

SANDEN HOLDINGS CORPORATION

February 9, 2016

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF December 31, 2015

Fiscal year ending March 31, 2016

SANDEN HOLDINGS CORPORATION

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Shares listed: Tokyo Stock Exchange
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Scheduled filing date for quarterly report: February 10, 2016

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 third quarter of the current fiscal year (Apr 1, 2015 - Dec 31, 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 ¥, %)	
3Q of fiscal year ended March 31, 2016	215,114	(4.8)	1,120	(79.5)	2,794	(58.6)	1,797	(47.1)
3Q of fiscal year ended March 31, 2015	226,030	14.3	5,459	-	6,741	300.0	3,400	146.6

Notes: Equity in Comprehensive Income: 3Q of fiscal year ended March 31, 2016 ¥(109)million, -%
3Q of fiscal year ended March 31, 2015 ¥9,246million, 14.1%

	Net income per share basic (¥)	Net income per share diluted (¥)
3Q of fiscal year ended March 31, 2016	13.02	-
3Q of fiscal year ended March 31, 2015	24.62	-

(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 (¥)
3Q of fiscal year ended March 31, 2016	298,614	73,455	22.8	493.21
Fiscal year ended March 31, 2015	299,265	75,677	23.6	510.80

Notes: Equity capital 3Q of fiscal year ended March 31, 2016 ¥68,116million
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	-	0.00	-	-	-
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	295,000	(3.9)	6,000	(36.2)	9,000	(12.7)	7,000	25.4	50.68

Note: Revisions made since the most recently published earnings forecasts: Yes

* **Notes**

- (1) Changes in significant subsidiaries during the third 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 4 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 4 of Supplementary Information.

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

(a) Outstanding shares (including treasury stock)	As of Dec 31, 2015:	140,331,565	As of March 31, 2015:	140,331,565
(b) Treasury stock	As of Dec 31, 2015:	2,221,793	As of March 31, 2015:	2,208,161
(c) Average number of shares outstanding during the third quarter (cumulative)	As of Dec 31, 2015:	138,116,381	As of Dec 31, 2014:	138,135,545

* 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.

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1. Qualitative Information on Quarterly Financial Results

(1) An explanation of Results of Operations

A. Overview

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”.

Consolidated, cumulative results for the third quarter showed that net sales decreased 4.8% to 215,114 million yen; operating income decreased 79.5% to 1,120 million yen; and ordinary income decreased 58.6% to 2,794 million yen; and net income attributable to shareholders of the parent company decreased 47.1% to 1,797 million yen compared with the same period of the previous fiscal year.

Results for business segments are as follows.

B. Business segments

Automotive Systems

In Automotive Systems, we have been developing state-of-the-art products that appropriately reflect customer demand, which is focused on environmental issues, to provide products of value that are increasingly compact and lightweight, and that include heat-pump technology. As a result, despite the effect of decreased vehicle sales in Asia and Japan, net sales were flat year-on-year, driven by steady sales trends in Europe and the acquisition of new trading areas in China, as well as the impact of the exchange rate.

Cost reductions were achieved as a result of in-house production of components and structural reforms in global procurement of components and productivity started to improve; nonetheless profit fell year-on-year due to the impact of a reduction in sales and the Company’s aggressive investment in the development of environmental technologies for the future.

As a result, net sales stayed the same at 145,987 million yen (0.0% year-on-year), while operating income decreased 16.3% to 2,610 million yen.

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 there was a slump in the expansion in demand experienced in the previous fiscal year and year-on-year net sales declined.

In the vending systems sector, Sanden was actively involved in developing environmentally-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. However, the reduction in demand for capital investment in the Japanese market resulted in a year-on-year decline in net sales.

Profits saw a year-on-year decline, affected by the fall in sales. This was despite the implementation of on-going, stringent structural reforms that focused on reducing costs and improving productivity.

As a result, net sales in overall Commercial Store Systems decreased 15.1% to 60,805 million yen, and operating income decreased 83.9% to 753 million yen.

Others

We have been concentrating on sales in Japan and expansion of new markets (including Europe, USA, and China) 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 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 298,614 million yen at the end of the third quarter of the current fiscal year, 650 million yen lower than at the end of the previous fiscal year; this was due to the fact that despite an increase primarily in inventory assets and securities held for investment purposes; there was a reduction in trade notes and accounts receivable.

Liabilities were 255,159 million yen, up 1,571 million yen on the end of the previous fiscal year; this was due to the fact that, despite a reduction in trade notes and accounts payable etc., there was an increase in interest bearing debt.

Net assets were 73,455 million yen, down 2,222 million yen on the end of the previous fiscal year; this was attributable to foreign currency translation adjustments etc.

