of the above factors, income before income taxes and minority interests totaled ¥7.9 billion ($66.4 million), compared with ¥5.7 billion in the previous fiscal year. Net income amounted to ¥5.5 billion ($46.4 million), compared with ¥5.8 billion in the previous fiscal year. Return on equity was down from 10.5% to 8.5%.

Financial Position

Total assets at March 31, 2015 increased by ¥21.3 billion, to ¥299.2 billion ($2,490.3 million), mainly reflecting an increase in trade notes and accounts receivable and other factors.

Total liabilities rose by ¥11.3 billion, to ¥223.5 billion ($1,860.5 million) because of an increase in trade notes and accounts payable and other factors.

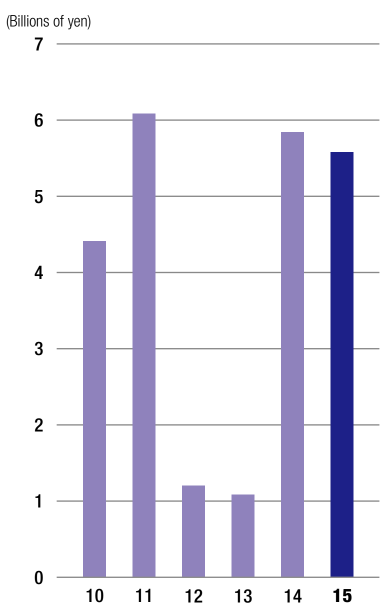
Total net assets increased by ¥10.0 billion, to ¥75.6 billion ($629.7 million), mainly as a result of an increase in the foreign currency translation adjustments. Thus, the total net assets ratio was 23.6%, compared with 22.1% at the end of the previous fiscal year.

Liquidity

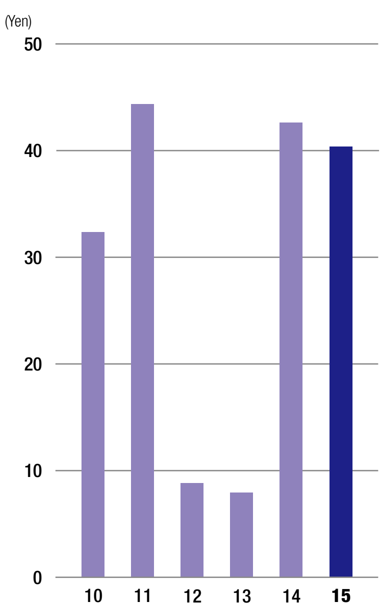
(1) Cash Flows

Net cash provided in operating activities amounted to ¥16.2 billion ($135.0 million), representing a decline of ¥2.5 billion compared with a cash inflow of ¥18.8 billion in the previous fiscal year. This mainly reflected cash inflows of ¥7.9 billion ($66.4 million) in income before income taxes and minority interests, ¥11.6 billion ($97.3 million) in depreciation and amortization expenses, an increase in trade accounts and notes payable of ¥1.5 billion ($12.5 million), and an

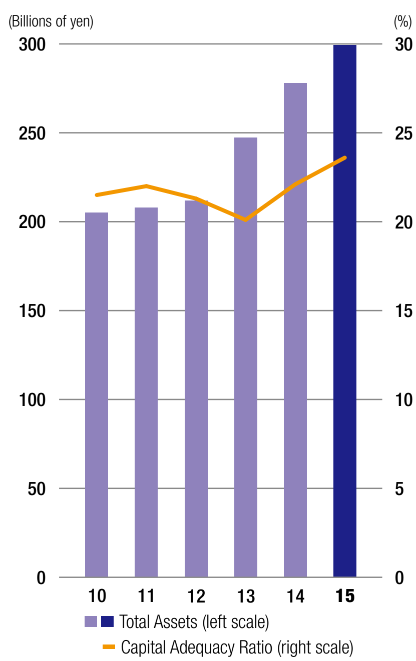
Net Income
(Years ended March 31)



Net Income per Share
(Years ended March 31)



Total Assets/Capital Adequacy Ratio
(March 31)



increase in other accounts payable of ¥1.4 billion ($12.4 million). On the other hand, the cash outflow mainly resulted from a ¥6.1 billion ($51.4 million) increase in trade accounts and notes receivable, and equity in net income of unconsolidated subsidiaries and affiliates of ¥2.5 billion ($20.9 million).

Net cash used in investing activities amounted to ¥13.3 billion ($110.6 million), up ¥1.1 billion from ¥12.1 billion in the previous fiscal year. This resulted mainly from purchases of property, plant and equipment of ¥12.3 billion ($102.7 billion) overseas, which were made in connection with shifts to overseas production and self-manufacturing.

Net cash used in financing activities amounted to ¥2.0 billion ($16.8 million) compared with a cash outflow of ¥8.6 billion in the previous fiscal year. The principal factors were proceeds from long-term debt of ¥12.2 billion ($102.1 million) and a net increase in short-term debt of ¥3.8 billion ($31.7 million), which were largely offset by repayments of long-term debt amounting to ¥15.0 billion ($125.2 million).

Cash and cash equivalents at the end of the year increased by ¥1.5 billion ($12.5 million) from ¥19.0 billion at the end of the previous fiscal year to ¥20.5 billion ($171.3 million) as a result of the aforementioned activities and the impact of exchange rate fluctuations on the translation of cash and cash equivalents into Japanese yen.

(2) Capital Demands

The Sanden Group requires working capital primarily for the purchase of materials and parts for products manufactured by the Sanden Group, manufacturing costs, and operating expenses such as SG&A expenses.

Moreover, funds for capital investment are mainly required for enhancing both local production and self-manufacture to strengthen the global production system and developmental facilities, maintaining and renewing facilities related to streamlining, and acquiring molds for production. In the fiscal year under review, capital investments principally comprised investments related to the Group's Automotive Systems Business in Japan and overseas.

(3) Financing

With regard to financing, the Sanden Group makes decisions according to the intended use of funds as well as the timing, duration, and the region in which the funds are required.

The Sanden Group companies principally secure the required working capital by short-term bank loans. As of March 31, 2015, short-term bank loans amounted to ¥47.9 billion ($398.9 million) and were denominated primarily in Japanese yen, the U.S. dollar, and the Euro.

Funds for production facilities are obtained through long-term loans. As of March 31, 2015, long-term bank loans amounted to ¥73.7 billion ($613.4 million). A large part of the long-term bank loans was borrowed with fixed interest rates from financial institutions. It included ¥12.2 billion ($102.1 million), which was borrowed during the fiscal year under review, mainly in Japan for investment in facilities.

The Sanden Group considers interest rates, the market environment, the ratio of direct and indirect fund-raising, bond ratings, and the business situation between financial institutions and the Sanden Group when deciding on an appropriate long-term fund-raising plan.

The Sanden Group aims to maintain a firm financial position and believes the net cash provided by operating activities, indirect financing through loans and the issuance of bonds and direct financing through the issuance of stock provide possible sources of funds for future growth.

Business and Other Risks

The following is an overview of major business and other risks faced by the Sanden Group that may significantly affect investors' decisions. The Sanden Group examines risks and takes appropriate measures to control risks. Please note that forward-looking statements below are based on Sanden Group judgments made at the end of the fiscal year under review.

(1) Economic Conditions

The Sanden Group mainly sells automotive air-conditioning systems, air-conditioner compressors, vending machines, and refrigerated showcases throughout the world. Demand for these products is affected by economic conditions in the various countries and regions in which these products are sold. In particular, automotive market trends in North America, Europe, China, and elsewhere in Asia, where we operate the Automotive Systems Business may affect the Sanden Group's business results and financial position.

(2) Fluctuations in Exchange Rates

The Sanden Group's global operations, including its Automotive Systems Business, involve foreign currency transactions. In particular, exchange rate fluctuations in the Sanden Group's major transaction currencies, the U.S. dollar and the Euro, and currency fluctuations in China and other parts of Asia may affect the Sanden Group's business results and financial position.

In addition, the currencies stated in the financial statements of consolidated overseas subsidiaries and companies accounted for by the equity method have been translated into Japanese yen and recorded in the Company's consolidated financial statements. Therefore, the translation rate may affect net income and stockholders' equity as accounted for in the consolidated financial statements.

(3) Changes in Raw Material and Parts Market Conditions

Operations of the Automotive Systems Business and the Commercial Store Systems Business primarily involve the manufacture and supply of products and systems. As these operations involve the procurement of raw materials and parts, upswings in these markets resulting in higher manufacturing costs may affect the Sanden Group's business results and financial position.

(4) Natural Disasters

If the manufacturing and business bases of the Sanden Group suffer serious damage as a result of a natural disaster such as an earthquake, the Sanden Group's business results and financial position may be impacted by the halting of production activities and delay in the deliveries of materials and parts.

(5) New Product Development

The operations of the Automotive Systems Business and the Commercial Store Systems Business extend throughout the world and encompass the development of cutting-edge technologies and the application of those technologies to products. At times, the Sanden Group may not be able to fully predict or respond to market trends and changes, and this may have an impact on the success of product development and market introduction. These circumstances may affect the Sanden Group's business results and financial position.

(6) Potential Risks Associated with International Operations and Entry into Overseas Markets

The operations of the Automotive Systems Business and the Commercial Store Systems Business encompass development, manufacturing, and sales bases located in 23 countries and regions in North America, Europe, China, and elsewhere in Asia. Business activities in these countries and regions are subject to the following risks:

- Changes in and revisions to laws and regulations in countries in which the Sanden Group operates,
- Changes in the economic and political climate,
- Unstable political situations, including wars,
- Labor disputes, and
- Marine transport-related strikes.

Any of the aforementioned events may affect the Sanden Group's business results and financial position.

(7) Price Competition

The Sanden Group's operating conditions are marked by increasingly fierce price competition in the automobile and vending machine industries, and demands from automobile and beverage manufacturers to lower prices intensify every year.

The Sanden Group believes that its products possess a competitive advantage in terms of quality, cost, and technology. However, in the aforementioned difficult business environment, there is no guarantee of maintaining such advantages, including the supply of materials and parts, and this may affect the Sanden Group's business results and financial position.

(8) Reliance on Customer Performance

The Sanden Group provides products to automobile and beverage manufacturers around the world. Therefore, customer performance and other factors that are beyond the control of the management of the Sanden Group may affect the Group's business results and financial position.

(9) Limitations on Intellectual Property Protection

The Sanden Group has accumulated a wide range of proprietary technologies, know-how, and other intellectual property through its development activities over the long period since its establishment. Legal restrictions in certain regions may prevent the Sanden Group from completely protecting its intellectual property or restrain the Sanden Group from fundamentally restricting third parties to manufacture imitations of the Sanden Group's products through the use of its intellectual property.

(10) Product Liability

The Sanden Group is continuing quality control initiatives based on its Sanden Total Quality Management (STQM). However, product liability claims related to items manufactured by the Sanden Group in the past, at present, and into the future could affect the Sanden Group's business results and financial position.

(11) Legal and Regulatory Risks

The Sanden Group is subject to various governmental regulations in the countries and regions in which it operates, including those related to business investment permits, export restrictions, taxation, the environment, and other matters. In the event that these regulations are changed or new regulations are introduced, this could affect the Sanden Group's business results and financial position.

(12) Financial Covenants of Fund Procurement

The Company has entered into syndicated loan contracts with several financial institutions for stable funding procurement, and such contracts included certain financial covenants. If the Sanden Group breaches such provisions, such loans may be accelerated, which may, in turn, affect the Sanden Group's financial condition. As described in Note 9 to the consolidated financial statements, the Sanden Group has not breached any of these provisions.

