

Financial Results Briefing for the Year Ended March 31, 2018

May 10, 2018

Kin-ei Kanda

**Representative Director & President
SANDEN HOLDINGS CORPORATION**

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- 1. Management Overview**
- 2. Progress of Mid-Term Plan**
- 3. Forecast of Financial Results and Dividends**

CONTENTS : Management Overview

- 1. Basic Structure of Mid-Term Plan**
2. FY2017 Financial Results
3. Management Issues

1. -1 Concept of Mid-Term Plan and Target

Shrink to Grow



Mid-Term Target

(100 Millions of Yen)

	FY2016	FY2020
Net Sales	2,821	3,200
Ordinary Income Ratio	(1%)	5%
Equity Ratio	16%	25%

Accomplish the **structural reforms** in FY2017 and return to a **growth path** promptly from FY2018

For Short Term Issues

Comprehensive Structural Reforms

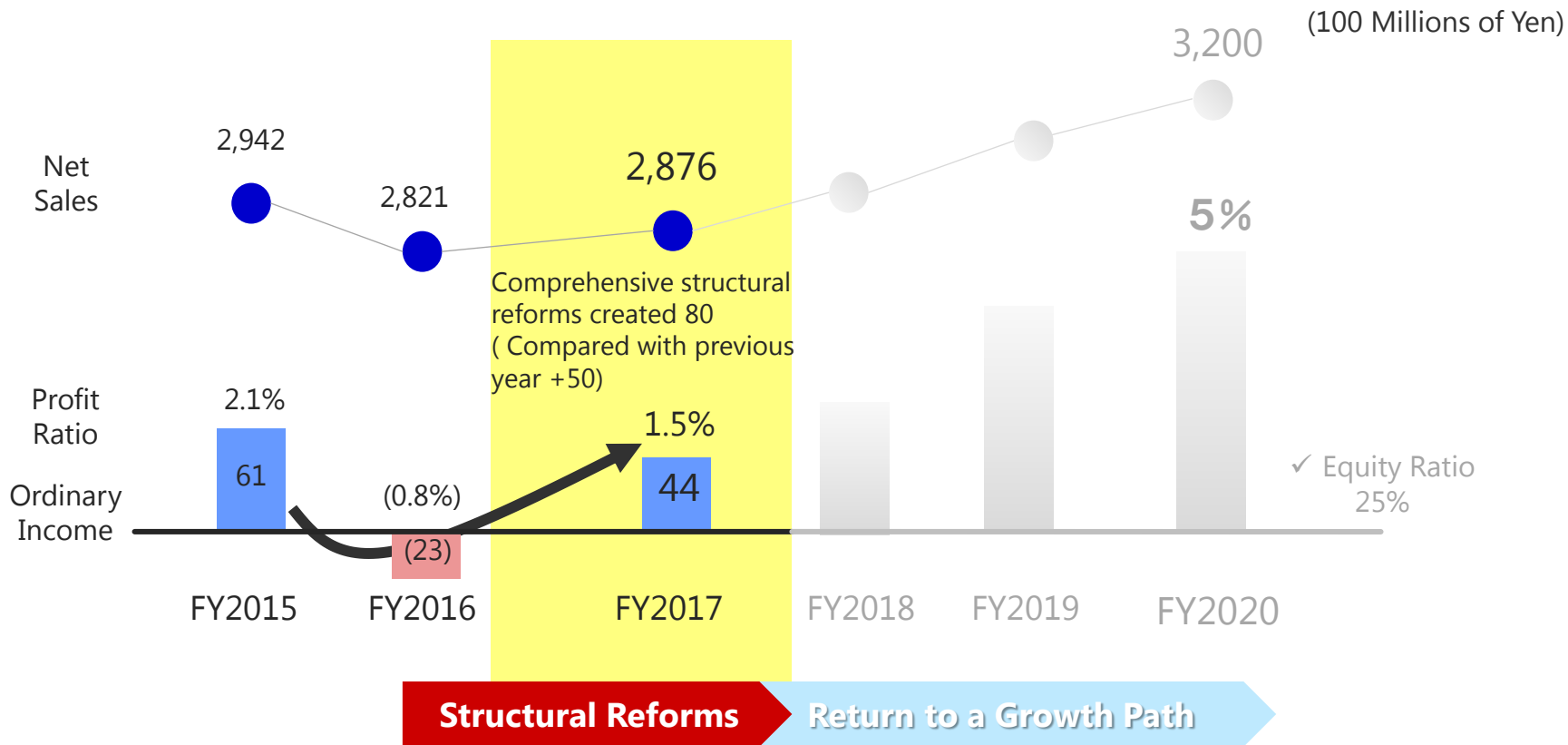
- 1 Extensive review of overall business portfolio
- 2 Integration and consolidation of operations and organizations
- 3 Vitalization of organizations through optimization of personal structure
- 4 Improvement of investment efficiency through selection and concentration
- 5 Strengthening of global competitiveness through consolidated sources of procurement
- 6 Improvement of efficiency through drastic review of expenditures
- 7 Enhancement of cash generation through financial structure reform