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

The Consolidated Earnings Forecast for the fiscal year ending March 2016 has been revised since the version announced on May 11, 2015. For details, please refer to the “Notice of Revisions to Earnings Forecast” dated February 9, 2016.

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 third 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 third 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.

As a result, the capital surplus at the end of the third quarter of the current fiscal year has decreased by 731 million yen. Note that the impact on operating income and ordinary income for the first nine months of the year, and net income for the quarter before taxes and other adjustments are negligible.

- (4) Additional information

(Regarding transactions related to the BIP Trust for Executive Compensation)

Based on a resolution of the Board of Directors of August 7, 2015, Sanden has introduced a performance-based stock compensation scheme, the “BIP Trust for Executive Compensation” (hereinafter referred to as “the Scheme”) for directors, as well as executive officers and advisers mandated under contract to the company (but excluding any overseas residents, outside directors and non-executive directors. Hereinafter referred to as “Directors etc.”) in order to raise recognition of their contribution made towards improving the company’s medium-to-long term performance and increasing corporate value.

For accounting purposes, the Trust is treated in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ’s Practical Issues Task Force No. 30 - March 26, 2015).

- (1) Description of Transactions

The Scheme is a stock compensation scheme that delivers Sanden shares to Directors etc. in line with the attainment of performance targets and the position held in any given business year. Under the scheme, shares in the Company are acquired via the Trust as remuneration funds contributed by the Company to the Directors etc., but it should be noted that, as a general rule, Directors etc. do not take delivery of the said shares until they retire.

- (2) Treasury Stock Remaining in Trust

Sanden shares that remain in Trust are recorded at book value (excluding any ancillary expenses) under Treasury Stock in the Net Assets section. As of the end of the third quarter of the current fiscal year (consolidated) the book value and amount of treasury stock were 478 million yen and 837,411 shares respectively.

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 Dec 31, 2015)
ASSETS		
Current assets		
Cash and deposits	20,597	17,394
Notes and accounts receivable-trade	87,351	81,674
Merchandise and finished products	23,304	24,821
Work in process	6,978	9,750
Raw materials	13,894	14,140
Other inventories	3,241	3,440
Deferred tax assets	2,735	2,949
Accounts receivable-other	5,237	5,000
Consumption taxes receivable	3,543	3,937
Other	8,806	8,150
Allowance for doubtful accounts	(1,941)	(1,988)
Total current assets	173,749	169,271
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	24,432	23,465
Machinery, equipment and vehicles, net	30,190	28,387
Tools, furniture and fixtures, net	5,983	6,471
Land	19,246	19,023
Lease assets, net	5,872	6,302
Construction in progress	5,123	7,852
Total property, plant and equipment	90,849	91,502
Intangible assets		
Goodwill	591	454
Lease assets	115	103
Other	4,116	4,299
Total intangible assets	4,823	4,858
Investments and other assets		
Investment securities	25,760	29,060
Net defined benefit assets	62	62
Deferred tax assets	2,191	2,045
Other	2,038	1,998
Allowance for doubtful accounts	(209)	(184)
Total investments and other assets	29,842	32,982
Total noncurrent assets	125,516	129,343
Total assets	299,265	298,614

(Million yen)

	Fiscal year ended March 31, 2015 (As of March 31, 2015)	Fiscal year ended March 31, 2016 (As of Dec 31, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	58,027	50,462
Short-term loans payable	47,937	61,878
Current portion of long-term loans payable	10,754	20,262
Accounts payable-other	11,325	9,004
Lease obligations	1,325	1,465
Income taxes payable	828	629
Provision for bonuses	4,509	2,656
Provision for sales rebates	1,267	1,900
Provision for product warranties	2,142	1,875
Other	7,805	10,893
Total current liabilities	145,923	161,028
Noncurrent liabilities		
Long-term loans payable	62,962	50,539
Lease obligations	4,755	4,902
Deferred tax liabilities	2,017	2,108
Net defined benefit liability	3,657	3,503
Provision for directors' retirement benefits	179	179
Provision for environmental measures	505	457
Stock compensation scheme provisions	-	27
Other	3,586	2,411
Total noncurrent liabilities	77,663	64,131
Total liabilities	223,587	225,159
NET ASSETS		
Shareholder's equity		
Capital stock	11,037	11,037
Capital surplus	4,453	3,747
Retained earnings	48,438	48,854
Treasury stock	(1,190)	(1,221)
Total shareholder's equity	62,739	62,417
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,625	4,896
Deferred gains or losses on hedges	(102)	(117)
Foreign currency translation adjustment	4,934	2,309
Remeasurements of defined benefit plans	(1,642)	(1,389)
Total valuation and translation adjustments	7,814	5,698
Non-controlling interests	5,123	5,338
Total net assets	75,677	73,455
Total liabilities and net assets	299,265	298,614

