

SANDEN HOLDINGS CORPORATION

August 7, 2015

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2015

Fiscal year ending March 31, 2016

SANDEN HOLDINGS CORPORATION

20 Kotobuki-cho, Isesaki-shi, Gunma, Japan 372-8502
(URL: <http://www.sanden.co.jp/english/index.html>)

Code No: 6444
Shares listed: Tokyo Stock Exchange
Representative: Kinei Kanda President
Contact Person:

Katsuya Nishi
Executive Director
Accounting Division
Contact Number: +81-3-3833-1470

Scheduled filing date for quarterly report: August 11, 2015

Planned date of dividend payment: -

Supplementary briefing materials created for the quarterly report: None

Briefing sessions held on quarterly results: None

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results for the first quarter of the current fiscal year (April 1, 2015 - June 30, 2015)

(1) Results of operations (%: percentage change from the same period of the previous fiscal year)

	Sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Income before extraordinary items (Millions of ¥, %)		Net income (Millions of ¥, %)	
1Q of fiscal year ended March 31, 2016	79,349	3.2	1,820	(40.4)	3,260	1.8	2,886	8.5
1Q of fiscal year ended March 31, 2015	76,865	16.4	3,053	852.8	3,201	341.3	2,659	378.2

Notes: Equity in Comprehensive Income: 1Q of fiscal year ended March 31, 2016 ¥4,810million, 293.9%
1Q of fiscal year ended March 31, 2015 ¥1,221million, (58.0)%

	Net income per share basic (¥)	Net income per share diluted (¥)
1Q of fiscal year ended March 31, 2016	20.90	-
1Q of fiscal year ended March 31, 2015	19.25	-

(2) Financial positions

(Fractions less than ¥1 million omitted)

	Total assets (Millions of ¥)	Net assets (Millions of ¥)	Equity Ratio of equity over total assets(%)	Net assets per share (¥)
1Q of fiscal year ended March 31, 2016	310,528	79,104	23.7	534.43
Fiscal year ended March 31, 2015	299,265	75,677	23.6	510.80

Notes: Equity capital 1Q of fiscal year ended March 31, 2016 ¥73,815million
Fiscal year ended March 31, 2015 ¥70,553million

2. Dividends

	Dividend per share (¥)				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended March 31, 2015	-	0.00	-	10.00	10.00
Fiscal year ended March 31, 2016	-	-	-	-	-
Fiscal year ending March 31, 2016 (Forecast)	-	-	-	-	-

Note: Revisions made since the most recently published dividend forecasts: None

3. Forecast of business results for the current fiscal year (April 1, 2015 - March 31, 2016)

(%: percentage change from the previous fiscal year)

	Sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Income before extraordinary items (Millions of ¥, %)		Net income (Millions of ¥, %)		Net income per share basic (¥)
Fiscal year ending March 31, 2016	310,000	1.0	10,000	6.3	11,000	6.6	7,000	25.4	50.68

Note: Revisions made since the most recently published earnings forecasts: None

* **Notes**

(1) Changes in significant subsidiaries during the first quarter of the current fiscal year (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Specific accounting treatment used in the creation of the quarterly consolidated financial statements: Yes

(Note) For details, please see “2. Matters Concerning Summary Information (Items to Note) - (2) Specific accounting treatment used in the creation of the quarterly consolidated financial statements” on page 3 of Supplementary Information.

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(Note) For details, please see “2. Matters Concerning Summary Information (Items to Note) - (3) Changes in accounting principles and estimates, and retrospective restatement” on page 3 of Supplementary Information.

(4) Number of outstanding shares (common stock, shares)

(a) Outstanding shares (including treasury stock)	As of June 30, 2015:	140,331,565	As of March 31, 2015:	140,331,565
(b) Treasury stock	As of June 30, 2015:	2,211,793	As of March 31, 2015:	2,208,161
(c) Average number of shares outstanding during the first quarter (cumulative)	As of June 30, 2015:	138,121,615	As of June 30, 2014:	138,142,772

* Disclosure of the status of quarterly review procedures

These quarterly financial results are not included in the scope of quarterly review procedures as per the Financial Instruments and Exchange Act; and as of the point in time that these quarterly financial results are released, the quarterly review procedures for quarterly consolidated financial statements based on the afore-mentioned Act have not been completed.

* Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions which are regarded as legitimate. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. For information about the forecasts, please see “1. Qualitative Information on Quarterly Financial Results - (3) An explanation of future, predictive data, such as consolidated earnings forecasts” on page 3 of Supplementary Information.

Index for Supplementary Information

1.	Qualitative Information on Quarterly Financial Results	2
(1)	An explanation of Results of Operations	2
(2)	An explanation of Financial Condition	3
(3)	An explanation of future, predictive data, such as consolidated earnings forecasts	3
2.	Matters Concerning Summary Information (Items to Note)	3
(1)	Changes in significant subsidiaries during the first quarter of the current fiscal year	3
(2)	Specific accounting treatment used in the creation of quarterly consolidated financial statements	3
(3)	Changes in accounting principles and estimates, and retrospective restatement	3
3.	Quarterly Consolidated Financial Statements	4
(1)	Quarterly consolidated balance sheets	4
(2)	Statements of quarterly consolidated income and consolidated comprehensive income	6
(3)	Note to the quarterly consolidated financial statements	8
	(Notes to going concern assumptions)	8
	(Notes on any significant changes in the amount of shareholder equity)	8
	(Segment information)	8
	(Relationships such as business combinations)	9

1. Qualitative Information on Quarterly Financial Results

(1) An explanation of Results of Operations

A. Overview

Despite the slowdown and stagnation in economic growth seen in China and some emerging countries, the world economy continued to experience moderate expansion overall during the first quarter of the current fiscal year (consolidated/cumulative) supported by gradual economic expansion in the United States and Europe.

Meanwhile, gradual recovery has continued in Japan on the back of the weak yen and higher stock prices etc., in addition to an improvement in corporate performance and employment conditions; this despite a less than fully-fledged recovery in personal consumption.

In this business environment, the Group changed to a holding company structure on April 1 2015, in order to achieve further global growth. Based on the management policy of “creating corporate value from the environment with the focus on product quality and global strength”, Sanden is actively working on the key 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 3.2% to 79,349 million yen. Operating income decreased 40.4% to 1,820 million yen, ordinary income increased 1.8% to 3,260 million yen. And net income attributable to shareholders of the parent company increased 8.5% to 2,886 million yen compared with the same period of the previous fiscal year.

Results for business segments are as follows.

B. Business segments

Automotive Systems

Net sales in Automotive Systems increased in comparison with the same period of the previous fiscal year, driven not only by higher vehicle sales in Asia and North America, but also by the acquisition of new business thanks to our strength in environmental technologies - despite the fact that China seems to be seeing a slowdown in the expansion of its automotive market.

Profit rose in comparison to the same period of the previous fiscal year driven on one hand by the Company’s active investment in the development of environmental technologies for the future, as well as cost reductions and productivity improvements realized as a result of 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 13.4% to 54,894 million yen and operating income increased 50.3% to 1,871 million yen compared with the same period of the previous fiscal year.

Commercial Store Systems

In Commercial Store Systems, we continued to suggest and provide comprehensive solutions in terms of products, systems and services to reflect changes in environmental attitudes and lifestyles, but a slump in demand versus the previous period contributed to a fall in sales compared with the same period of the previous fiscal year.

In the Japan market, the vending systems sector saw an increase in sales compared with the same period of the previous fiscal year. This was the result of our aggressive development of environmental-friendly products, typically the vending machines that use our exclusive CO₂ heat pumps, as well as initiatives to expand new business domains such as coffee dispensers.

Profits were down in comparison to the same period of the previous fiscal year as a result of the impact of a decline in sales, despite on-going and thorough structural reforms aimed primarily at reducing costs and improving productivity.

As a result, net sales decreased 14.8% to 21,878 million yen and operating income decreased 73.6% to 701 million yen compared with the same period of the previous fiscal year.

Others

We have been concentrating on sales in Japan and other countries of Eco Cute, a heat pump hot water supply system using a natural CO₂ 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.