Mid-Term Issues

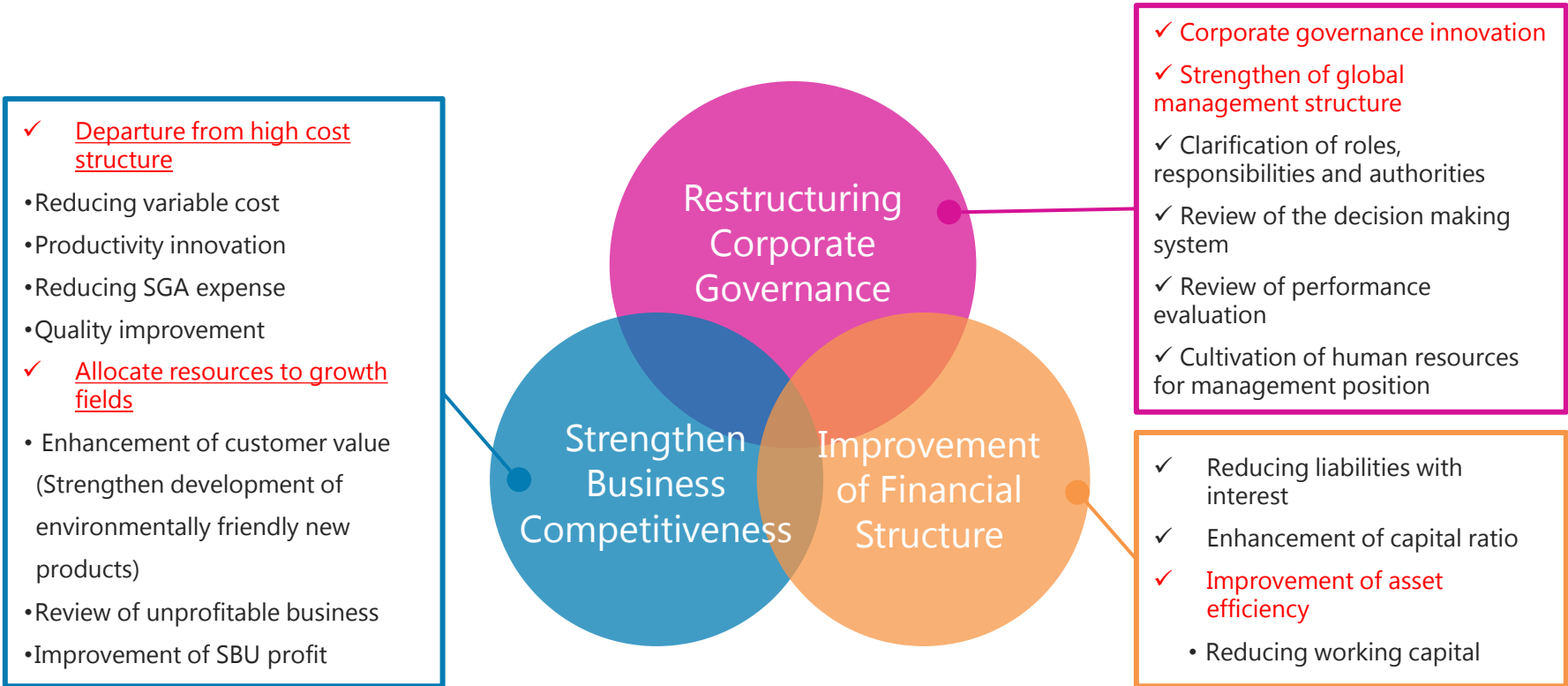
4 Key Initiatives

1	Comprehensive cost transformation to improve profitability	<ul style="list-style-type: none"> Material and parts procurement transformation Productivity innovation Quality reforms
2	Asset efficiency enhancement to strengthen the overall financial structure	<ul style="list-style-type: none"> Selection and concentration of investment Reduction of working capital Liquidation of non-core assets
3	Optimization of the business portfolio to create corporate value	
4	Management system reform to achieve sustainable growth	