Consolidated Balance Sheets

Sanden Holdings Corporation and Consolidated Subsidiaries
March 31, 2015 and 2014

ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current assets:			
Cash and time deposits (Notes 6, 9 and 15)	**¥ 20,597**	¥ 19,087	**$ 171,398**
Receivables (Notes 6 and 9):			
Trade notes and accounts	**62,998**	59,923	**524,240**
Unconsolidated subsidiaries and affiliates	**25,399**	16,916	**211,358**
Other	**4,189**	3,540	**34,858**
Allowance for doubtful accounts	**(1,941)**	(948)	**(16,152)**
Inventories (Notes 3 and 9)	**47,419**	46,642	**394,599**
Deferred income taxes (Note 5)	**2,735**	3,167	**22,759**
Prepaid expenses and other current assets	**12,349**	11,792	**102,762**
Total current assets	**173,749**	160,122	**1,445,860**
Investments and other assets:			
Investment securities (Notes 4 and 6):			
Unconsolidated subsidiaries and affiliates	**13,194**	11,957	**109,794**
Other	**12,565**	9,430	**104,560**
Net defined benefit asset (Note 8)	**62**	—	**515**
Deferred income taxes (Note 5)	**2,191**	2,005	**18,232**
Intangible assets	**4,823**	4,250	**40,134**
Other	**1,828**	1,472	**15,211**
Total investments and other assets	**34,666**	29,117	**288,474**
Property, plant and equipment, at cost (Note 9)**:**			
Land	**19,246**	19,152	**160,156**
Buildings and structures	**64,096**	60,672	**533,377**
Machinery and equipment	**111,930**	105,803	**931,430**
Furniture and fixtures	**37,518**	33,631	**312,207**
Lease assets	**20,140**	18,869	**167,595**
Construction in progress	**5,123**	8,360	**42,631**
Total	**249,054**	246,489	**2,072,513**
Accumulated depreciation	**(167,205)**	(157,808)	**(1,391,403)**
Net property, plant and equipment	**90,849**	88,681	**756,003**
Total assets	**¥299,265**	¥277,920	**$2,490,347**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term bank loans (Notes 6 and 9)	**¥ 47,937**	¥ 42,953	**$ 398,909**
Long-term debt due within one year (Notes 6 and 9)	**10,754**	13,527	**89,489**
Payables (Note 6):			
Trade notes and accounts	**56,907**	54,028	**473,554**
Unconsolidated subsidiaries and affiliates	**1,142**	831	**9,503**
Other	**11,302**	10,489	**94,050**
Income taxes payable (Notes 5 and 6)	**828**	639	**6,890**
Accrued employees' bonuses	**4,509**	3,620	**37,521**
Accrued liabilities	**3,409**	2,101	**28,368**
Lease obligations due within one year (Notes 6 and 9)	**1,325**	1,213	**11,026**
Deferred income taxes (Note 5)	**—**	16	**—**
Other current liabilities	**7,805**	7,141	**64,949**
Total current liabilities	**145,923**	136,563	**1,214,304**
Long-term liabilities:			
Long-term debt due after one year (Notes 6 and 9)	**62,962**	62,567	**523,941**
Net defined benefit liability (Note 8)	**3,657**	2,545	**30,431**
Officers' retirement benefits	**179**	179	**1,489**
Deferred income taxes (Note 5)	**2,017**	1,018	**16,784**
Lease obligations due after one year (Notes 6 and 9)	**4,755**	4,118	**39,568**
Other noncurrent liabilities (Note 13)	**4,091**	5,276	**34,043**
Total long-term liabilities	**77,663**	75,705	**646,276**
Contingent liabilities (Note 12)			
Net assets (Note 10)			
Stockholders' equity:			
Common stock:			
Authorized: 396,000,000 shares			
Issued: 140,331,565 shares	**11,037**	11,037	**91,844**
Capital surplus	**4,453**	4,453	**37,055**
Retained earnings	**48,438**	44,239	**403,078**
Treasury stock, at cost: 2,208,161 and 2,187,892 shares in 2015 and 2014, respectively	**(1,190)**	(1,178)	**(9,902)**
Total stockholders' equity	**62,739**	58,553	**522,085**
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities, net of taxes	**4,625**	2,532	**38,487**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(102)**	(22)	**(848)**
Foreign currency translation adjustments	**4,934**	807	**41,058**
Remeasurements of defined benefit plans, net of taxes	**(1,642)**	(579)	**(13,663)**
Total accumulated other comprehensive income	**7,814**	2,738	**65,024**
Minority interests in consolidated subsidiaries	**5,123**	4,359	**42,631**
Total net assets	**75,677**	65,651	**629,749**
Total liabilities and net assets	**¥299,265**	¥277,920	**$2,490,347**

See accompanying notes.

Consolidated Statements of Income

Sanden Holdings Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales (Note 19)	**¥306,984**	¥274,786	**$2,554,581**
Cost of sales	**249,738**	226,685	**2,078,205**
Gross profit	**57,246**	48,101	**476,375**
Selling, general and administrative expenses (Note 20)	**47,838**	43,242	**398,086**
Operating income (loss) (Note 19)	**9,407**	4,858	**78,280**
Other income (expenses):			
Interest and dividend income	**226**	245	**1,880**
Exchange gains (losses), net	**1,343**	(106)	**11,175**
Equity in net income of unconsolidated subsidiaries and affiliates	**2,518**	1,996	**20,953**
Interest expense	**(2,687)**	(2,459)	**(22,359)**
Allowance for doubtful accounts	**(823)**	—	**(6,848)**
Gain (loss) on sales and disposals of property, plant and equipment, net	**(1,008)**	(6)	**(8,388)**
Gain on transfer to defined contribution pension plan (Note 8)	**—**	1,953	**—**
Impairment loss on long-lived assets (Notes 19 and 21)	**—**	(235)	**—**
Loss on antitrust law	**(385)**	—	**(3,203)**
Extraordinary product warranty cost	**(896)**	(923)	**(7,456)**
Other, net	**295**	465	**2,454**
Other income (expenses)	**(1,418)**	928	**(11,799)**
Income before income taxes and minority interests	**7,988**	5,787	**66,472**
Income taxes (Note 5)**:**			
Current	**1,280**	1,037	**10,651**
Deferred	**629**	(928)	**5,234**
Total income taxes	**1,909**	108	**15,885**
Income before minority interests	**6,078**	5,678	**50,578**
Minority interests	**498**	(165)	**4,144**
Net income	**¥ 5,580**	¥ 5,843	**$ 46,434**

	Yen		U.S. dollars (Note 1)
	2015	2014	**2015**
Amounts per share of common stock:			
Net income:			
Basic	**¥ 40.40**	¥ 42.65	**$ 0.33**
Diluted	**—**	—	**—**
Cash dividends applicable to the year	**¥ 10.00**	¥ 10.00	**$ 0.08**

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sanden Holdings Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income before minority interests	**¥ 6,078**	¥ 5,678	**$50,578**
Other comprehensive income (Note 11):			
Net unrealized gains (losses) on securities, net of taxes	**2,085**	706	**17,350**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(80)**	(135)	**(665)**
Foreign currency translation adjustments	**3,121**	4,880	**25,971**
Remeasurements of defined benefit plans, net of taxes	**(1,062)**	—	**(8,837)**
Share of other comprehensive income of affiliates accounted for using equity method	**1,571**	1,994	**13,073**
Total other comprehensive income	**5,634**	7,445	**46,883**
Comprehensive income (Note 11)	**¥11,713**	¥13,123	**$97,470**
Total comprehensive income attributable to (Note 11):			
Owners of the parent	**¥10,656**	¥12,659	**$88,674**
Minority interests	**1,056**	464	**8,787**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sanden Holdings Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

Millions of yen

	Stockholders' equity					Accumulated other comprehensive income						
As of March 31, 2014	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥11,037	¥4,453	¥39,855	¥(2,197)	¥53,149	¥1,821	¥113	¥(5,433)	¥ —	¥(3,498)	¥3,309	¥52,961
Net income	—	—	5,843	—	5,843	—	—	—	—	—	—	5,843
Cash dividends paid (¥10.00 per share)	—	—	(1,361)	—	(1,361)	—	—	—	—	—	—	(1,361)
Increase in net unrealized gains (losses) on securities, net of taxes	—	—	—	—	—	710	—	—	—	710	—	710
Decrease due to changes in fair value of hedging derivatives	—	—	—	—	—	—	(135)	—	—	(135)	—	(135)
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	6,241	—	6,241	—	6,241
Remeasurements of defined benefit plans, net of taxes	—	—	—	—	—	—	—	—	(579)	(579)	—	(579)
Increase in minority interests	—	—	—	—	—	—	—	—	—	—	1,050	1,050
Disposal of treasury stock	—	—	(7)	38	31	—	—	—	—	—	—	31
Acquisition of treasury stock	—	—	—	(11)	(11)	—	—	—	—	—	—	(11)
Changes due to stock exchange	—	—	(89)	991	901							901
Balance at end of year	¥11,037	¥4,453	¥44,239	¥(1,178)	¥58,553	¥2,532	¥ (22)	¥ 807	¥(579)	¥ 2,738	¥4,359	¥65,651

As of March 31, 2015	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥11,037	¥4,453	¥44,239	¥(1,178)	¥58,553	¥2,532	¥ (22)	¥ 807	¥ (579)	¥2,738	¥4,359	¥65,651
Net income	**—**	**—**	**5,580**	**—**	**5,580**	**—**	**—**	**—**	**—**	**—**	**—**	**5,580**
Cash dividends paid (¥10.00 per share)	**—**	**—**	**(1,382)**	**—**	**(1,382)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,382)**
Increase in net unrealized gains (losses) on securities, net of taxes	**—**	**—**	**—**	**—**	**—**	**2,093**	**—**	**—**	**—**	**2,093**	**—**	**2,093**
Decrease due to changes in fair value of hedging derivatives	**—**	**—**	**—**	**—**	**—**	**—**	**(80)**	**—**	**—**	**(80)**	**—**	**(80)**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,126**	**—**	**4,126**	**—**	**4,126**
Remeasurements of defined benefit plans, net of taxes	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,062)**	**(1,062)**	**—**	**(1,062)**
Increase in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**764**	**764**
Disposal of treasury stock	**—**	**0**	**—**	**0**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**0**
Acquisition of treasury stock	**—**	**—**	**—**	**(12)**	**(12)**	**—**	**—**	**—**	**—**	**—**	**—**	**(12)**
Balance at end of year	**¥11,037**	**¥4,453**	**¥48,438**	**¥(1,190)**	**¥62,739**	**¥4,625**	**¥(102)**	**¥4,934**	**¥(1,642)**	**¥7,814**	**¥5,123**	**¥75,677**

Thousands of U.S. dollars (Note 1)

	Stockholders' equity					Accumulated other comprehensive income						
As of March 31, 2015	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	$91,844	$37,055	$368,136	$(9,802)	$487,251	$21,070	$(183)	$ 6,715	$ (4,818)	$22,784	$36,273	$546,317
Net income	**—**	**—**	**46,434**	**—**	**46,434**	**—**	**—**	**—**	**—**	**—**	**—**	**46,434**
Cash dividends paid ($0.08 per share)	**—**	**—**	**(11,500)**	**—**	**(11,500)**	**—**	**—**	**—**	**—**	**—**	**—**	**(11,500)**
Increase in net unrealized gains (losses) on securities, net of taxes	**—**	**—**	**—**	**—**	**—**	**17,416**	**—**	**—**	**—**	**17,416**	**—**	**17,416**
Decrease due to changes in fair value of hedging derivatives	**—**	**—**	**—**	**—**	**—**	**—**	**(665)**	**—**	**—**	**(665)**	**—**	**(665)**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**34,334**	**—**	**34,334**	**—**	**34,334**
Remeasurements of defined benefit plans, net of taxes	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(8,837)**	**(8,837)**	**—**	**(8,837)**
Increase in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,357**	**6,357**
Disposal of treasury stock	**—**	**0**	**—**	**0**	**0**	**—**	**—**	**—**	**—**	**—**	**—**	**0**
Acquisition of treasury stock	**—**	**—**	**—**	**(99)**	**(99)**	**—**	**—**	**—**	**—**	**—**	**—**	**(99)**
Balance at end of year	**$91,844**	**$37,055**	**$403,078**	**$(9,902)**	**$522,085**	**$38,487**	**$(848)**	**$41,058**	**$(13,663)**	**$65,024**	**$42,631**	**$629,749**

See accompanying notes.

