

SANDEN HOLDINGS CORPORATION

Aug 5, 2016

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2016

Fiscal year ending March 31, 2017

SANDEN HOLDINGS CORPORATION

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(URL: <http://www.sanden.co.jp/english/index.html>)

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(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results for the first quarter of current fiscal year (April 1, 2016- March 31, 2017)

(1) Results of operations (%: percentage change from 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, 2017	69,659	(12.2)	(984)	-	(3,041)	-	(2,131)	-
1Q of Fiscal year ended March 31, 2016	79,349	3.2	1,820	(40.4)	3,260	1.8	2,886	8.5

Notes: Equity in Comprehensive Income: 1Q of Fiscal year ended March 31, 2017 (¥7,995million)
1Q of Fiscal year ended March 31, 2016 ¥4,810million

	Net income per share basic (¥)	Net income per share diluted (¥)
1Q of Fiscal year ended March 31, 2017	(15.43)	-
1Q of Fiscal year ended March 31, 2016	20.90	-

(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, 2017	284,522	65,421	21.2	436.51
1Q of Fiscal year ended March 31, 2016	301,325	75,503	23.3	507.56

Notes: Equity capital 1Q of Fiscal year ended March 31, 2017 ¥60,284million
1Q of Fiscal year ended March 31, 2016 ¥70,098million

2. Dividends

	Dividend per share (¥)		
	Interim	Year end	Total
1Q of Fiscal year ended March 31, 2016	0.00	15.00	15.00
1Q of Fiscal year ending March 31, 2017 (Forecast)	0.00	15.00	15.00

3. Forecast of business results for the current fiscal year (April 1, 2016-March 31, 2017)

(%: 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 ¥, %)		Net income per share basic (¥)
Fiscal year ending March 31, 2017	300,000	2.0	7,500	36.5	9,000	46.6	7,000	0.5	50.68

Note: Revisions made since the most recently published earnings forecasts: No

*** 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: None
(b) Changes other than in (a): None
(c) Changes in accounting estimates: None
(d) Retrospective restatement: None

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

(a) Outstanding shares (including treasury shares)	As of June 30, 2016:	140,331,565	As of March 31, 2016:	140,331,565
(b) Treasury shares	As of June 30, 2016:	2,224,109	As of March 31, 2016:	2,222,736
(c) Average number of shares outstanding during the first quarter (cumulative)	As of June 30, 2016:	138,108,308	As of June 30, 2015:	138,121,615

* 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

The world economy continued to experience moderate expansion overall during the first quarter of the current fiscal year led by gradual economic expansion in the developed countries. However, uncertainties over the economic outlook increased as concerns built up over issues such as the slowdown in economic growth in China and BREXIT. Meanwhile, in Japan, despite favorable employment conditions, signs of worsening business confidence and decline in corporate earnings have started to surface reflecting sluggish consumer spending, sudden appreciation of the yen and economic slowdown in emerging countries

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 first quarter showed that net sales decreased 12.2% to 69,659 million yen. Operating loss was 984 million yen; compared with operating income of 1,820 million in the same period of the previous fiscal year and ordinary loss was 3,041 million yen compared with ordinary income of 3,260 million yen in the same period of the previous fiscal year. Loss attributable to owners of parent was 2,131 million yen compared with net income of 2,886 million yen in the same period of the previous fiscal year.

Results for business segments are as follows.

A. 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, lightweight, and consume less power. As a result, sales were steady in Europe and China. On the contrary, sales in North America and Asia were lower year-on-year due to the effect of decreased vehicle sales in Asia 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 improvements. 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 and the impact of the exchange rate.

As a result, net sales decreased 9.4% year-on-year to 49,754 million yen, while operating income decreased 91.5% to 159 million yen.

B. Commercial Store Systems

In the retail store systems sector, we continued to suggest and provide comprehensive solutions in terms of products, systems and services to reflect changes in customers' growth strategies and environmental attitudes. But, there was a slump in the expansion in demand in Japan. As a result, year-on-year net sales declined marginally.

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 20.6% to 17,376 million yen, and operating loss was 490 million yen, compared with operating income of 701 million yen in the same period of the previous fiscal year.

C. Others

In line with our basic strategy aimed at future growth, we have been concentrating on global expansion 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

Assets, liabilities and net assets

Total assets were 284,522 million yen at the end of the first quarter of the current fiscal year, 16,802 million yen lower than at the end of the previous fiscal year. This was due mainly to a reduction in notes and accounts receivable - trade and inventories.

Liabilities were 219,100 million yen, down 6,721 million yen from the end of the previous fiscal year. This was due mainly to reduction in interest-bearing debt.