1. -2 FY2017 Financial Results



1. -3 Management Issues



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- 2. Progress of Mid-Term Plan**
3. Forecast of Financial Results and Dividends

CONTENTS : Progress of Mid-Term Plan

- 1. Structural Reforms Measures(Short Term)**
2. Growth Business Strategies (Mid Term)
3. Management Structure Establishment

2. Overview for Progress of the Priority Measures of Mid-Term Plan

4 Key Initiatives			Activities and Achievements			FY17 ~FY20 ~FY25		
						Result		
						Short Term	Mid Term	Long Term
1	Comprehensive cost transformation to improve profitability	Material and parts procurement transformation	<ul style="list-style-type: none"> ✓ Internal components inspection and supplier layout review ✓ Strengthening of the relations with suppliers and capturing new technologies 		○			
		Productivity innovation	<ul style="list-style-type: none"> ✓ Strengthening of the mother plant function (functional enhancement team organization and overseas support expansion) ✓ Reestablishment of Americas bases (concentration of bases, rationalization and investment for new products) 	○	○	○		
		Quality reforms	<ul style="list-style-type: none"> ✓ Review of the DR and process that reduce failures of design and quality ✓ Promotion of quality visualization using dashboard of product quality 		○			
2	Asset efficiency enhancement to strengthen the overall financial structure	Selection and concentration of investment	<ul style="list-style-type: none"> ✓ Concentration of management resources to priority areas such as growth market and environmental new technology ✓ Investment for production structure of 1.5million units of electric compressor 		○			
		Reduction of working capital	<ul style="list-style-type: none"> ✓ Liquidation of claims and accounts receivable, reducing inventories(JPY6.8billion) (CCC 95days→85days) 	BS,CF	○			
		Liquidation of non-core assets	<ul style="list-style-type: none"> ✓ Sales of investment securities (JPY9.8billion) ✓ Liquidation of non-core assets and sales of property (JPY4billion) 	BS,CF PL				
3	Optimization of the business portfolio to create corporate value		<ul style="list-style-type: none"> ✓ Withdrawing of production from living environment systems business ✓ Concentration of management resources to growth fields 	BS,PL	○	○		
4	Management system reform to achieve sustainable growth		<ul style="list-style-type: none"> ✓ Empowerment of business companies for increasing the speed of management ✓ Establishment of executive nomination and compensation committee to strengthen corporate governance ✓ Review of the board of directors members (outside directors: 1/3) 	-	-	-		

2. -1 Optimization of the Business Portfolio and Cost Transformation

4 Key Initiatives

1

Comprehensive cost transformation to improve profitability

2

3

Optimization of the business portfolio to create corporate value

4

Productivity Innovation

- Reinforce the function of mother plant

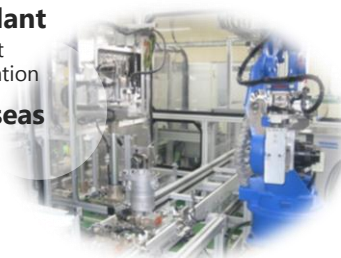
Investment of new compressor line, overseas support expansion by functional enhancement team organization

- Deploy flexible production to overseas

Europe and Americas→Asia and China

- Launch the “Development process standardization project”

Overall process optimization, unify drawing numbers and reforming operations



Reorganization of Bases for Efficiency

– Second Phase –

- Reestablish companies in the U.S.

Integrating, rationalizing, investing for new products

- Organization maintenance in Chinese market

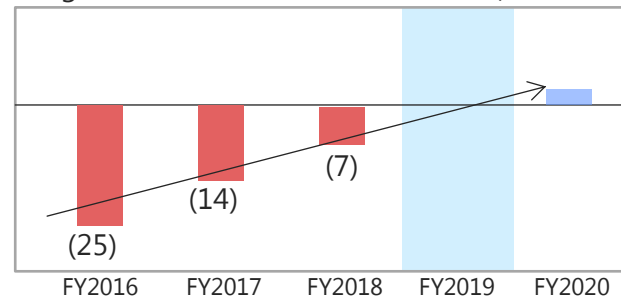
Relocation and concentration of SSB new plant, establishment of HVAC production bases

Allocate Management Resources to Growth fields

Withdrawing of production from Living Environment Systems Business

Completing during FY2018

Segment Result of Other Business (100 Millions of Yen)