Consolidated Statements of Cash Flows

Sanden Holdings Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 7,988**	¥ 5,787	**$ 66,472**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**11,694**	10,134	**97,312**
Amortization of goodwill	**160**	54	**1,331**
Equity in net income of unconsolidated subsidiaries and affiliates	**(2,518)**	(1,996)	**(20,953)**
Gain (loss) on sales and disposals of property, plant and equipment, net	**1,008**	6	**8,388**
Gain on transfer to defined contribution pension plan	**—**	(1,953)	**—**
Impairment loss on long-lived assets	**—**	235	**—**
Decrease (increase) in assets:			
Trade accounts and notes receivable	**(6,181)**	(2,928)	**(51,435)**
Inventories	**852**	2,760	**7,089**
Accounts receivable—other	**(1,191)**	(811)	**(9,910)**
Allowance for doubtful accounts	**964**	(194)	**8,021**
Other current assets	**1,431**	(482)	**11,908**
Increase (decrease) in liabilities:			
Trade accounts and notes payable	**1,509**	6,231	**12,557**
Accrued employees' bonuses	**803**	673	**6,682**
Accounts payable—other	**1,493**	95	**12,424**
Other current liabilities and long-term liabilities	**(539)**	96	**(4,485)**
Income taxes paid	**(896)**	(2,306)	**(7,456)**
Other, net	**(355)**	3,400	**(2,954)**
Net cash flows from operating activities	**16,223**	18,803	**135,000**
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(12,353)**	(12,838)	**(102,796)**
Proceeds from sale of property, plant and equipment	**686**	1,797	**5,708**
Purchases of intangible assets	**(1,092)**	(609)	**(9,087)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	**—**	27	**—**
Other, net	**(542)**	(481)	**(4,510)**
Net cash flows from investing activities	**(13,301)**	(12,105)	**(110,684)**
Cash flows from financing activities:			
Net increase (decrease) in short-term bank loans	**3,817**	(13,271)	**31,763**
Proceeds from long-term debt	**12,274**	22,570	**102,138**
Repayment of long-term debt	**(15,050)**	(15,350)	**(125,239)**
Repayment of lease obligations	**(1,410)**	(1,283)	**(11,733)**
Cash dividends paid	**(1,382)**	(1,361)	**(11,500)**
Proceeds from stock issuance to minority shareholders	**195**	32	**1,622**
Other, net	**(466)**	(11)	**(3,877)**
Net cash flows from financing activities	**(2,022)**	(8,675)	**(16,826)**
Effect of exchange rate changes on cash and cash equivalents	**610**	1,093	**5,076**
Net increase (decrease) in cash and cash equivalents	**1,510**	(883)	**12,565**
Cash and cash equivalents at beginning of year	**19,078**	19,961	**158,758**
Cash and cash equivalents at end of year (Note 15)	**¥20,588**	¥19,078	**$171,323**

See accompanying notes.

Notes to Consolidated Financial Statements

Sanden Holdings Corporation and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

1. Basis of Presenting Consolidated Financial Statements

Sanden Holdings Corporation (the "Company"), a Japanese corporation, is a holding company and conducts its operations through its subsidiaries and affiliates. The Company's name has been changed from Sanden Corporation along with its transition to a holding company structure through the absorption-type company split on April 1, 2015.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States, with adjustments for the five specified items as applicable. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the Japanese language statutory consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

***Consolidation*—**The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (55 subsidiaries in 2015 and 52 subsidiaries in 2014). For the purposes of preparing the consolidated financial statements, all significant intercompany balances, transactions and unrealized profits have been eliminated.

In accordance with the Accounting Principles for Consolidated Financial Statements (the "Accounting Principles"), all companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or the existence of certain conditions.

The changes in the scope of consolidation are as follows:

The newly established companies, Sanden Automotive Air Conditioning Systems Company Split Preparatory Corporation (currently named as "Sanden Automotive Climate Systems Corporation"), Sanden Automotive Device Company Split Preparatory Corporation (currently named as "Sanden Automotive Components Corporation"), Sanden Retail Systems Company Split Preparatory Corporation (currently named as "Sanden Retail Systems Corporation"), and four other companies were included in the scope of consolidation for the year ended March 31, 2015.

Due to an absorption by Sanden International (Europe) Ltd., a consolidated subsidiary, SandenVendo GMBH and two other companies were excluded from the scope of consolidation for the year ended March 31, 2015. Due to an absorption by Sanden Chongqing Automotive Air Conditioning Co., Ltd., a consolidated subsidiary, Chongqing Huaen Industry Co., Ltd. was excluded from the scope of consolidation for the year ended March 31, 2015.

Although the financial information of Tianjin Sanden Automotive Air-Conditioning Co., Ltd., Sanden Shanghai Refrigeration Co., Ltd., Sanden (Suzhou) Precision Parts Co., Ltd., Kunshan Zhenhua Refrigerating Machine Co., Ltd., Sanden Chongqing Automotive Air Conditioning Co., Ltd., Sanden Shanghai Environment Thermal Systems Corp., Sanden Mexicana, S.A. de C.V., Consorcio Teksan, S.A. de C.V., Sanden Manufacturing Mexico S.A. de C.V. and Sanden Recursos Mexico SRL. de C.V. for the fiscal year ended December 31, 2014 is included for the purpose of preparing the consolidated financial statements, significant transactions that occurred during the period between December 31, 2014 and March 31, 2015 were reflected in the consolidated financial statements.

***Equity method*—**The equity method was applied to the investments in 8 affiliates in 2015 and 2014. Investments in all other unconsolidated subsidiaries and affiliated companies are stated at acquisition cost. These companies are not accounted for using the equity method, due to their immaterial impact to the consolidated net income or loss and consolidated retained earnings. Earnings of such companies are recorded in the Company's books only to the extent that cash dividends are received.

The Company has unconsolidated subsidiaries and affiliated companies, which are not accounted for using the equity method. The principal company is Sanpak Engineering Industries PVT. Ltd. Although we excluded the financial information of those unconsolidated subsidiaries and affiliated companies from the consolidated financial statements, we determined the impact was immaterial to total assets, net profit or loss, and retained earnings.

***Allowance for doubtful accounts*—**Under Japanese accounting standards for financial instruments, allowance for doubtful accounts provided by the Company and its domestic subsidiaries consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated using an experienced rate with respect to the remaining receivables.

Consolidated overseas subsidiaries have provided an allowance for doubtful accounts at the estimated amounts of possible losses.

***Inventories*—**In the case of the Company and its consolidated domestic subsidiaries, inventories are principally stated at the weighted-average cost, unless the market value of inventories declines significantly and the cost is not expected to be recovered. In such cases, cost is reduced to net realizable value. In the case of consolidated overseas subsidiaries, inventories are stated at the lower of weighted-average cost or market value.

***Investment securities*—**Investment securities held by the Company and its consolidated subsidiaries are classified as: a) equity securities issued by unconsolidated subsidiaries and affiliated companies; and b) available-for-sale securities. The Company and its consolidated subsidiaries do not hold trading securities or held-to-maturity debt securities.

Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for using the equity method are stated at acquisition cost and written down to its impaired value if an indication of impairment is present and the fair value is less than the cost.

Available-for-sale securities for which fair value is readily determinable are stated at market value. Unrealized gains or losses, net of taxes are posted in a separate component of net assets.

Available-for-sale securities for which fair value is not readily determinable are stated at cost determined by the moving-average cost.

Those available-for-sale securities which are significantly impaired are written down to an estimated realizable value regardless whether the fair value is readily determinable or not.

Derivatives and hedges—Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains and losses in the consolidated statements of income.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the gains or losses resulting from changes in the fair value of the derivatives are recorded in accumulated comprehensive income in the consolidated balance sheets until the related gains and losses on the hedged items are recognized.

If interest swaps of the Company and its consolidated domestic subsidiaries are used as hedges and meet certain hedge criteria, the net settlement of interest under such interest rate swaps is reported as a component of interest on related hedged assets or liabilities (the "Exceptional method").

The Company and its consolidated subsidiaries use forward exchange contracts, currency swaps, interest swaps and commodity swaps mainly for the purpose of mitigating (i) fluctuation risk of foreign currency exchange rates with respect to receivables in foreign currency and future transactions in foreign currency, (ii) fluctuation risk of interest rates with respect to long-term debt, and (iii) fluctuation risk of commodity prices of raw materials.

The Company and its consolidated subsidiaries evaluate hedge effectiveness annually by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging derivatives.

Property, plant and equipment—Property, plant and equipment are stated at cost. Depreciation is computed primarily using the straight-line method. For the Company and its consolidated domestic subsidiaries, depreciation of assets whose acquisition costs are between ¥100 thousand and ¥200 thousand is provided using the straight-line method over three years.

Depreciation of the following assets is calculated using the straight-line method over the estimated useful lives:

Buildings and structures	8 to 50 years
Machinery and equipment	3 to 13 years

Goodwill and intangible assets—Goodwill is amortized over a period of five years using the straight-line method. Intangible assets are amortized using the straight-line method over the estimated useful lives.

Long-lived assets impairment—Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group or the net selling price at disposition.

The impairment of assets for certain overseas subsidiaries is accounted for in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States, which requires long-lived assets and certain identifiable intangibles to be held and used by an entity to be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Accounting for lease transactions as lessee—For the finance leases that do not transfer ownership, the Company and its consolidated subsidiaries account for them in the same manner as usual sales transactions. Depreciation of leased assets is computed using the straight-line method over the lease period with zero salvage value.

Income taxes—The provision for income taxes is computed based on pre-tax income included in the consolidated statements of income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the accounting and tax basis of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Retirement benefits—The Sanden Group has adopted the benefit formula basis for calculation of projected benefit obligation occurred in the current fiscal year. Prior service costs are recognized in the consolidated statements of income using the straight-line method beginning from the fiscal year in which they are incurred, over years within average residual periods of service of employees. Actuarial gains and losses are recognized in the consolidated statements of income using the straight-line method beginning from the fiscal year after they are incurred, over years within the average residual periods of service of employees. The Company recognizes actuarial gains and losses in the fiscal year when they are incurred.

(Additional information for the fiscal year ended March 31, 2014)
Although the Company had adopted a defined benefit retirement plan as its retirement benefit plan, the Company subscribed to the defined contribution pension plan for enrollment of its employees from March 1, 2014. The Company accounted for this change in accordance with the "Accounting Procedures for Shifting between Different Retirement Benefit Program" (ASBJ Guidance No. 1), and the "Accounting Procedures for Shifting between Different Retirement Benefit Program" (ASBJ PITF No. 9).

As a result, gain on transfer to defined contribution pension plan of ¥1,953 million was recognized for the year ended March 31, 2014.

Foreign currency translation—Under Japanese GAAP, all receivables and payables denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date, and differences arising from translation are included in the consolidated statements of income.

Translation of financial statements of foreign subsidiaries and affiliated companies—The balance sheet accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the year-end rates. Annual revenue and expense accounts are accumulated amounts of quarterly figures that are translated at the quarterly average rates of exchange.

The increase and decrease in net assets resulting from this translation procedure were reported as foreign currency translation adjustments in other comprehensive income.

Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements—The Company adopted Practical Issues Task Force No. 18, entitled the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (as amended on February 19, 2010, "PITF No. 18").

PITF No. 18 provides as follows: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements; 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States tentatively may be used for the consolidation process; and 3) the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(i) Amortization of goodwill;
(ii) Actuarial gain and loss of defined benefit plans recognized outside profit or loss
(iii) Capitalization of intangible assets arising from development phases
(iv) Fair value measurement of investment properties and the revaluation model for property, plant and equipment, and intangible assets and
(v) Accounting for net income attributable to a minority interest

Consolidated statements of cash flows—In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Amounts per share—Basic net income per share of common stock is computed using the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share of common stock is computed using the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of warrants. Cash dividends per share represent actual amounts declared as applicable to the respective years.