(2) An explanation of Financial Condition

A. Assets, liabilities and net assets

Total assets were 310,528 million yen at the end of the first quarter of the current fiscal year, 11,262 million yen higher than at the end of the previous fiscal year; this was attributable to increases such as that in Account Receivable - Trade.

Liabilities were 231,424 million yen at the end of the first quarter of the current fiscal year, 7,836 million yen higher than at the end of the previous fiscal year; this was attributable to increases such as those in Notes Payable and Accounts Payable - Trade.

Net assets were 79,104 million yen at the end of the first quarter of the fiscal year, 3,426 million yen higher than at the end of the previous fiscal year; this was attributable to increases such as those in quarterly net profits attributable to parent company shareholders.

(3) An explanation of future, predictive data, such as consolidated earnings forecasts

At the present time there are no revisions to the Consolidated Earnings Forecast announced on May 11, 2015, but we will promptly disclose any changes that should occur.

The return of profits to all our shareholders is one of the Company's key management policies. Based on providing stable dividends on a sustainable, on-going basis and after comprehensive consideration of the Company's consolidated results, we continue to offer dividends with around a 30% consolidated pay-out ratio; however, the dividends for this period have not yet been determined as of this point in time.

2. Matters Concerning Summary Information (Items to Note)

(1) Changes in significant subsidiaries during the first quarter of the current fiscal year

None

(2) Specific accounting treatment used in the creation of quarterly consolidated financial statements

Tax expenses are calculated by multiplying net pre-tax profits for the quarter by the estimated effective tax rate; note that the "estimated effective tax rate" is a reasonable estimation of the effective tax rate after tax effect accounting has been applied to pre-tax net profits for the (consolidated) fiscal year, including the first quarter of the current fiscal year.

Note that in the absence of any significant rationality for calculating tax expenses using an estimated effective tax rate, the expenses should be calculated according to Section 12 (How to Apply the Legally-Designated Effective Tax Rate) of the "Practical Guidelines for the Application of Tax Effect Accounting in Interim Financial Statements etc."

Note that adjustments to income tax etc. are shown as included in total income taxes etc.

(3) Changes in accounting principles and estimates, and retrospective restatement

From the first quarter of the current (consolidated) fiscal year the following accounting standards, issued on September 13, 2013, apply: "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 - hereinafter referred to as the "Business Combination Accounting Standard"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 - hereinafter referred to as the "Consolidated Accounting Standard"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No.7 - hereinafter referred to as the "Business Divestiture Accounting Standard".) Differences resulting from changes in the Company's equity holdings of any subsidiaries that it continues to control shall be recorded as capital surplus and in addition we have changed the way we record acquisition-related costs, recording them as expenses for the (consolidated) fiscal year. In addition, we will revise the allocation of acquisition costs, as determined by provisional accounting treatments, for any business combinations that are implemented as of the start of the first quarter of the current (consolidated) fiscal year and change accounting methods so that such revisions are reflected in the quarterly financial statements of the (consolidated) quarterly accounting period containing the date of the business combination. We are also changing the way quarterly net income etc. is expressed, as well as changing the expression "minority interests" to "non-controlling interests." We have reclassified the quarterly consolidated financial statements and annual consolidated financial statements for the previous quarter (consolidated/cumulative) and the previous fiscal year (consolidated) to reflect changes in the way these items are expressed.

The Business Combination Accounting Standards, etc. will be applied from the start of the first quarter of the current (consolidated) fiscal year onwards, in accordance with the transitional treatments stipulated in Section 58-2(4) of the Business Combination Accounting Standard, Section 44-5(4) of the Consolidated Accounting Standard, and Section 57-4(4) of the Business Divestiture Accounting Standard.