2. -1 Initiatives and Achievements

- Strengthening of Organization in Chinese Market -

Climate Wind Tunnel
Operating from August 2017



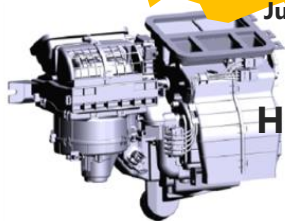
HP system for Electric Vehicle



Electric Compressor



PX Compressor



HVAC System for automobile

New Plant
Operating from May 2018

2. -1 Asset Efficiency Enhancement

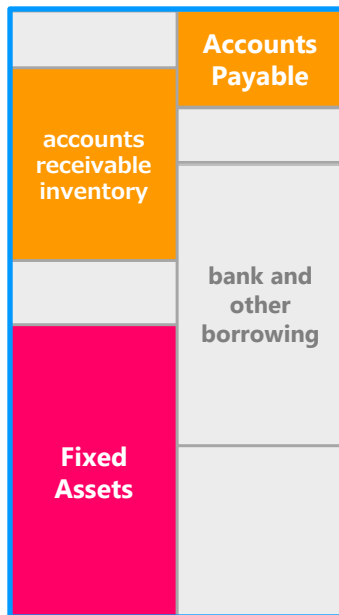
4 Key Initiatives

1	
2	Asset efficiency enhancement to strengthen the overall financial structure
3	
4	

Working Capital
CCC 95days

Noncore Assets
· property
· sales of investment securities

As of March 2017
Consolidated BS



Asset Efficiency



FY2017 Cash Flow Realizing Over JPY20 billion

CF creation
(100 Millions of Yen)

Measures



Improvement of working capital
CCC 95days→85days
liquidation of claims, promoting of collection

Sales of noncurrent assets
sales of property, utilizing equipment leasing

Sales of investment securities (87)

Review capital (11)

CONTENTS : Progress of Mid-Term Plan

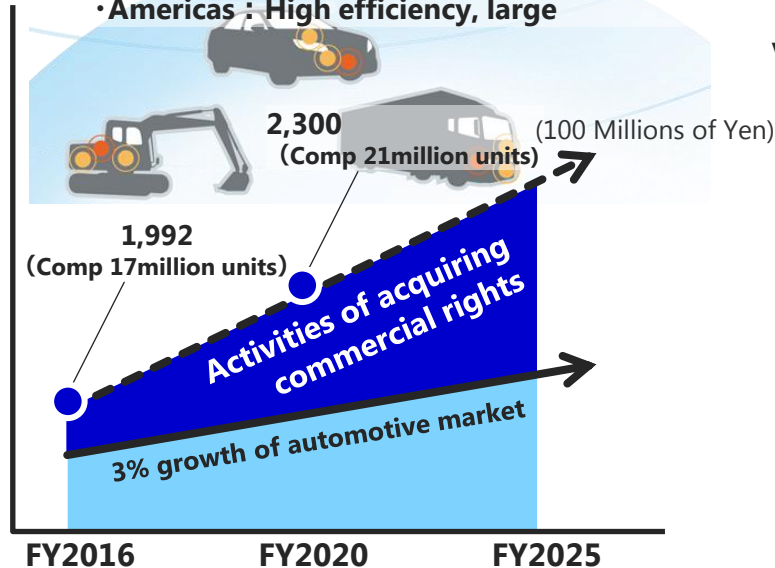
1. Structural Reforms Measures (Short Term)
2. Growth Business Strategies (Mid Term)
3. Management Structure Establishment

2. -2 Growth Business Strategies – Automotive Systems Business

Principle of growth : Keep offering “Impression” by utilizing global strength, innovation and uniqueness of environmentally friendly products

- China : Partner strategies OEM
- Europe : Eco-friendly products (EC, PX)
- Americas : High efficiency, large