Revenue recognition—The Company and its consolidated domestic subsidiaries generate revenue principally through the sales of finished products. In the Automotive Systems Business and the Other Business, sales revenue is principally recognized when products are shipped. In the Commercial Store Systems Business, sales revenue is principally recognized when products are shipped. However, certain products require installation by the Company and its consolidated domestic subsidiaries and, in such cases, sales revenue is recognized when the installation is completed.

Reclassifications—Certain previous year amounts have been reclassified to conform to the 2015 presentation effecting the changes of importance on some accounts. This reclassification had no impact on previously reported results of operations or retained earnings.

Change in accounting policies

(New adoption of new accounting standard for retirement benefits in the fiscal year ended March 31, 2014)

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")), with the exceptions of Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and, accordingly, actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as retirement benefit liability.

In accordance with Article 37 of Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the above application, net defined benefit liability in the amount of ¥2,545 million has been recognized, and accumulated other comprehensive income has decreased by ¥579 million at March 31, 2014.

Furthermore, earnings per share decreased by ¥4.2 for the year ended March 31, 2014.

3. Inventories

The following is a summary of inventories at March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Merchandise and finished goods	**¥23,304**	¥22,833	**$193,925**
Work in process	**6,978**	7,514	**58,067**
Raw materials	**13,894**	12,524	**115,619**
Other inventories	**3,241**	3,769	**26,970**
Total	**¥47,419**	¥46,642	**$394,599**

4. Investment in Securities

The following is a summary of the acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2015 and 2014.

	Millions of yen		
	2015		
Securities with book value exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**¥4,422**	**¥10,837**	**¥6,414**
Bonds	**1,200**	**1,206**	**6**
Others	**—**	**—**	**—**
Total	**¥5,622**	**¥12,043**	**¥6,421**

Securities with book value not exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**¥ —**	**¥ —**	**¥ —**
Bonds	**300**	**296**	**(3)**
Others	**—**	**—**	**—**
Total	**¥ 300**	**¥ 296**	**¥ (3)**

	Millions of yen		
	2014		
Securities with book value exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	¥4,362	¥7,952	¥3,589
Bonds	700	709	9
Others	—	—	—
Total	¥5,062	¥8,661	¥3,599

Securities with book value not exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	¥ 56	¥ 39	¥ (17)
Bonds	500	498	(1)
Others	—	—	—
Total	¥ 556	¥ 537	¥ (18)

	Thousands of U.S. dollars (Note 1)		
	2015		
Securities with book value exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**$36,797**	**$ 90,180**	**$53,374**
Bonds	**9,985**	**10,035**	**49**
Others	**—**	**—**	**—**
Total	**$46,783**	**$100,216**	**$53,432**

Securities with book value not exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**$ —**	**$ —**	**$ —**
Bonds	**2,496**	**2,463**	**(24)**
Others	**—**	**—**	**—**
Total	**$ 2,496**	**$ 2,463**	**$ (24)**

The following is a summary of the book values of available-for-sale securities for which fair value was not readily determinable at March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unlisted stock	**¥225**	¥231	**$1,872**

Total sales of available-for-sale securities for the years ended March 31, 2015 and 2014 amounted to ¥31 million ($257 thousand) and ¥3 million, and related gains amounted to ¥22 million ($183 thousand) and ¥2 million, respectively.

5. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to corporation, inhabitants' and enterprise taxes, which, in the aggregate, indicate the statutory rate in Japan of approximately 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

The following table summarizes the significant difference between the statutory tax rate and the Sanden Group's effective tax rate for accounting purposes for the years ended March 31, 2015 and 2014:

	2015	2014
Statutory tax rate:	**35.4%**	37.8%
Nondeductible expense	**1.9**	2.4
Nondeductible foreign tax credits	**0.9**	—
Different rates applied to non-Japanese taxes	**(3.3)**	(6.1)
Amortization of goodwill	**0.5**	0.4
Equity in net income of unconsolidated subsidiaries and affiliates	**(11.1)**	(13.1)
Tax effect for unrealized profits on inventories	**0.9**	3.8
Tax credit	**(1.7)**	(3.7)
Tax breaks for investment for facilities	**(1.3)**	(25.1)
Effect from change in tax rates	**2.3**	3.7
Valuation allowance	**0.2**	0.3
Others	**(0.9)**	1.5
Effective tax rate	**23.9%**	1.9%

Significant components of the Sanden Group's deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Deferred tax assets:			
Unrealized profits on inventories from intercompany sales	**¥ 153**	¥ 192	**$ 1,273**
Accrued expenses	**404**	258	**3,361**
Excess warranty liabilities for tax purposes	**423**	428	**3,520**
Excess allowance for doubtful accounts for tax purposes	**326**	214	**2,712**
Doubtful accounts written off	**705**	728	**5,866**
Loss on devaluation for slow-moving inventory	**501**	591	**4,169**
Excess accrued employees' bonuses for tax purposes	**1,075**	956	**8,945**
Unrealized profits on fixed assets from intercompany sales	**204**	260	**1,697**
Excess depreciation for tax purposes	**1,092**	578	**9,087**
Net defined benefit liability	**1,733**	2,199	**14,421**
Net operating loss carryforward	**9,871**	11,151	**82,141**
Environmental liability	**242**	207	**2,013**
Impairment loss on long-lived assets	**404**	961	**3,361**
Tax breaks for investment for facilities	**1,243**	1,351	**10,343**
Others	**2,138**	2,607	**17,791**
Gross deferred tax assets	**20,519**	22,681	**170,749**
Less: Valuation allowance	**(14,096)**	(15,487)	**(117,300)**
Total deferred tax assets	**6,422**	7,193	**53,440**
Deferred tax liabilities:			
Depreciation	**(920)**	(1,179)	**(7,655)**
Net unrealized gain on securities	**(1,807)**	(1,055)	**(15,037)**
Effect on retained earnings of foreign affiliates	**(609)**	(681)	**(5,067)**
Others	**(174)**	(137)	**(1,447)**
Gross deferred tax liabilities	**(3,512)**	(3,054)	**(29,225)**
Net deferred tax assets	**¥ 2,910**	¥ 4,139	**$ 24,215**

Net deferred tax assets are included in the accompanying consolidated balance sheets as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Assets:			
Deferred income taxes	**¥2,735**	¥3,167	**$22,759**
Deferred income taxes, non-current	**2,191**	2,005	**18,232**
Liabilities:			
Deferred income taxes	**—**	(16)	**—**
Deferred income taxes, non-current	**(2,017)**	(1,018)	**(16,784)**
Net deferred tax assets	**¥2,910**	¥4,139	**$24,215**

Effect on deferred tax assets and liabilities resulting from changes in tax laws and rates:

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company and the domestic subsidiaries will be reduced from 35.4% to 32.8% for the fiscal year beginning on or after April 1, 2015, and to 32.1% for the fiscal years beginning on or after April 1, 2016. Accordingly, net deferred tax assets decreased by ¥0 million ($0 thousand) as of March 31, 2015 and deferred income tax expense recorded for the year ended March 31, 2015 and net unrealized gains on securities, net of taxes as of March 31, 2015 increased by ¥186 million ($1,547 thousand) and ¥185 million ($1,539 thousand), respectively.

On March 31, 2014, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company and the domestic subsidiaries was reduced to 35.4% for the fiscal year beginning on or after April 1, 2014. As such, the statutory income tax rate adopted for the measurement of deferred tax assets and liabilities expected to be settled or realized for the year ended March 31, 2015 was 35.4%. Accordingly, net deferred tax assets decreased by ¥212 million as of March 31, 2014 and deferred income tax expense recorded for the year ended March 31, 2014 increased by the same amount.

6. Financial Instruments

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Sanden Group raises funds according to its medium-term financial plan, and it utilizes diversified financing methods of raising funds through bank loans or issuance of bonds. If surplus funds arise, the Sanden Group uses highly liquid instruments for the management of funds. The Sanden Group also enters into financial derivative transactions to hedge various risks, as described in detail below and does not use derivatives for speculative purposes.

(2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to the credit risks of customers. Receivables denominated in foreign currencies are exposed to foreign currency exchange risk. In principle, foreign exchange forward contracts are used to hedge this risk.

Marketable and investment securities are mostly shares of our related business partners, and are exposed to stock market fluctuation risk.

Maturities of trade notes and accounts payable are mostly within four months. Payables denominated in foreign currencies are exposed to foreign currency exchange risk. In principle, foreign exchange forward contracts are used to hedge this risk.

Principally, the purposes of long-term debt and lease obligations are for financing capital investment, and maturities are mostly within the next 14 years. A large part of them are borrowed or issued with fixed interest rates; therefore, there is no interest rate risk. The Sanden Group enters into interest swap agreements to reduce exposure to losses resulting from adverse fluctuations in interest rates on the part of obligations with floating interest rates.

The Sanden Group entered into financial derivative transactions such as forward exchange contracts, to hedge exchange rate risk associated with foreign currency denominated trade receivables and payables, interest swap agreements to reduce exposure to losses resulting from adverse fluctuations in interest rates on bank loans, currency and interest swap agreements to hedge exchange rate risk and interest rate risk associated with foreign currency denominated bank loans, and commodity derivatives to hedge raw material price movement risk.

(3) Supplemental information on fair values

Fair values of financial instruments are measured based on the quoted market prices, if available, or reasonably assessed values if quoted market prices are not available. Fair values of financial instruments for which quoted market prices are not available are calculated based on certain assumptions, and the fair values might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in "7. Derivatives" does not represent the market risk of the derivative transactions.

2. Fair values of financial instruments (at March 31, 2015)

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2015 are as follows.

In addition, financial instruments whose fair value cannot be reliably measured are not included. (Please see "Note 2. Financial instruments for which the fair values cannot be reliably measured.")

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash and time deposits	**¥ 20,597**	**¥ 20,597**	**¥ —**
(2) Receivables*1	**90,646**	**90,646**	**—**
(3) Consumption taxes receivable	**3,543**	**3,543**	**—**
(4) Investment securities	**12,340**	**12,340**	**—**
Total assets	**¥127,128**	**¥127,128**	**¥ —**
(1) Payables	**¥ 69,352**	**¥ 69,352**	**¥ —**
(2) Short-term bank loans	**47,937**	**47,937**	**—**
(3) Lease obligations due within one year	**1,325**	**1,341**	**16**
(4) Income taxes payable	**828**	**828**	**—**
(5) Long-term debt	**73,716**	**74,386**	**669**
(6) Lease obligations due after one year	**4,755**	**4,808**	**52**
Total liabilities	**¥197,916**	**¥198,655**	**¥738**
Derivatives*2	**¥ 356**	**¥ 356**	**¥ —**

	Thousands of U.S. dollars (Note 1)		
	2015		
	Book value	Fair value	Difference
(1) Cash and time deposits	**$ 171,398**	**$ 171,398**	**$ —**
(2) Receivables*1	**754,314**	**754,314**	**—**
(3) Consumption taxes receivable	**29,483**	**29,483**	**—**
(4) Investment securities	**102,687**	**102,687**	**—**
Total assets	**$1,057,901**	**$1,057,901**	**$ —**
(1) Payables	**$ 577,115**	**$ 577,115**	**$ —**
(2) Short-term bank loans	**398,909**	**398,909**	**—**
(3) Lease obligations due within one year	**11,026**	**11,159**	**133**
(4) Income taxes payable	**6,890**	**6,890**	**—**
(5) Long-term debt	**613,430**	**619,006**	**5,567**
(6) Lease obligations due after one year	**39,568**	**40,009**	**432**
Total liabilities	**$1,646,966**	**$1,653,116**	**$6,141**
Derivatives*2	**$ 2,962**	**$ 2,962**	**$ —**

*1: Allowance for doubtful accounts associated with trade notes and accounts receivable is deducted.

*2: Derivative assets and liabilities are disclosed on a net basis.

Note 1: Fair value measurement of financial instruments

Assets

1. (1) Cash and time deposits, (2) receivables and (3) consumption taxes receivable
   The book value of these assets approximates fair value because of the short maturity of these instruments.
2. (4) Investment securities
   The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals the quoted market price or price provided by financial institutions. Investment securities for long-term investment purposes are described in "4. Investment in Securities."