This will not affect consolidated financial statements.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Fiscal year ended March 31, 2015 (As of March 31, 2015)	Fiscal year ended March 31, 2016 (As of June 30, 2015)
ASSETS		
Current assets		
Cash and deposits	20,597	18,454
Notes and accounts receivable-trade	87,351	97,468
Merchandise and furnished goods	23,304	23,509
Work in process	6,978	8,471
Raw materials	13,894	12,515
Other inventories	3,241	3,547
Deferred tax assets	2,735	2,703
Accounts receivable-other	5,237	5,811
Consumption taxes receivable	3,543	3,900
Other	8,806	8,234
Allowance for doubtful accounts	(1,941)	(2,030)
Total current assets	173,749	182,587
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	24,432	24,245
Machinery, equipment and vehicles, net	30,190	30,975
Tools, furniture and fixtures, net	5,983	5,805
Land	19,246	19,290
Lease assets, net	5,872	5,973
Construction in progress	5,123	4,341
Total property, plant and equipment	90,849	90,632
Intangible assets		
Goodwill	591	547
Lease assets	115	129
Other	4,116	4,275
Total intangible assets	4,823	4,951
Investments and other assets		
Investment securities	25,760	28,106
Net defined benefit assets	62	62
Deferred tax assets	2,191	2,313
Other	2,038	2,084
Allowance for doubtful accounts	(209)	(209)
Total investments and other assets	29,842	32,357
Total noncurrent assets	125,516	127,941
Total assets	299,265	310,528

(Million yen)

	Fiscal year ended March 31, 2015 (As of March 31, 2015)	Fiscal year ended March 31, 2016 (As of June 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	58,027	60,616
Short-term loans payable	47,937	50,247
Current portion of long-term loans payable	10,754	10,709
Accounts payable-other	11,325	11,453
Lease obligations	1,325	2,199
Income taxes payable	828	1,021
Provision for bonuses	4,509	5,637
Provision for sales rebates	1,267	2,489
Provision for product warranties	2,142	2,148
Other	7,805	9,112
Total current liabilities	145,923	155,635
Noncurrent liabilities		
Long-term loans payable	62,962	62,876
Lease obligations	4,755	3,983
Deferred tax liabilities	2,017	2,236
Net defined benefit liability	3,657	3,540
Provision for directors' retirement benefits	179	179
Provision for environmental measures	505	489
Other	3,586	2,482
Total noncurrent liabilities	77,663	75,788
Total liabilities	223,587	231,424
NET ASSETS		
Shareholder's equity		
Capital stock	11,037	11,037
Capital surplus	4,453	4,453
Retained earnings	48,438	49,942
Treasury stock	(1,190)	(1,192)
Total shareholder's equity	62,739	64,242
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,625	5,293
Deferred gains or losses on hedges	(102)	(98)
Foreign currency translation adjustment	4,934	5,813
Remeasurements of defined benefit plans	(1,642)	(1,434)
Total valuation and translation adjustments	7,814	9,573
Non-controlling interests	5,123	5,288
Total net assets	75,677	79,104
Total liabilities and net assets	299,265	310,528

(2) Statements of quarterly consolidated income and consolidated comprehensive income

Statements of quarterly consolidated income

First quarter of the fiscal year (consolidated/cumulative)

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014 - June 30, 2014)	Fiscal year ended March 31, 2016 (April 1, 2015 - June 30, 2015)
Net sales	76,865	79,349
Cost of sales	61,599	65,064
Gross profit	15,265	14,284
Selling, general and administrative expenses	12,212	12,464
Operating income (loss)	3,053	1,820
Non-operating income		
Interest income	8	14
Dividends income	76	89
Foreign exchange gains	-	323
Equity in earnings of affiliates	951	1,542
Other	236	214
Total non-operating income	1,272	2,183
Non-operating expenses		
Interest expenses	705	657
Foreign exchange losses	161	-
Other	257	86
Total non-operating expenses	1,124	743
Ordinary income (loss)	3,201	3,260
Extraordinary income		
Gain on sales of noncurrent assets	4	278
Gain on sales of investment securities	7	-
Other	0	51
Total extraordinary income	12	330
Extraordinary loss		
Loss on disposal of noncurrent assets	16	136
Loss on valuation of investment securities	16	-
Total extraordinary loss	32	136
Income (loss) before income taxes and non-controlling interests	3,181	3,454
Total income taxes	476	430
Net income (loss)	2,705	3,023
Net income attributable to non-controlling interests	45	136
Net income attributable to owners of the parent	2,659	2,886