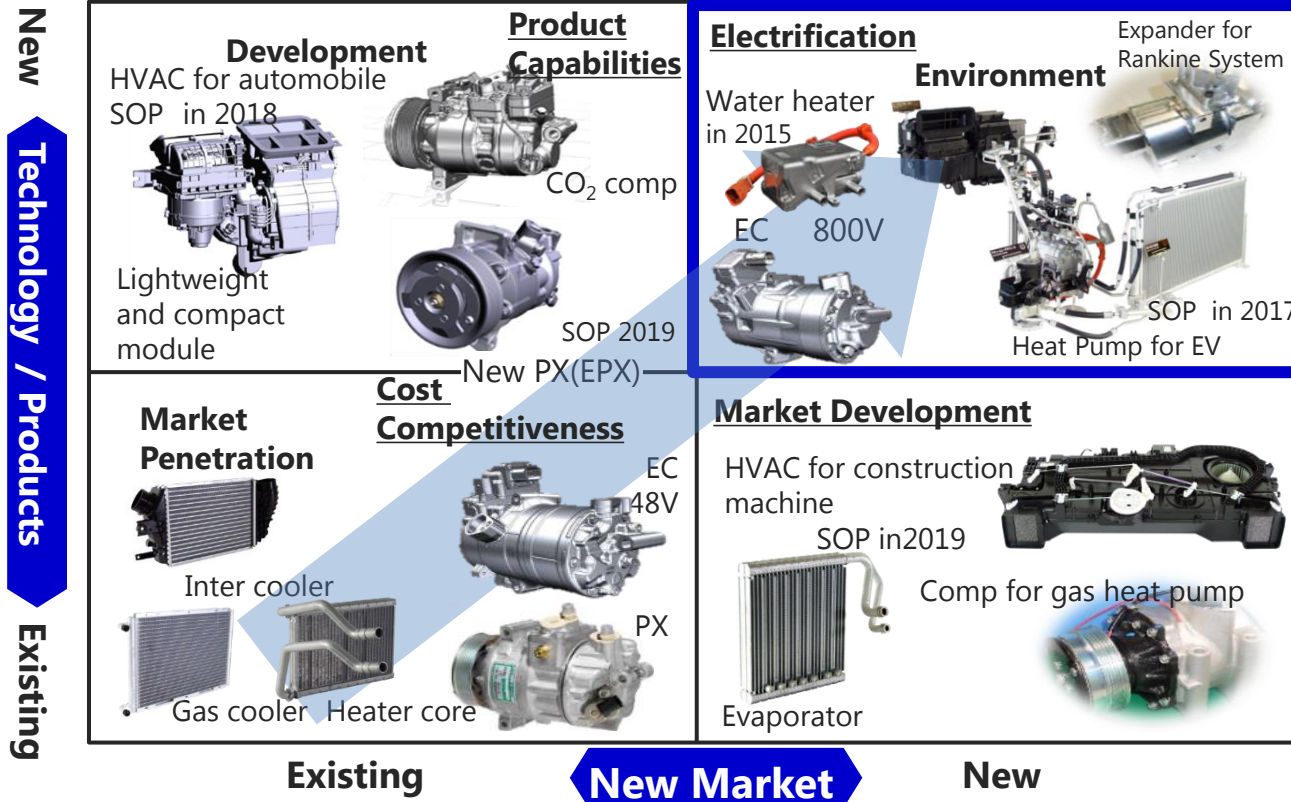
Providing eco-friendly products that contribute to enhance the value of world-class customer’s vehicles and customer satisfaction



Strength

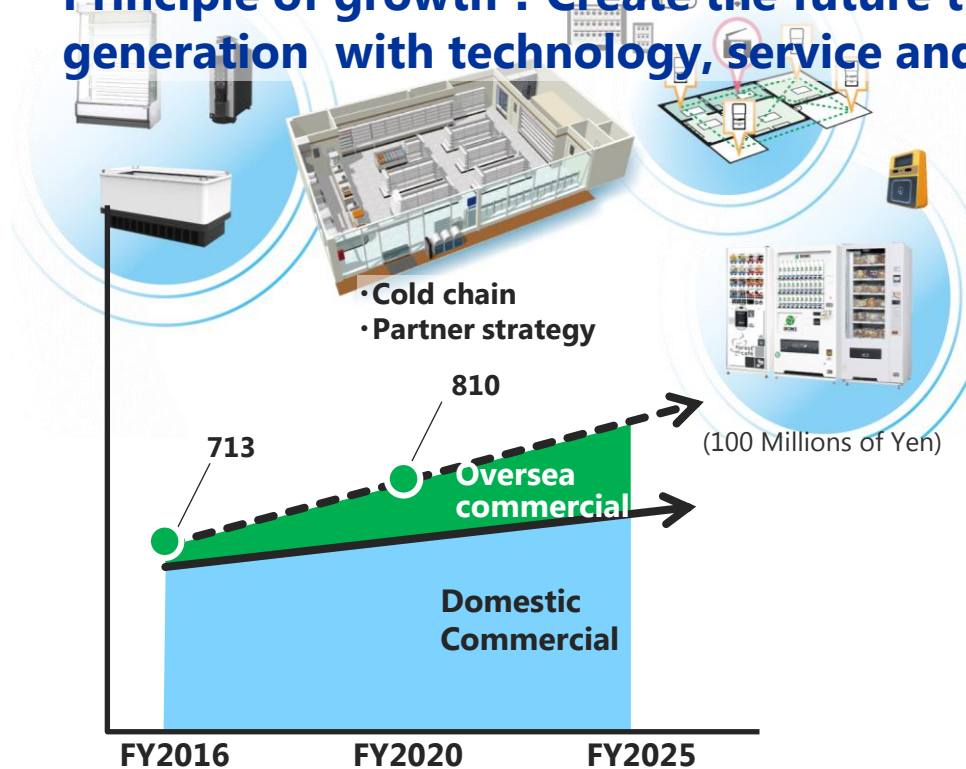
- Customers foundation on a global bases
- Innovative technologies for eco-friendly products
- Global manufacturing bases and network