Liabilities

1. (1) Payables, (2) short-term bank loans and (4) income taxes payable
   The book value of these liabilities approximates fair value because of the short maturity of these instruments.
2. (3) Lease obligations due within one year, (5) long-term debt and (6) lease obligations due after one year
   Fair value equals to the present value of future cash flows discounted using the current interest rate for similar debt and lease contracts of comparable maturities and contract conditions.

Note 2: Financial instruments for which the fair values cannot be reliably measured are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	**2015**
Investment securities:		
Unlisted	**¥ 225**	**$ 1,872**
Unconsolidated subsidiaries and affiliates	**13,194**	**109,794**

The above are not included in "(4) investment securities" because these investment securities do not have a quoted price in an active market and whose fair value cannot otherwise be reliably measured.

Note 3: The redemption schedule for money claims and investment securities with maturities at March 31, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2015		**2015**	
	Within 1 year	More than 1 year	Within 1 year	More than 1 year
Cash and time deposits	**¥ 20,597**	**¥ —**	**$171,398**	**$ —**
Receivables	**90,646**	**—**	**754,314**	**—**
Consumption taxes receivable	**3,543**	**—**	**29,483**	**—**
Investment securities with maturities				
(1) Bonds	**500**	**1,000**	**4,160**	**8,321**
(2) Others	**—**	**—**	**—**	**—**
Total	**¥115,287**	**¥1,000**	**$959,365**	**$8,321**

3. Fair values of financial instruments (at March 31, 2014)

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2014 are as follows.

In addition, financial instruments whose fair value cannot be reliably measured are not included. (Please see "Note 2. Financial instruments for which the fair values cannot be reliably measured.")

	Millions of yen		
	2014		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 19,087	¥ 19,087	¥—
(2) Receivables*1	79,431	79,431	—
(3) Consumption taxes receivable	4,260	4,260	—
(4) Investment securities	9,199	9,199	—
Total assets	¥111,978	¥111,978	¥—
(1) Payables	¥ 65,349	¥ 65,349	¥—
(2) Short-term bank loans	42,953	42,953	—
(3) Lease obligations due within one year	1,213	1,235	22
(4) Income taxes payable	639	639	—
(5) Long-term debt	76,094	76,033	(60)
(6) Lease obligations due after one year	4,118	4,210	91
Total liabilities	¥190,369	¥190,422	¥53
Derivatives*2	¥ 73	¥ 73	¥—

*1: Allowance for doubtful accounts associated with trade notes and accounts receivable is deducted.

*2: Derivative assets and liabilities are disclosed on a net basis.

Note 1: Fair value measurement of financial instruments

Assets

1. (1) Cash and time deposits, (2) receivables and (3) consumption taxes receivable
   The book value of these assets approximates fair value because of the short maturity of these instruments.
2. (4) Investment securities
   The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals the quoted market price or provided price by financial institutions. Investment securities for long-term investment purposes are described in "4. Investment in Securities".

Liabilities

1. (1) Payables, (2) short-term bank loans and (4) income taxes payable
   The book value of these liabilities approximates fair value because of the short maturity of these instruments.
2. (3) Lease obligations due within one year, (5) long-term debt and (6) lease obligations due after one year
   Fair value equals to the present value of future cash flows discounted using the current interest rate for similar debt and lease contracts of comparable maturities and contract conditions.

Note 2: Financial instruments for which the fair values cannot be reliably measured are as follows:

	Millions of yen
	2014
Investment securities:	
Unlisted	¥ 231
Unconsolidated subsidiaries and affiliates	11,957

The above are not included in "(4) investment securities" because these investment securities do not have a quoted price in an active market and whose fair value cannot otherwise be reliably measured.

Note 3: The redemption schedule for money claims and investment securities with maturities at March 31, 2014 was as follows:

	Millions of yen	
	2014	
	Within 1 year	More than 1 year
Cash and time deposits	¥ 19,087	¥ —
Receivables	79,431	—
Consumption taxes receivable	4,260	—
Investment securities with maturities		
(1) Bonds	—	1,200
(2) Others	—	—
Total	¥102,779	¥1,200

7. Derivatives

1. Forward exchange contracts and currency swaps, which are stated at fair value and to which hedge accounting is not applied, at March 31, 2015 and 2014:

(Forward exchange contracts and currency swaps)

	Millions of yen								Thousands of U.S. dollars (Note 1)			
	2015				2014				2015			
Transaction	Contract amount	More than 1 year	Fair value	Unrealized gains (losses)	Contract amount	More than 1 year	Fair value	Unrealized gains (losses)	Contract amount	More than 1 year	Fair value	Unrealized gains (losses)
Forward exchange contracts	**¥ 9,799**	**¥ —**	**¥102**	**¥102**	¥8,149	¥—	¥ 8	¥ 8	**$81,542**	**$ —**	**$ 848**	**$ 848**
Currency swaps	**403**	**230**	**113**	**113**	494	—	87	87	**3,353**	**1,913**	**940**	**940**
Total	**¥10,201**	**¥230**	**¥216**	**¥216**	¥8,643	¥—	¥96	¥96	**$84,888**	**$1,913**	**$1,797**	**$1,797**

Interest swaps, which are stated at fair value and to which hedge accounting is not applied, at March 31, 2015 and 2014 were as follows:

(Interest swaps)

	Millions of yen								Thousands of U.S. dollars (Note 1)			
	2015				2014				2015			
Transaction	Contract amount	More than 1 year	Fair value	Unrealized gains (losses)	Contract amount	More than 1 year	Fair value	Unrealized gains (losses)	Contract amount	More than 1 year	Fair value	Unrealized gains (losses)
Receiving floating rate and paying fixed rate	**¥84**	**¥43**	**¥(0)**	**¥(0)**	¥113	¥72	¥(1)	¥(1)	**$699**	**$357**	**$(0)**	**$(0)**
Total	**¥84**	**¥43**	**¥(0)**	**¥(0)**	¥113	¥72	¥(1)	¥(1)	**$699**	**$357**	**$(0)**	**$(0)**

2. Derivative transactions to which hedging accounting was applied at March 31, 2015 and 2014:

(Forward exchange contracts)

			Millions of yen		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value
2015					
Deferral hedge accounting	Forward exchange contracts	Accounts payable	**¥2**	**¥—**	**¥0**
Total			**¥2**	**¥—**	**¥0**

			Thousands of U.S. dollars (Note 1)		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value
2015					
Deferral hedge accounting	Forward exchange contracts	Accounts payable	**$16**	**$—**	**$0**
Total			**$16**	**$—**	**$0**

			Millions of yen		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value
2014					
Deferral hedge accounting	Forward exchange contracts	Accounts payable	¥19	¥—	¥(0)
Total			¥19	¥—	¥(0)

(Interest swaps)

			Millions of yen		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value
2015					
Exceptional method	Receiving floating rate and paying fixed rate	Long-term debt	**¥29,687**	**¥28,435**	**¥ —** *1
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Long-term debt	**6,346**	**6,046**	**120**
Total			**¥36,033**	**¥34,481**	**¥120**

Hedging accounting method	Transaction	Hedged items	Thousands of U.S. dollars (Note 1)		
			Contract amount		
				More than 1 year	Fair value
2015					
Exceptional method	Receiving floating rate and paying fixed rate	Long-term debt	**$247,041**	**$236,623**	**$ —**[*1]
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Long-term debt	**52,808**	**50,312**	**998**
Total			**$299,850**	**$286,935**	**$998**

*1: For certain long-term debt for which interest swaps under the Exceptional method are used to reduce exposure to losses resulting from adverse fluctuations in interest rates, the fair value of such swaps were included in the fair value of such long-term debt, which is the hedged item.

Hedging accounting method	Transaction	Hedged items	Millions of yen		
			Contract amount		
				More than 1 year	Fair value
2014					
Exceptional method	Receiving floating rate and paying fixed rate	Long-term debt	¥32,789	¥28,337	¥ —[*1]
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Long-term debt	5,807	5,481	(27)
Total			¥38,596	¥33,818	¥(27)

*1: For certain long-term debt for which interest swaps under the Exceptional method are used to reduce exposure to losses resulting from adverse fluctuations in interest rates, the fair value of such swaps were included in the fair value of such long-term debt, which is the hedged item.

(Commodity swaps)

Hedging accounting method	Transaction	Hedged items	Millions of yen		
			Contract amount		
				More than 1 year	Fair value
2015					
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Forecasted transaction	**¥223**	**¥—**	**¥17**
Total			**¥223**	**¥—**	**¥17**

Hedging accounting method	Transaction	Hedged items	Thousands of U.S. dollars (Note 1)		
			Contract amount		
				More than 1 year	Fair value
2015					
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Forecasted transaction	**$1,855**	**$—**	**$141**
Total			**$1,855**	**$—**	**$141**

Hedging accounting method	Transaction	Hedged items	Millions of yen		
			Contract amount		
				More than 1 year	Fair value
2014					
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Forecasted transaction	¥225	¥—	¥5
Total			¥225	¥—	¥5

8. Retirement Benefits

1. Outline of the retirement benefit plans

The Company has adopted the defined contribution pension plan for enrolled employees since March 1, 2014. Retirement benefit liability is recorded based on the estimated amount of retirement benefit obligations and plan assets at the end of the fiscal year for the pensioners. Expected plan assets exceed retirement benefit obligations at March 31, 2015, and therefore the excess is recorded in net defined benefit asset.

The post-retirement pension fund is scheduled to be transferred once a year (in April) over four years.

Consolidated domestic subsidiaries also have their own retirement benefit plans for employees terminating their employment. Certain consolidated domestic subsidiaries have funded defined benefit plans or utilize the governmental mutual aid institution to cover a portion of the benefits. The remaining portion is unfunded and covered by severance payments by those consolidated domestic subsidiaries.

Consolidated overseas subsidiaries have various retirement and post-retirement benefit plans. Such plans consist of defined benefit severance payment or pension plans, defined contribution pension plans, post-retirement medical plans and defined contribution plans based on government regulations. Some of these plans adopted by the consolidated overseas subsidiaries are funded.

2. Defined benefit plans, including plans to which the simplified method is applied

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	**¥6,452**	¥12,175	**$53,690**
Service cost	**187**	517	**1,556**
Interest cost	**204**	288	**1,697**
Actuarial losses (gains)	**1,214**	(225)	**10,102**
Benefits paid	**(311)**	(613)	**(2,588)**
Termination of the defined benefit retirement plan	**(66)**	(6,102)	**(549)**
Exchange differences	**413**	411	**3,436**
Balance at end of year	**¥8,095**	¥ 6,452	**$67,362**

(2) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	**¥3,907**	¥9,351	**$32,512**
Expected return on plan assets	**120**	256	**998**
Actuarial gains (losses)	**57**	858	**474**
Contributions paid by the employers	**147**	88	**1,223**
Benefits paid	**(245)**	(86)	**(2,038)**
Termination of the defined benefit retirement plan	**—**	(6,777)	**—**
Exchange differences	**513**	217	**4,268**
Balance at end of year	**¥4,500**	¥3,907	**$37,446**

(3) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Funded retirement benefit obligations	**¥6,799**	¥5,108	**$56,578**
Plan assets	**(4,500)**	(3,907)	**(37,446)**
	2,298	1,200	**19,122**
Unfunded retirement benefit obligations	**1,295**	1,344	**10,776**
Net defined benefit liability (asset) at end of year	**3,594**	2,545	**29,907**
Net defined benefit liability	**3,657**	2,545	**30,431**
Net defined benefit asset	**(62)**	—	**(515)**
Net defined benefit liability (asset) at end of year	**¥3,594**	¥2,545	**$29,907**

(4) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Service cost	**¥187**	¥517	**$1,556**
Interest cost	**204**	288	**1,697**
Expected return on plan assets	**(120)**	(256)	**(998)**
Amortization of actuarial losses (gains)	**(137)**	12	**(1,140)**
Others	**(10)**	202	**(83)**
Total retirement benefit costs for the fiscal year	**¥123**	¥765	**$1,023**

(5) Remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Actuarial gains (losses)	**¥(1,074)**	¥—	**$(8,937)**
Total balance at end of year	**¥(1,074)**	¥—	**$(8,937)**

(6) Accumulated remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Actuarial gains and losses that are yet to be recognized	**¥(1,679)**	¥(573)	**$(13,971)**
Total balance at end of year	**¥(1,679)**	¥(573)	**$(13,971)**

(7) Plan assets

1. Plan assets comprise:

	2015	2014
Bonds	**53%**	34%
Equity securities	**41**	35
Cash and cash equivalents	**4**	29
Others	**2**	2
Total	**100%**	100%

2. Long-term expected rate of return

Current and target asset allocations and current and long-term expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014:

	2015	2014
Discount rate	**0.3–6.3%**	0.3–4.5%
Long-term expected rate of return	**0.3–7.5%**	0.3–7.5%

3. Defined contribution plans

Contributions to defined contribution plans of the Company and its consolidated subsidiaries, were ¥2,521 million ($20,978 thousand) and ¥2,189 million for the fiscal years ended March 31, 2015 and 2014, respectively.