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

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

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014 - Dec 31, 2014)	Fiscal year ended March 31, 2016 (April 1, 2015 - Dec 31, 2015)
Net sales	226,030	215,114
Cost of sales	183,800	178,098
Gross profit	42,230	37,015
Selling, general and administrative expenses	36,771	35,895
Operating income (loss)	5,459	1,120
Non-operating income		
Interest income	20	42
Dividends income	162	176
Foreign exchange gains	1,489	99
Equity in earnings of affiliates	1,517	3,211
Other	716	772
Total non-operating income	3,906	4,301
Non-operating expenses		
Interest expenses	2,051	1,980
Other	572	647
Total non-operating expenses	2,624	2,628
Ordinary income (loss)	6,741	2,794
Extraordinary income		
Gain on sales of noncurrent assets	60	457
Gain on sales of investment securities	7	-
Other	0	66
Total extraordinary income	69	524
Extraordinary loss		
Loss on disposal of noncurrent assets	829	302
Loss on valuation of investment securities	16	-
Provision for loss on Antimonopoly Act	385	-
Market-related expenses	315	-
Other	127	21
Total extraordinary loss	1,675	324
Income (loss) before income taxes and non-controlling interests	5,135	2,994
Total income taxes	1,358	810
Net income (loss)	3,777	2,184
Net income attributable to non-controlling interests	377	386
Net income attributable to owners of the parent	3,400	1,797

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

(Million yen)

	Fiscal year ended March 31, 2015 (April 1, 2014 - Dec 31, 2014)	Fiscal year ended March 31, 2016 (April 1, 2015 - Dec 31, 2015)
Net income (loss)	3,777	2,184
Other comprehensive income		
Valuation difference on available-for-sale securities	1,334	284
Deferred gains or losses on hedges	(200)	(14)
Foreign currency translation adjustment	3,675	(794)
Remeasurements of defined benefit plans	(331)	253
Share of other comprehensive income of associates accounted for using equity method	991	(2,022)
Total other comprehensive income	5,469	(2,293)
Comprehensive income	9,246	(109)
(break-down)		
Comprehensive income attributable to owners of the parent	8,709	(317)
Comprehensive income attributable to non- controlling interests	536	208

(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)

The Company acquired additional shares in its consolidated subsidiary Sanden Shanghai Refrigeration Co., Ltd. As a result, during the first nine months of the current fiscal year the capital surplus decreased by 731 million yen.

(Segment information)

Third quarter of the previous fiscal year (consolidated/cumulative) (April 1, 2014 - Dec 31, 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	145,957	71,622	217,580	8,450	226,030	-	226,030
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	145,957	71,622	217,580	8,450	226,030	-	226,030
Segment income (loss)	3,120	4,683	7,803	(2,344)	5,459	-	5,459

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 and goodwill, etc., by reporting segment.

None

Third quarter of the current fiscal year (consolidated/cumulative) (April 1, 2015 – Dec 31, 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	145,987	60,805	206,793	8,321	215,114	-	215,114
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	145,987	60,805	206,793	8,321	215,114	-	215,114
Segment income (loss)	2,610	753	3,364	(2,243)	1,120	-	1,120

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 and goodwill, etc., by reporting segment.

None

(Relationships such as business combinations)

Transactions under common control etc.

Additional acquisition of subsidiaries

1. Transaction Summary

(1) Name and business profile of the company to be combined	Sanden Shanghai Refrigeration Co., Ltd.
(2) Date of business combination	September 30, 2015 (to be regarded as the acquisition date)
(3) Legal format of the business combination	Acquisition of stock from minority shareholders
(4) Name of company after combination	Name will remain the same
(5) Other matters related to the transaction summary	The additional acquisition of shares accounts for 49.0% of the voting shares and gives Sanden a 100.0% equity holding. The additional acquisition was made in order to build a base in China's logistical systems market to expand manufacturing and sales.

2. Summary of the Accounting Treatment Used

The deal was treated as a transaction with minority shareholders, within transactions under common control, based on the Accounting Standard for Business Combinations (Corporate Accounting Standard No. 21; September 13, 2013) and Guidance on Accounting Standards for Business Combinations and Business Divestitures (ASBJ Guidance No. 10; September 13, 2013.)

3. Matters concerning the additional acquisition of subsidiary shares

Breakdown of the acquisition cost and types of compensation

Cash payment of 645 million yen