2. -2 Initiatives for business growth – Automotive Systems Business



2. -2 Growth Business Strategies – Commercial Store Systems Business

Principle of growth : Create the future that realizing the solution of next generation with technology, service and IoT

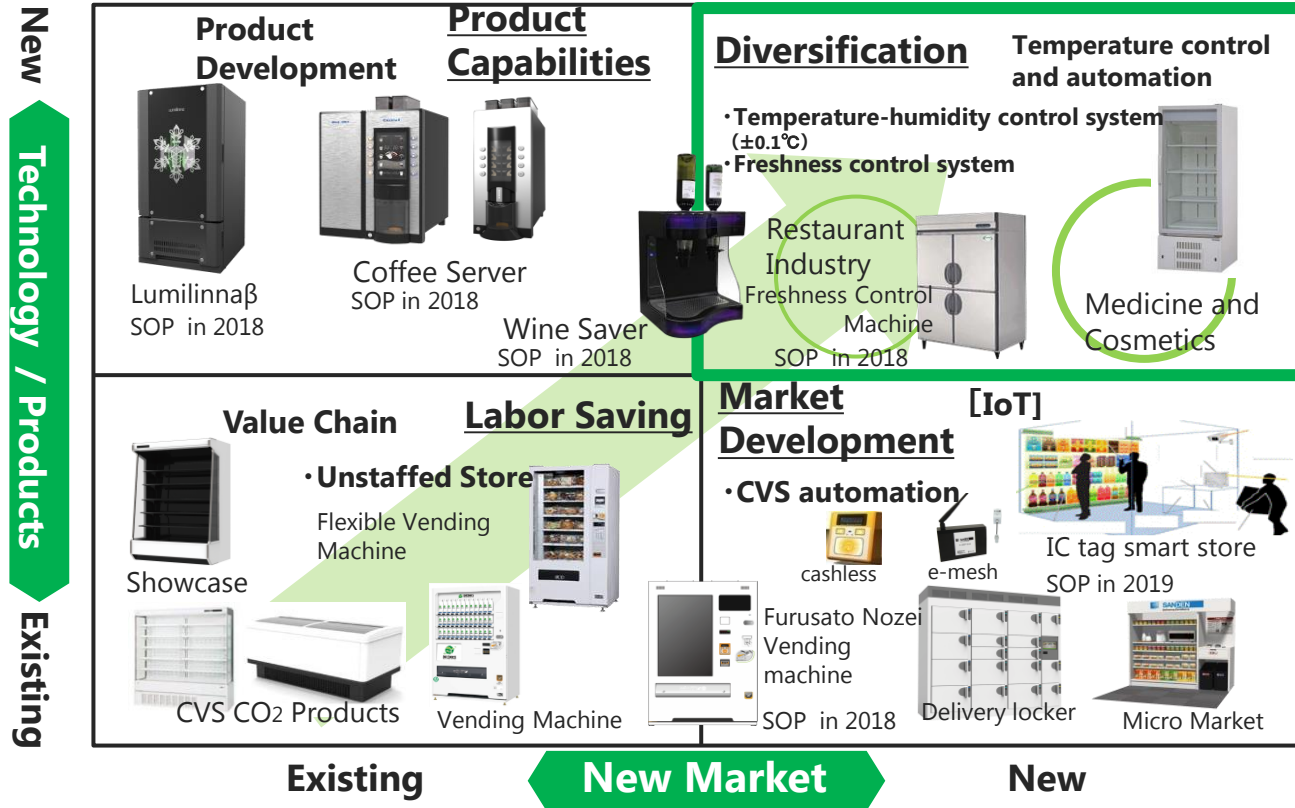


Expanding cold chain system to overseas along with enhancing service of products that was cultivated by highly developed value chain in Japan

Strength

- Value Chain
(cold chain) know-how
- Flexibilities of existing technology
 - Labor Saving
 - Humidity Control
 - IoT
- 4 Global bases structure