4. Assets not transferred to the defined contribution pension plan

Assets of ¥2,835 million ($23,591 thousand) and ¥4,486 million, which were not transferred to the defined contribution pension plan at March 31, 2015 and 2014, respectively, were recorded in other accounts payable (current liabilities) and long-term other accounts payable (long-term liabilities).

Gain on transfer to defined contribution pension plan of ¥1,953 million was recognized for the year ended March 31, 2014.

9. Short-Term Borrowings, Long-Term Debt and Lease Obligations

Short-term bank loans bore weighted-average interest rates of 1.95% and 2.17% at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Loans from banks, insurance companies and agricultural cooperatives, bearing weighted-average rates of 1.89% and 1.96% at March 31, 2015 and 2014, respectively	**¥73,716**	¥76,094	**$613,430**
	73,716	76,094	**613,430**
Less: Amount due within one year	**10,754**	13,527	**89,489**
Amount due after one year	**¥62,962**	¥62,567	**$523,941**

The aggregate annual maturities of long-term debt at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥10,754	$ 89,489
2017	19,910	165,681
2018	29,168	242,722
2019	7,421	61,754
2020	5,094	42,389
2021 and thereafter	1,367	11,375

The Company has entered into syndicated-loan contracts with several financial institutions. Financial covenants included in the contracts are as follows:

Contracts at September 16, 2011 (¥10.0 billion of long-term debt)

(1) The amount of total net assets (excluding foreign currency translation adjustments) on the consolidated balance sheet at the end of each fiscal year and the interim period shall be over ¥39.5 billion and 70% compared with the latest period; and

(2) Ordinary losses on the consolidated statements of income for each fiscal year (after the fiscal year ended March 31, 2012) shall not be recorded for three consecutive years.

The Sanden Group was in compliance with these provisions at March 31, 2015 and 2014.

The following assets were pledged as collateral for short-term bank loans of ¥1,729 million ($14,387 thousand) and long-term debt of ¥3,727 million ($31,014 thousand) at March 31, 2015 and short-term bank loans of ¥1,722 million and long-term debt of ¥3,839 million at March 31, 2014.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Inventories and other	**¥ 3,672**	¥ 5,268	**$30,556**
Land and buildings and structures, machinery and equipment, etc., net	**7,573**	4,839	**63,019**
Total	**¥11,245**	¥10,108	**$93,575**

The aggregate annual maturities of lease obligations at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥1,325	$11,026
2017	1,457	12,124
2018	1,142	9,503
2019	872	7,256
2020	583	4,851
2021 and thereafter	699	5,816

10. Net Assets

Under the Japanese Corporate Law (the “Law”), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the amount paid of the new shares as additional paid-in capital, which is included in capital surplus.

The Law provides that a 10% dividend shall be appropriated as additional paid-in capital or legal earnings reserve until the aggregate amount of additional paid-in capital and the legal earnings reserve equals 25% of common stock. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution at the stockholders’ meeting. Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and the entire legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law. At the annual stockholders’ meeting held on June 19, 2015, the stockholders approved the distribution of dividends amounting to ¥1,387 million ($11,541 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the stockholders.

11. Comprehensive Income

Amounts reclassified to net income in the current year that were recognized in other comprehensive income for the years ended March 31, 2015 and 2014 and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net unrealized gains (losses) on securities, net of taxes:			
Increase (decrease) during the year	**¥2,836**	¥ 983	**$23,599**
Reclassification adjustments	**1**	(0)	**8**
Sub-total, before tax	**2,837**	983	**23,608**
Tax (expense) or benefit	**(751)**	(276)	**(6,249)**
Total, net of tax	**2,085**	706	**17,350**
Unrealized gains (losses) on hedging derivatives, net of taxes:			
Increase (decrease) during the year	**82**	(579)	**682**
Reclassification adjustments	**(199)**	437	**(1,655)**
Sub-total, before tax	**(116)**	(141)	**(965)**
Tax (expense) or benefit	**36**	5	**299**
Total, net of tax	**(80)**	(135)	**(665)**
Foreign currency translation adjustments:			
Increase (decrease) during the year	**3,121**	4,880	**25,971**
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the year	**(1,157)**	—	**(9,628)**
Reclassification adjustments	**82**	—	**682**
Sub-total, before tax	**(1,074)**	—	**(8,937)**
Tax (expense) or benefit	**11**	—	**91**
Total, net of tax	**(1,062)**	—	**(8,837)**
Share of other comprehensive income of affiliates accounted for using equity method:			
Increase (decrease) during the year	**1,571**	1,994	**13,073**
Total other comprehensive income	**¥5,634**	¥7,445	**$46,883**

12. Contingent Liabilities

At March 31, 2015 and 2014, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Discounted notes	**¥ 4**	¥ —	**$ 33**
Guarantees or reservation of guarantees for loans of affiliated companies from banks and other lenders	**¥1,092**	¥949	**$9,087**

13. Environmental Matters

The Vendo Company, a consolidated subsidiary located in the United States of America, was notified of the contamination of groundwater discovered in areas close to its manufacturing facility by the California State Regional Water Quality Control Board. The Vendo Company entered into an agreement to compensate to the cost for remedial activities. It also entered into a settlement agreement with neighboring landowners to pay a part of the remediation costs related to the contamination described above.

The Vendo Company provided for the liability based on the estimated obligation relating to the costs for the remediation, which amounted to ¥505 million ($4,202 thousand) and ¥518 million at March 31, 2015 and 2014, respectively, and were included in other non-current liabilities.

14. Leases

The Company and its consolidated subsidiaries account for finance leases that do not transfer ownership in the same manner as usual sales transactions.

The leased assets consist of structures, machinery and equipment and furniture and fixtures. Leased software is included as part of "intangible assets." These leased assets are mainly for the Automotive Systems Business and the Commercial Store Systems Business.

15. Cash Flow Information

Cash and cash equivalents at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash and time deposits	**¥20,597**	¥19,087	**$171,398**
Less: Time deposits over three months	**(9)**	(9)	**(74)**
Cash and cash equivalents	**¥20,588**	¥19,078	**$171,323**

On October 24, 2013, the Company acquired 51% of shares of Chongqing Huaen Industry Co., Ltd. The assets transferred and liabilities assumed of the consolidated subsidiary at the acquisition date in connection with the acquisition cost and net of cash and cash equivalents acquired were as follows:

	Millions of yen
Current assets	¥3,319
Noncurrent assets	180
Goodwill	221
Current liabilities	(1,578)
Minority interests	(941)
Foreign currency translation adjustments	(4)
Acquisition cost	1,196
Cash and cash equivalents included in assets acquired	1,223
Net of cash and cash equivalents acquired	¥ 27

16. Earnings per Share

Basic and diluted net income per share of common stock for the years ended March 31, 2015 and 2014 have been computed based on the following:

	Number of shares	
	2015	2014
Weighted-average number of shares of common stock	**138,132,950**	137,020,313

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net income	**¥5,580**	¥5,843	**$46,434**
Net income relating to common stock	**5,580**	5,843	**46,434**

	Yen		U.S. dollars (Note 1)
	2015	2014	**2015**
Basic net income per share of common stock	**¥40.40**	¥42.65	**$0.33**

There was no diluted net income per common share for the years ended March 31, 2015 and 2014 as the Company did not have common stock with potential dilutive effect.

17. Business Combination

For the year ended March 31, 2015
There was no significant business combination.

For the year ended March 2014
Transactions under common control

1. Acquisition of 100% ownership of Sanwa Corporation ("SNW"), one of the consolidated subsidiaries, through share exchange

(1) Name and main business of the companies under the business combination
a) Acquirer
(the wholly owning parent company in share exchange)
Name: Sanden Corporation
Main business: Automotive Systems Business and Commercial Store Systems Business
b) Acquiree
(the wholly owned subsidiary company in share exchange)
Name: Sanwa Corporation
Main business: Automotive Parts Production Business

(2) Legal method used for business combination
Share exchange with the Company as a wholly owning parent company and SNW as a wholly owned subsidiary.

(3) Name of company after business combination
Unchanged

(4) Details of business combination
The Company resolved at the Board of Directors meeting held on September 24, 2013 to conduct a share exchange (the "Share Exchange") between the Company as a wholly owning parent company and SNW as a wholly owned subsidiary, and concluded a share exchange agreement with SNW on September 25, 2013.
In accordance with the share exchange agreement, the Company carried out the Share Exchange effective November 1, 2013. As a result of the Share Exchange, SNW became a wholly owned subsidiary of the Company.

2. Outline of business combination
The Company conducted the Share Exchange between the Company, as a wholly owning parent company, and SNW, as a wholly owned subsidiary. The Share Exchange was based on Article 796, Paragraph 3 of the Law, and stockholders' approval was not required in connection therewith.

3. Date of business combination
November 1, 2013

4. Exchange ratio by class of shares and number of shares delivered
(1) Exchange ratio by class of shares
The Company allotted and delivered 206.11 common shares of the Company for one common share of SNW. However, no shares were allotted for 9,900 common shares of SNW owned by the Company.
(2) Number of shares delivered
2,081,711 common shares (including 2,081,711 shares allotted and delivered for treasury stock)

5. Calculation method of share exchange ratio
The Company engaged Daiwa Institute of Research Ltd. ("Daiwa") as an independent third-party, to evaluate the stock for calculations of the share exchange ratio. To calculate the share exchange ratio, Daiwa evaluated the stock of the Company based on market stock price and the stock of SNW based on the net asset approach and comparable peer companies' analysis taking private company into consideration.
The Company and SNW negotiated and agreed with each other that the share exchange ratio was appropriate.

6. Outline of accounting policy applied
The Company accounted for the Share Exchange as a transaction under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

7. Information on acquisition of additional shares of the subsidiary

(1) Acquisition cost and its breakdown

	Millions of yen
Consideration for acquisition (Common stock of the Company)	¥1,038
Expenditures directly required for acquisition (advisory fees, etc.)	3
Total acquisition cost	¥1,042

(2) Exchange ratio by class of shares

The Company allotted and delivered 206.11 common shares of the Company for one common share of SNW. However, no shares were allotted for the common shares of SNW held by the Company.

(3) Amount of goodwill recognized and reason for recognition

a) Amount of goodwill recognized

¥57 million

b) Reason for recognition

Goodwill was attributable to minority interests which increased as a result of the Share Exchange falling below the acquisition cost of the additional subsidiary's shares acquired.

Business combination through acquisition

1. Outline of the business combination

(1) Name of acquiree and description of its business

Name of acquiree: Chongqing Huaen Industry Co., Ltd.

Description of its business: Automotive Systems Business

(2) Main reason for undertaking business combination

In order to respond to the market expansion of the air conditioning business in China and to strengthen the manufacturing system of Sanden Chongqing Automotive Air Conditioning Co., Ltd., a consolidated subsidiary of the Company established in Chongqing, the Company acquired the equity interest in Chongqing Huaen Industry Co., Ltd. with business partners who also intended to achieve further business expansion in the Chinese market.