Statements of quarterly consolidated comprehensive income
 First quarter of the fiscal year (consolidated/cumulative)

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014 - June 30, 2014)	Fiscal year ended March 31, 2016 (April 1, 2015 - June 30, 2015)
Net income (loss)	2,705	3,023
Other comprehensive income		
Valuation difference on available-for-sale securities	435	676
Deferred gains or losses on hedges	(43)	4
Foreign currency translation adjustment	(1,159)	904
Remeasurements of defined benefit plans	30	208
Share of other comprehensive income of associates accounted for using equity method	(745)	(6)
Total other comprehensive income	(1,484)	1,786
Comprehensive income	1,221	4,810
(break-down)		
Comprehensive income attributable to owners of the parent	1,365	4,646
Comprehensive income attributable to non- controlling interests	(144)	164

(3) Note to the quarterly consolidated financial statements

(Notes to going concern assumptions)

None

(Notes on any significant changes in the amount of shareholder equity)

None

(Segment information)

First quarter of the previous fiscal year (consolidated/cumulative) (April 1, 2014 - June 30, 2014)

1. Information concerning sales, profit & loss for reporting segments

(Million yen)

	Reporting segments			Others (Note 1)	Total	Adjustment	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	48,421	25,678	74,100	2,764	76,865	-	76,865
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	48,421	25,678	74,100	2,764	76,865	-	76,865
Segment income (loss)	1,245	2,656	3,902	(848)	3,053	-	3,053

Notes: 1. Others includes vehicle sales, living and environmental systems business, electronics and other activities.

2. The total of segment income (loss) matches operating income (loss) in the quarterly consolidated income statement.

2. Information on fixed asset impairment losses by reporting segment and goodwill, etc.

None

First quarter of the current fiscal year (consolidated/cumulative) (April 1, 2015 - June 30, 2015)

1. Information concerning sales, profit & loss for reporting segments

(Million yen)

	Reporting segments			Others (Note 1)	Total	Adjustments	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	54,894	21,878	76,772	2,576	79,349	-	79,349
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	54,894	21,878	76,772	2,576	79,349	-	79,349
Segment income (loss)	1,871	701	2,573	(752)	1,820	-	1,820

Notes: 1. Others includes vehicle sales, living and environmental systems business, electronics and other activities.

2. The total of segment income (loss) matches operating income (loss) in the quarterly consolidated income statement.

2. Information on fixed asset impairment losses by reporting segment and goodwill, etc.

None

(Relationships such as business combinations)

Joint control deals, etc.

1. Deal summary

(1) Description and details of targeted business

Absorption split take-over company	Description/details of business
Sanden Automotive Climate Systems Corporation	Automotive air-conditioning systems
Sanden Automotive Components Corporation	Automotive air-conditioning compressors
Sanden Retail Systems Corporation	Retail systems
Sanden Living & Environmental Systems Corporation	Living and environmental systems
Sanden Environmental Products Corporation	Natural refrigerant compressors
Sanden Advanced Technology Corporation	Technology development of automotive air conditioning devices, retail system devices, and living & environmental system devices
Sanden Business Expert Corporation	Shared Service Center of Sanden Group including Administration, accounting, and human resources

(2) Date of business combination

April 1, 2015

(3) Legal format of the business combination

The Company is to be demerged in an absorption-type split between its wholly owned subsidiaries: Sanden Automotive Climate Systems Corporation, Sanden Automotive Components Corporation, Sanden Retail Systems Corporation, Sanden Living & Environmental Systems Corporation, Sanden Environmental Products Corporation, Sanden Advanced Technology Corporation, and Sanden Business Expert Corporation.

(4) Other matters related to the summarized deal

The Group's shift to a holding company structure is aimed at enhancing the Group's global business function, improving the competitiveness of operations, strengthening new product development capacity and pursuing Group management efficiencies.

2. Summary of accounting treatment used

The deal is being treated as one under common control, based on the "Accounting Standard for Business Combinations" and "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures, etc."