2. -2 Initiatives for business growth – Commercial Store Systems Business



2. -2 Initiatives for Business Growth

Automotive Systems Business

Contribute to society with eco-friendly products by our strength of innovation and uniqueness

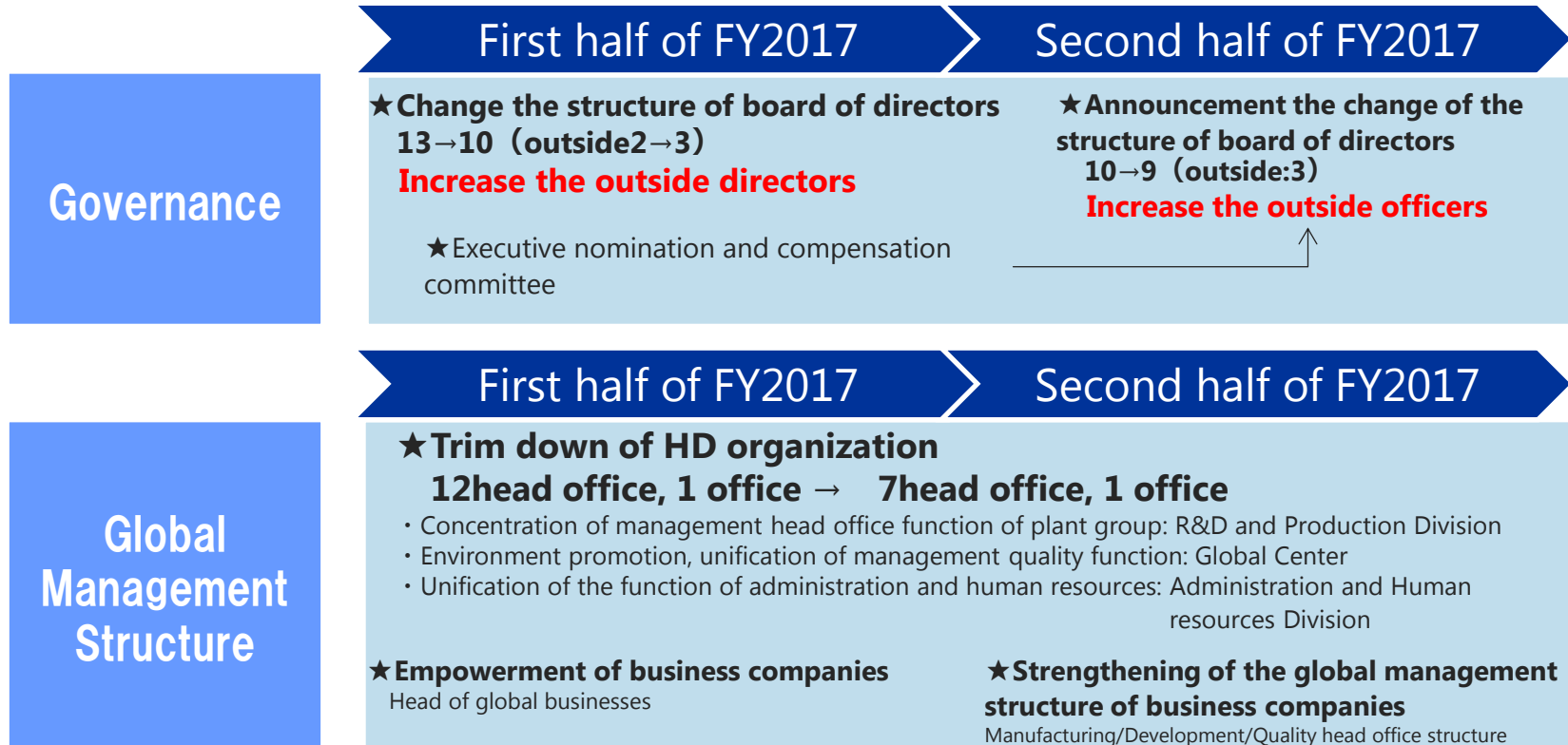
Sales	<ul style="list-style-type: none">• FY21business activities growth/innovative eco-friendly market: China and EuropeRestoration of Business Rights : Americas and Asia
Development	<ul style="list-style-type: none">• Concentration of thermal management system based on HP system• Evolution of electric compressors for eco-friendly cars
Manufacturing	<ul style="list-style-type: none">• Launch of mass production of EC• Establishing high productivity of EC in Europe• Promoting PX cost reduction