(3) Date of business combination

October 24, 2013

(4) Legal structure of business combination

Acquisition of interest by cash

(5) Name of entity after business combination

Chongqing Huaen Industry Co., Ltd.

(6) Ratio of acquired voting rights

51.0%

(7) Main reason for deciding to acquire the company

Acquisition by cash of interests in Chongqing Huaen Industry Co., Ltd. by the Company

2. Period of operating result of the acquiree included in the consolidated financial statements

The deemed acquisition date was September 30, 2013 and the fiscal year-end date of the acquiree was December 31, 2013. As such, the operating result of the acquiree for the period from October 1, 2013 to December 31, 2013 has been included in the consolidated financial statements of income.

3. Details of acquisition cost

	Millions of yen
Purchase price	¥1,196
Acquisition cost	¥1,196

4. Amount of goodwill, cause of goodwill, amortization method and amortization period

(1) Amount of goodwill: ¥221 million

(2) Cause of goodwill: As the acquisition cost exceeded the net amount allocated to the assets and liabilities received, the excess amount is recognized as goodwill in the consolidated financial statements.

(3) Amortization method and amortization period: Straight-line method for 5 years

5. Total assets acquired and liabilities assumed on the date of business combination and the main components thereof

	Millions of yen
Current assets	¥3,319
Fixed assets	180
Total assets	¥3,499
Current liabilities	¥1,578
Total liabilities	¥1,578

6. Estimated impact on the consolidated statements of income for the fiscal year ended March 31, 2014 if the business combination had been completed as of the beginning of the fiscal year ended March, 2014

	Millions of yen
Net sales	¥3,073
Operating income	441
Income before income taxes and minority interests	458

(Estimate methodology and main assumptions)

The estimated impact on sales and income is the difference between the sales and income of the acquiree and those in the Company's consolidated statements of income assuming the business combination had been completed as of the beginning of the fiscal year ended March 31, 2014.

This note has not been audited.

18. Related Party Transactions

Major transactions between the Company and the Company's directors, certain companies owned by the Company's directors or affiliates are as follows:

Company Name or Name of director	Type of business or Occupation	Ownership of the Company (%)	Nature of transaction	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Sanden Kankyo Mirai Zaidan (Sanden Environmental Future Foundation)	*1	—	Donation	**¥ 15**	¥ —	**$ 124**
Masayoshi Ushikubo	Representative director and chairperson of the Company	(owned by) 0.8	Exchange of shares	**—**	102	**—**
Tomoaki Ushikubo	Chairperson emeritus of the Company	(owned by) 2.0	Exchange of shares	**—**	586	**—**
Seinosuke Amada	Special adviser of the Company	(owned by) 1.3	Exchange of shares	**—**	102	**—**
Sanden Al Salam LLC.	Sales of automotive air-conditioning	43.0	Sales	**13,613**	8,352	**113,281**

Donation—Donation contributed to the foundation is determined based on approval of the board of directors.

Exchange of shares—For the purpose of acquisition of shares in Sanwa Co., Ltd., the transactions are based on the share exchange ratio determined on the basis of the analysis performed by a third party.

Sales—The terms and conditions applicable to the above material transactions have been determined on an arm's length basis and by reference to the normal market price.

*1 The objective of Zaidan's activities are to develop the people's consciousness and to create the new idea for the environment.

The summaries of financial statements of the two significant affiliates for the fiscal years ended March 31, 2015 and 2014 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2015		2014		**2015**	
	Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Sanden Al Salam LLC.	Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Sanden Al Salam LLC.	Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Sanden Al Salam LLC.
Total current assets	**¥43,223**	**¥40,297**	¥35,660	¥26,545	**$359,682**	**$335,333**
Total non-current assets	**17,429**	**734**	13,074	734	**145,036**	**6,108**
Total current liabilities	**33,441**	**36,386**	26,181	21,690	**278,280**	**302,787**
Total long-term liabilities	**806**	**263**	1,624	189	**6,707**	**2,188**
Total net assets	**26,404**	**4,381**	20,928	5,398	**219,722**	**36,456**
Sales	**76,813**	**26,050**	65,999	14,239	**639,202**	**216,776**
Income before income taxes and minority interests	**6,563**	**(131)**	5,464	163	**54,614**	**(1,090)**
Net income	**¥ 5,627**	**¥ (142)**	¥ 4,612	¥ 154	**$ 46,825**	**$ (1,181)**

19. Segment Information

1. Summary of reporting segment

(1) Reporting segments

Our reporting segments are constituent units whose segregated financial information is available and reviewed by the Board of Directors for making decisions in the allocation of operating resources and evaluating the operating performance regularly.

The Company plans the comprehensive strategies and extends business activities for each product, system and service globally.

Therefore, the Company has designated these reporting segments: the "Automotive Systems Business"; and the "Commercial Store Systems Business."

Segment division	Main product, system, service
Automotive Systems Business	Automotive air-conditioning systems and air-conditioner compressors
Commercial Store Systems Business	Automatic vending machines, commercial freezers and refrigerated showcases

(2) Method of measurement of sales, profit (loss), assets, and other items for each reporting segment

The accounting policies of the reportable segment are consistent with the description of the accounting policies.

Information by reporting segment for the years ended March 31, 2015 and 2014 is summarized as follows:

	Millions of yen				
	2015				
	Reporting segment				
	Automotive Systems Business	Commercial Store Systems Business	Total	Others	Total consolidated
Net sales:					
Outside customers	**¥200,222**	**¥94,893**	**¥295,116**	**¥11,867**	**¥306,984**
Operating income (loss)	**¥ 5,602**	**¥ 6,211**	**¥ 11,814**	**¥ (2,406)**	**¥ 9,407**
Identifiable assets	**¥209,211**	**¥71,258**	**¥280,470**	**¥18,794**	**¥299,265**
Depreciation and amortization	**9,687**	**1,662**	**11,349**	**344**	**11,694**
Amortization of goodwill	**69**	**90**	**160**	**—**	**160**
Equity in earnings of affiliates	**2,150**	**367**	**2,518**	**—**	**2,518**
Investments in equity-method companies	**8,911**	**4,062**	**12,973**	**—**	**12,973**
Increase in property, plant and equipment and intangible assets	**10,672**	**2,558**	**13,230**	**899**	**14,130**

	Millions of yen				
	2014				
	Reporting segment				
	Automotive Systems Business	Commercial Store Systems Business	Total	Others	Total consolidated
Net sales:					
Outside customers	¥182,207	¥81,070	¥263,278	¥11,508	¥274,786
Operating income (loss)	¥ 3,762	¥ 3,542	¥ 7,305	¥ (2,446)	¥ 4,858
Identifiable assets	¥191,219	¥70,587	¥261,807	¥16,113	¥277,920
Depreciation and amortization	8,415	1,407	9,823	310	10,134
Amortization of goodwill	29	43	73	—	73
Equity in earnings of affiliates	1,716	280	1,996	—	1,996
Investments in equity-method companies	8,497	3,287	11,785	—	11,785
Increase in property, plant and equipment and intangible assets	13,563	1,238	14,801	1,859	16,661

Note: "Other" includes household equipment, car sales and bicycle accessories, etc.

	Thousands of U.S. dollars (Note 1)				
	2015				
	Reporting segment				
	Automotive Systems Business	Commercial Store Systems Business	Total	Others	Total consolidated
Net sales:					
Outside customers	**$1,666,156**	**$789,656**	**$2,455,820**	**$ 98,751**	**$2,554,581**
Operating income (loss)	**$ 46,617**	**$ 51,685**	**$ 98,310**	**$ (20,021)**	**$ 78,280**
Identifiable assets	**$1,740,958**	**$592,976**	**$2,333,943**	**$156,395**	**$2,490,347**
Depreciation and amortization	**80,610**	**13,830**	**94,441**	**2,862**	**97,312**
Amortization of goodwill	**574**	**748**	**1,331**	**—**	**1,331**
Equity in earnings of affiliates	**17,891**	**3,054**	**20,953**	**—**	**20,953**
Investments in equity-method companies	**74,153**	**33,802**	**107,955**	**—**	**107,955**
Increase in property, plant and equipment and intangible assets	**88,807**	**21,286**	**110,094**	**7,481**	**117,583**

2. Geographic information

Information about geographical areas for the year ended March 31, 2015

(1) Sales

	Millions of yen						Thousands of U.S. dollars (Note 1)					
	2015						2015					
		Asia						Asia				
	Japan		including China	Europe	North America	Total consolidated	Japan		including China	Europe	North America	Total consolidated
Net sales:												
Outside customers	**¥111,810**	**¥88,811**	**¥39,022**	**¥68,565**	**¥37,796**	**¥306,984**	**$930,431**	**$739,044**	**$324,723**	**$570,566**	**$314,521**	**$2,554,581**

(2) Property, plant and equipment

	Millions of yen							Thousands of U.S. dollars (Note 1)						
	2015							**2015**						
		Asia		Europe					Asia		Europe			
	Japan		including China		including Poland	North America	Total consolidated	Japan		including China		including Poland	North America	Total consolidated
Property, plant and equipment	**¥41,783**	**¥19,660**	**¥10,455**	**¥19,908**	**¥10,508**	**¥9,496**	**¥90,849**	**$347,699**	**$163,601**	**$87,001**	**$165,665**	**$87,442**	**$79,021**	**$756,003**

Information about geographical areas for the year ended March 31, 2014

(1) Sales

	Millions of yen					
	2014					
		Asia				
	Japan		including China	Europe	North America	Total consolidated
Net sales:						
Outside customers	¥98,787	¥72,720	¥29,807	¥69,691	¥33,587	¥274,786

(2) Property, plant and equipment

	Millions of yen					
	2014					
			Europe			
	Japan	Asia		including Poland	North America	Total consolidated
Property, plant and equipment	¥43,498	¥16,809	¥20,329	¥10,899	¥8,043	¥88,681

3. Information about segmental impairment loss on long-lived assets

For the fiscal year ended March 31, 2015

No impairment loss was recognized.

For the fiscal year ended March 31, 2014

	Purpose of use	Millions of yen
Impairment loss on long-lived assets	Automotive Systems Business	¥ 35
	Other	¥200

20. Supplementary Information

The main items of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 in the accompanying consolidated statements of income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Employees' salaries and bonuses	**¥16,586**	¥15,296	**$138,021**
Freight	**4,585**	3,850	**38,154**
Depreciation	**2,299**	2,018	**19,131**
Provision for:			
Employees' bonuses	**1,886**	1,488	**15,694**
Warranty liabilities	**783**	792	**6,515**
Retirement benefits	**668**	850	**5,558**
Miscellaneous, which consists mainly of legal welfare expenses, advertising, rentals and traveling	**21,028**	18,944	**174,985**
	¥47,838	¥43,242	**$398,086**

Research and development expenses are recognized as incurred. Research and development expenses charged to the cost of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were ¥6,742 million ($56,103 thousand) and ¥7,095 million, respectively.

21. Impairment Loss on Long-Lived Assets

The Company and its consolidated subsidiaries classify property, plant and equipment and intangible assets into groups based on the components whose operating results are regularly reviewed by management to make investment decisions and assess its performance. The real estate for rental use and idle properties are each considered to constitute an individual group. The headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independently.

During the year ended March 31, 2015, no impairment loss was recognized.

During the year ended March 31, 2014, impairment losses for the following asset groups were recognized.

Location	Purpose of use	Type of assets
Maebashi-shi, Gunma, Japan	Assets used for Other Business	Buildings and structures and Machinery, etc.
Isesaki-shi, Gunma, Japan	Assets used for Automotive Systems Business	Machinery, etc.

The carrying amount of the fixed assets for business use are reduced to its recoverable amount because (i) the performance of those assets was worse than expected, (ii) the assets became idle due to the decrease in production or (iii) the recoverable amount of the assets was less than the carrying amount.

