

For immediate release
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Media Inquiries:
Accounting Division
+81-3-5209-3341
Sanden Holdings Corporation

Notice of Revisions to Earnings Forecast, Posting of Extraordinary Loss, and Partial Reversal of Deferred Tax Assets

Sanden Holdings Corporation (hereinafter referred to as the 'Company') has today revised its consolidated forecasts of the financial position, which was announced on November 7, 2018. The details of the revised forecast for the fiscal year ending March 31, 2019 are as below.

1. Revisions to the consolidated earnings forecast

(1) The fiscal year ending March 31, 2019

	Net sales (Millions of yen & %)	Operating income (Millions of yen & %)	Ordinary income (Millions of yen & %)	Net income attributable to owners of the parent (Millions of yen)	Net income per share basic (Yen)
Forecast as published (A)	280,000	3,000	2,000	500	18.08
Revised forecast (B)	274,000	700	300	(23,000)	(831.40)
Changes in amount (B – A)	(6,000)	(2,300)	(1,700)	(23,500)	
Percentage change (%)	(2.1%)	(76.7%)	(85.0%)	-	
(Reference) Results of previous fiscal year ended March 2018	287,609	5,469	4,411	4,255	154.00

(2) Reasons for Revisions

The net sales forecast has been revised as stated above due to decline in sales of automotive related business mainly caused by China's market slump that was worse than anticipated, prolonging decline in vehicle sales of our major customers because of European vehicle regulations, and the effect of factory closures of our major customer in North America. The forecasts of operating income and ordinary income have also been revised as stated above mainly because of the effect of sharp decline in sales which could not be recovered by the effect of cost down and additional productivity improvement enough. In addition, the forecast of net income attributable to owners of parent has been revised due to extraordinary loss mentioned below as well as the negative factors mentioned above.

2. Extraordinary losses

We expect to record extraordinary losses mentioned below in our consolidated business forecast of fiscal 2019 ended on March 31, 2019.

(1) Provision of allowance for doubtful accounts of about 16 billion yen

The Company has posted provision of allowance for doubtful accounts as extraordinary loss associated with trade receivables of SANDEN INTERNATIONAL (SINGAPORE) PTE. LTD., one of the consolidated subsidiaries of the Company, and part of its consolidated subsidiaries (hereinafter referred to as 'SIS etc.') from SANDEN AL SALAM LLC (UAE local subsidiary) and IRANIAN SANDEN INDUSTRIES (Iran local subsidiary) (hereinafter referred to as 'SAS & ISI').

1) Provision of allowance for doubtful accounts

With respect to trade receivables in the business transaction related to automotive components for Iranian market between SIS etc. and SAS & ISI, we have experienced substantial delays in payment due to the effect of economic sanction and subsequent tightening of financial transaction against Iran.

We already posted a certain amount of allowance for doubtful accounts prior to the fiscal year 2018 ended in March, 2018 based on past collection performance and future prospects. Also, the Company and SIS etc. have examined possible means of collection even under economic and financial sanctions and taken various measures one after the other.

In consideration of feasibility of collection measures, however, we have judged that it would be difficult to complete collection within the reasonably predictable period of time. We have therefore decided to post allowance for doubtful accounts, which was calculated by deducting the certainly collectible amount from the total of trade receivables, as extraordinary loss.

2) Future actions

SIS etc. will continue making their best efforts to collect receivables from SAS & ISI. Also, we will continuously examine means of collection, paying close attention to moves of economic and financial sanctions.

The company and its subsidiaries already formulated the risk management regulations and have been monitoring our business transaction associated with country risk. Learning a lesson from the rapid increase in geopolitical risk due to the recent shift in US trade policy, we intend to build a highly effective and comprehensive risk management system so that we will be able to manage risks more accurately. In addition, our executive management team has decided to voluntarily reduce their remuneration to take their responsibility for extraordinary loss.

Furthermore, in order to strengthen our financial structure, we are consulting about capital reinforcement, including issue of class shares, with several investors.

(2) Structural reform cost of about 4.5 billion yen

We have posted extraordinary loss for the structural reform costs including impairment losses and associated expenses incurred from reorganization of bases, restructuring of organization, etc.

3. Partial reversal of deferred tax assets

We have decided to reverse a part of deferred tax assets of the Company as a result of our examination on possibility of recovering deferred tax assets based on our future performance trend, and post income tax-deferred of about 2.5 billion yen.

[Note]

The above forecast of earnings has been compiled based on information currently available to us, and the actual results might differ from the currently forecasted figures due to various factors as below.

(1) Economic Conditions, (2) Fluctuations in Exchange Rates, (3) Changes in Raw Material and Parts Market Conditions, (4) Natural Disasters, (5) New Product Development, (6) Potential Risks Associated with International Operations and Entry into Overseas Markets(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),(7) Price Competition, (8) Reliance on Customer Performance, (9) Limitations on Intellectual Property Protection, (10) Product Liability, (11) Legal and Regulatory Risks