Commercial Systems Business

Establish business model by our products targeting at new market

Sales	<ul style="list-style-type: none">• Establishing sales foundation in Asia based on cold chain systems• Planning and sales of products which target at new market• IoT, Prediction of failures, beverage products
Development	<ul style="list-style-type: none">• Short term : High value added products• Mid term : Establishing technologies of freshness control, humidity control towards new developing market
Manufacturing and Service	<ul style="list-style-type: none">• Improvement and overseas expansion of domestic manufacturing structure• Enhancement and overseas expansion of service and maintenance• Acquiring business with partners and existing technology completion

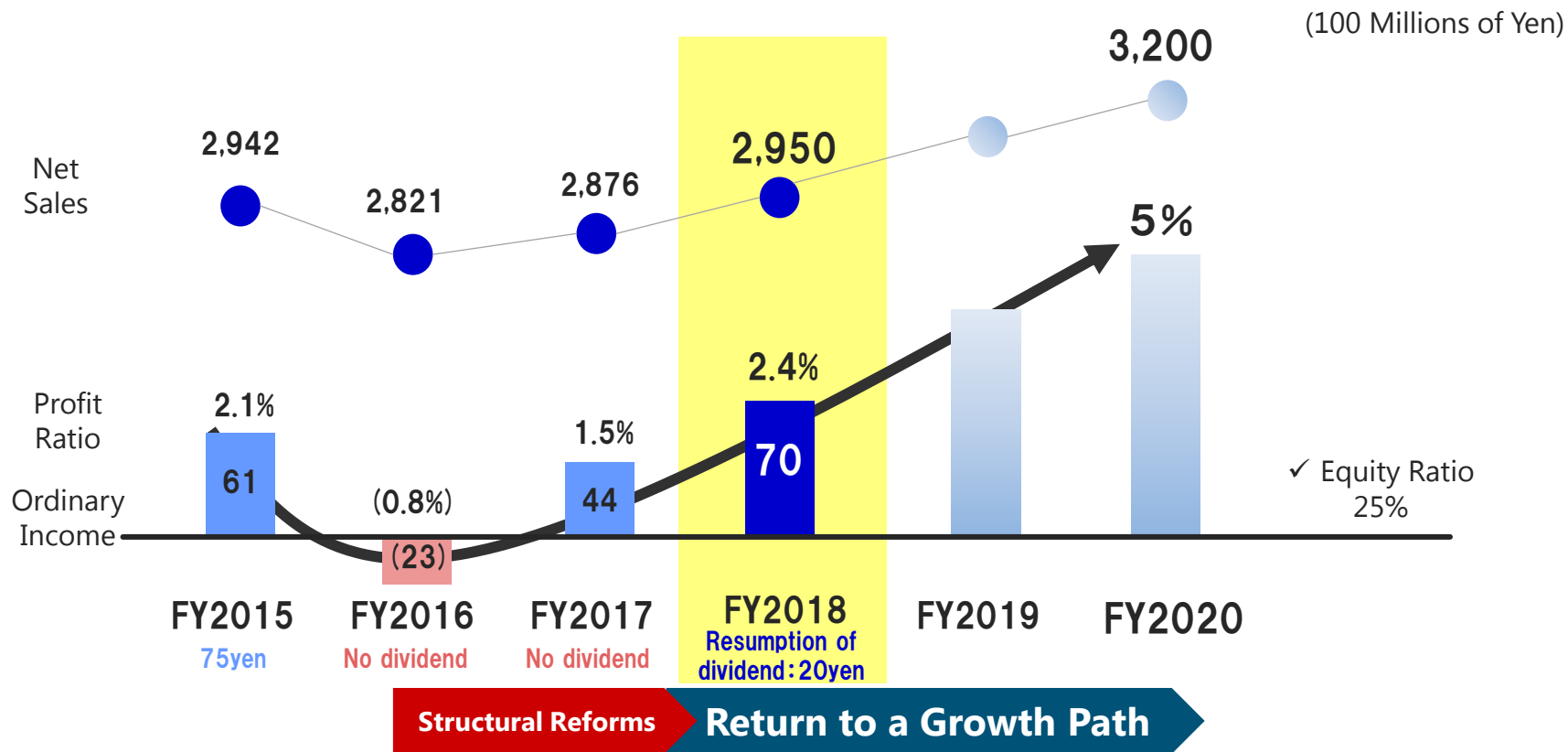
2. -3 Management Structure Establishment



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3. FY2018 Forecast of financial results and dividends





Cautionary Note Regarding Outlook Statements

Forward-looking statements in this earnings release, such as forecast of results of operations, are based on the information currently available and the certain assumptions that we regard as reasonable. Therefore, actual results may differ materially from those contained in or suggested by any forward-looking statements.