The impairment loss by each category of long-lived assets was as follows:

	Millions of yen
Buildings and structures	¥ 99
Machinery and equipment	77
Furniture and fixtures	45
Lease assets	6
Software	6
Total	¥235

22. Subsequent event

Based on the approval of the Company's Annual Shareholders' Meeting held on June 20, 2014, the Company has made up the transition to a holding company structure through the absorption-type company split and changed its name to Sanden Holdings Corporation as of April 1, 2015.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of Sanden Holdings Corporation:

We have audited the accompanying consolidated financial statements of Sanden Holdings Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sanden Holdings Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 5, 2015
Tokyo, Japan

Board of Directors/Auditors/Corporate Officers

BOARD OF DIRECTORS

Masayoshi Ushikubo
Director & Chairman

Yoshimasa Hayakawa
Director & Vice Chairman

Kin-ei Kanda
Director & President

Mitsugi Takahashi
Director & Executive Corporate Officer

Tsutomu Sakakibara
Director & Executive Corporate Officer

Mark Ulfig
Director & Executive Corporate Officer

Katsuya Nishi
Director & Senior Corporate Officer

Takao Kaihatsu
Director & Senior Corporate Officer

Hideto Ozaki
Director (Outside)

Hideo Hohgi
Director (Outside)

AUDITORS

Takashi Oya
Corporate Auditor

Takuji Tsuchikane
Corporate Auditor (Outside)

Yoshiaki Sugita
Corporate Auditor (Outside)

Kimihide Emae
Corporate Auditor (Outside)

CORPORATE OFFICERS

Shinji Ichikawa
Senior Corporate Officer

Robert Kheng
Senior Corporate Officer

Katsumi Yamanaka
Corporate Officer

Masuya Mori
Corporate Officer

Hiroshi Takahashi
Corporate Officer

Tadashi Yoshida
Corporate Officer

Kenichi Yamamoto
Corporate Officer

Takashi Shimomura
Corporate Officer

Toshio Yokomuro
Corporate Officer

Koichi Fukuda
Corporate Officer

Yoshihiro Saito
Corporate Officer

As of June 19, 2015

Sanden's World Network
(As of April 1, 2015)

Sanden Holdings Corporation

Name	Address	Tel
Sanden Holdings Corporation	20 Kotobuki-cho, Isesaki-shi, Gunma 372-8502, Japan	+81-(0)270-24-1211
Sanden Automotive Climate Systems Corporation	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	+81-(0)3-3835-3119
Sanden Automotive Components Corporation	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	+81-(0)3-3835-1324
Sanden Retail Systems Corporation	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	+81(0)3-3833-8358
Sanden Living & Environmental Systems Corporation	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	+81-(0)3-3833-1225
Sanden Environmental Products Corporation	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	+81-(0)3-3833-1526
Sanden Advanced Technology Corporation	SGCT Center, 20 Kotobuki-cho, Isesaki-shi, Gunma 372-8502, Japan	+81-(0)270-24-1212
Sanden Business Expert Corporation	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	+81-(0)3-3833-1218

Branches

Location
Hokkaido, Iwate, Miyagi, Niigata, Gunma, Nagano, Chiba, Saitama, Tokyo, Kanagawa, Shizuoka, Ishikawa, Aichi, Osaka, Kagawa, Hiroshima, Fukuoka, Kumamoto

Affiliated Companies
Consolidated Subsidiaries

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
Japan				
Sanwa Tech Co., Ltd.[*1*2]	Gunma	¥10 million	Manufacture of automobile components	100% (100.0%)
Sanwa Precision Co., Ltd.[*1]	Gunma	¥10 million	Manufacture of automobile components	100%
Sanwa Altech Co., Ltd.[*2]	Gunma	¥480 million	Manufacture of automobile components	100% (68.8%)
Sanwa Co., Ltd.	Gunma	¥10 million	Manufacture of automobile components	100%
Sanwa Fabtech Co., Ltd.	Gunma	¥10 million	Manufacture of Commercial Store Systems Business equipment components	100%
SD Maintenance Co., Ltd.	Tokyo	¥100 million	Installation and maintenance of Commercial Store Systems Business equipment	100%
Sanwa Thermotech Co., Ltd.	Gunma	¥30 million	Manufacture of Commercial Store Systems Business equipment components, etc.	100%
Mitsukura Tex Co., Ltd.	Gunma	¥10 million	Manufacture of automobile components Manufacture of Commercial Store Systems Business equipment components	100%
Sanden Denso Co., Ltd.	Gunma	¥200 million	Marketing of dynamo bicycle lamps and manufacture of Commercial Store Systems Business equipment components and automobile component parts	100%
Sanden System Engineering Co., Ltd.	Gunma	¥30 million	Development and operation of computer systems	100%
Sanden Logistics Co., Ltd.	Gunma	¥10 million	Warehousing and shipping	100%
Sanden Facility Co., Ltd.	Gunma	¥10 million	Administration of plant facilities, supply of energy, and operation of welfare and training facilities	100%
Sanden Fudosan Co., Ltd.	Gunma	¥50 million	Real estate business	100%
Honda Cars Takasaki Co., Ltd.[*2]	Gunma	¥60 million	Marketing of automobiles	100% (66.7%)
Sankyo Kosan Co., Ltd.	Gunma	¥20 million	Provision of agency services for real estate insurance, automobile insurance, etc.	100%
Europe				
Sanden Manufacturing Europe S.A.S.[*1*2]	Tinteniac, France	€33,184,000	Manufacture and marketing of automobile components	100% (100.0%)
Sanden Manufacturing Poland Sp.z.o.o.[*1*2]	Polkowice, Poland	zl152,000,000	Manufacture and marketing of automobile components	100% (100.0%)
Sanden International (Europe) Ltd.[*1*4]	Basingstoke, Hants, U.K.	€26,285,000	Manufacture and marketing of automobile components	100%
SandenVendo Europe S.p.A.[*2]	Casale Monferrato, Italy	€1,449,000	Provision of management administration and fund procurement and management services to subsidiaries of Vendo (Europe) Inc. and manufacturing and marketing of Commercial Store Systems Business equipment	100% (100.0%)

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
North America				
Sanden International (U.S.A.) Inc.[*1*2]	Wylie, Texas, U.S.A.	$18,000,000	Manufacturing and marketing of automobile components	100% (100.0%)
Sanden Mexicana, S.A. de C.V.[*2]	Saltillo Coahuila, Mexico	MP 107,111,000	Manufacturing and marketing of automobile components	100% (96.8%)
SANDEN MANUFACTURING MEXICO S.A DE C.V.[*1*2]	Saltillo Coahuila, Mexico	$14,000,000	Manufacturing and marketing of automotive components	100% (1.0%)
SandenVendo America Inc.	Dallas, Texas, U.S.A.	$10,000,000	Manufacturing and marketing of Commercial Store Systems Business equipment	100%
The Vendo Company[*1*2]	Fresno, California, U.S.A.	$3,445,000	Manufacturing and marketing of Commercial Store Systems Business equipment	100% (100.0%)
Vendo (Europe) Inc.[*1*2]	Dover, Delaware, U.S.A.	$10,010,000	Provision of management administration and fund procurement and management services to Europe-based Commercial Store Systems Business subsidiaries of the Company	100% (100.0%)
Sanden of America Inc.[*1]	Wylie, Texas, U.S.A.	$78,000,000	Provision of management administration and fund procurement and management services to U.S.-based subsidiaries of the Company	100%
Asia and Oceania				
Sanden Vikas (India) Ltd.[*2*3]	Haryana State, India	R296,250,000	Manufacture and marketing of automobile components	50.0% (46.7%)
Sanden International (Singapore) Pte. Ltd.	Singapore	S$6,000,000	Manufacturing and marketing of automobile components	100%
Sanden Air Conditioning (Malaysia) Sdn. Bhd.[*2]	Shah Alam, Selangor Darul Ehsan, Malaysia	MYR5,600,000	Manufacture of automobile components	100% (58.5%)
Tianjin Sanden Automotive Air-Conditioning Co., Ltd.[*1]	Tianjin, People's Republic of China	CYN143,629,000	Manufacture and marketing of automobile components	51.5%
Sanden (Suzhou) Precision Parts Co., Ltd.[*1]	Suzhou, People's Republic of China	CYN74,942,000	Manufacture of automobile components	65.0%
Sanden Chongqing Automotive Air Conditioning Co., Ltd.	Chongqing, People's Republic of China	CYN65,132,000	Manufacture of automobile components	51.0%
Sanden International Taiwan Corporation[*1]	Taipei, Taiwan	NT$275,000,000	Marketing of automobile and Commercial Store Systems Business equipment components	100%
Sanden International (Malaysia) Sdn. Bhd.[*2]	Pasir Gudang, Johore, Malaysia	MYR2,500,000	Manufacture and marketing of automobile components	100% (60.0%)
Automotive Air-conditioning Technology Philippines Inc.[*2]	Calamba Laguna, Philippines	US$3,138,000	Manufacture and marketing of automobile components	99.4% (99.4%)
P.T. Sanden Indonesia[*2]	Jakarta, Indonesia	Rp5,094,000,000	Manufacture and marketing of automobile components	100% (100.0%)
Sanden International (Australia) Pty. Ltd.	Condell Park, NSW, Australia	A$1,500,000	Marketing of automobile components	100%
Sanden (Thailand) Co., Ltd.[*2]	Ayutthaya, Thailand	B60,500,000	Manufacture and marketing of automobile and Commercial Store Systems Business equipment components	95.0% (38.0%)
Sanden Shanghai Refrigeration Co., Ltd.	Shanghai, People's Republic of China	CNY72,600,000	Manufacture and marketing of Commercial Store Systems Business equipment components	51.0%
Sanden Shanghai Thermal Environmental System Co., Ltd.[*1]	Shanghai, People's Republic of China	$13,800,000	Manufacture of Commercial Store Systems Business equipment components	82.2%
Other consolidated subsidiaries (fifteen companies)	—	—	—	—

	Principal Profitability Figures, Etc. (millions of yen)				
	Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
Sanden International (Europe) Ltd.	69,150	710	591	10,524	46,049

Notes:
1. Specified subsidiaries
2. Consolidated subsidiaries in which Sanden's shareholding is less than 50% of outstanding shares but with respect to which Sanden has effective control
3. "Percentage of Voting Rights or Shareholding" figures in parentheses show the percentage of voting rights or shareholdings held indirectly (through other affiliated companies).
4. The following company accounts for more than 10% of the Company's consolidated net sales (excluding transactions among consolidated Group companies).

Consolidated Subsidiaries Accounted for by the Equity Method

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
Japan				
Asahi Sangyo Co., Ltd.*1	Saitama	¥96 million	Manufacture and marketing of automobile components and parts	30.3% [0.8%]
Sanwa Coatex Co., Ltd.*1	Gunma	¥12 million	Manufacture and coating of Commercial Store Systems Business equipment components and automobile components	31.7% [1.3%]
Asia				
Sanden Al Salam LLC.*2	Dubai, UAE	US$1,000,000	Marketing of automobile components	43.0% (43.0%)
Iranian Sanden Industries*2	Ghazvin Industrial City, Iran	R$169,004,160,000	Manufacture and marketing of automobile components	43.0% (43.0%)
Sanden Intercool (Thailand) Public Co., Ltd.	Singburi, Thailand	B100,000,000	Manufacture and marketing of Commercial Store Systems Business equipment	49.0%
Shenyang Sanden Automotive Air-Conditioning Co., Ltd.	Shenyang, People's Republic of China	CNY82,766,000	Manufacture and marketing of automobile components	47.5%
Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Shanghai, People's Republic of China	CNY206,671,000	Manufacture and marketing of automobile components	35.0%
Sanden (Shanghai) Automotive Air-Conditioning Co., Ltd.	Shanghai, People's Republic of China	CNY82,793,000	Manufacture and marketing of automobile components	25.0%

Notes:
1. The voting rights percentage in brackets, [ ], is the percentage of votes held by close associates and those shareholders in agreement with the Company's proposals and is not included in the voting rights percentage shown.
2. The voting rights percentage in parentheses, ( ), is the percentage of rights held indirectly by the Company and is included in the voting rights percentage.