Net assets were 65,421 million yen, down 10,081 million yen from 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

There are no revisions to the outlook of consolidated business results for the current fiscal year announced on May 10, 2016

In view of the appreciation of yen in the previous and current years, this forecast revises the assumed exchange rates of the yen to 105 yen from 110 to the U.S. dollar and to 115 from 125 yen to the euro for from the second quarter onward.

The group will implement structural reforms which will further strengthen its business competitiveness. For further details, see the news release of August 5, 2016 titled "Notice of Implementation of Structure Reform in Sanden Group"

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 the 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. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	First quarter ended June 2016 (As of June 30, 2016)
ASSETS		
Current assets		
Cash and deposits	17,491	16,923
Notes and accounts receivable - trade	85,403	78,989
Merchandise and finished goods	25,225	23,132
Work in process	8,563	9,591
Raw materials	13,968	11,744
Other inventories	2,828	3,117
Deferred tax assets	2,359	3,037
Accounts receivable - other	6,062	5,147
Consumption taxes receivable	4,581	3,745
Other	8,340	8,227
Allowance for doubtful accounts	(1,863)	(2,020)
Total current assets	172,961	161,634
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	22,713	21,682
Machinery, equipment and vehicles, net	27,495	27,540
Tools, furniture and fixtures, net	6,371	6,054
Land	18,697	18,791
Leased assets, net	6,334	6,042
Construction in progress	7,943	5,446
Total property, plant and equipment	89,555	85,558
Intangible assets		
Goodwill	401	405
Leased assets	115	156
Other	4,389	4,210
Total intangible assets	4,906	4,772
Investments and other assets		
Investment securities	29,203	27,877
Net defined benefit asset	115	115
Deferred tax assets	2,765	2,627
Other	1,994	2,046
Allowance for doubtful accounts	(177)	(110)
Total investments and other assets	33,901	32,556
Total noncurrent assets	128,363	122,887
Total assets	301,325	284,522

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	First quarter ended June 2016 (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,107	55,540
Short-term loans payable	52,873	51,449
Current portion of long-term loans payable	20,447	19,752
Accounts payable - other	11,206	7,222
Lease obligations	1,551	1,442
Income taxes payable	681	414
Provision for bonuses	4,279	5,520
Provision for sales rebates	863	1,018
Provision for product warranties	1,793	1,897
Deferred tax liabilities	6	-
Other	8,783	9,034
Total current liabilities	158,593	153,293
Non-current liabilities		
Long-term loans payable	55,621	54,321
Lease obligations	4,800	4,650
Deferred tax liabilities	305	333
Net defined benefit liability	3,452	3,218
Provision for directors' retirement benefits	179	172
Provision for environmental expenses	372	328
Provision for share-based compensation	49	74
Other	2,445	2,708
Total non-current liabilities	67,228	65,807
Total liabilities	225,821	219,100
Net assets		
Shareholders' equity		
Capital stock	11,037	11,037
Capital surplus	3,747	3,747
Retained earnings	54,021	49,805
Treasury shares	(1,221)	(1,222)
Total shareholders' equity	67,584	63,368
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,496	2,065
Deferred gains or losses on hedges	(147)	(155)
Foreign currency translation adjustment	1,464	(3,923)
Remeasurements of defined benefit plans	(1,299)	(1,070)
Total accumulated other comprehensive income	2,513	(3,083)
Non-controlling interests	5,405	5,136
Total net assets	75,503	65,421
Total liabilities and net assets	301,325	284,522

(2) Statements of quarterly consolidated income and consolidated comprehensive income
 Statements quarterly consolidated of income
 First quarter of the fiscal year (April 1, 2016 – June 30, 2016)

(Million yen)

	First quarter ended June 2015 (April 1, 2015 – June 30, 2015)	First quarter ended June 2016 (April 1, 2016 – June 30, 2016)
Net sales	79,349	69,659
Cost of sales	65,064	57,594
Gross profit	14,284	12,064
Selling, general and administrative expenses	12,464	13,049
Operating income (loss)	1,820	(984)
Non-operating income		
Interest income	14	11
Dividend income	89	85
Foreign exchange gains	323	-
Share of profit of entities accounted for using equity method	1,542	822
Other	214	186
Total non-operating income	2,183	1,105
Non-operating expenses		
Interest expenses	657	582
Foreign exchange losses	-	2,306
Other	86	273
Total non-operating expenses	743	3,162
Ordinary income (loss)	3,260	(3,041)
Extraordinary income		
Gain on sales of non-current assets	278	1
Insurance income	-	357
Other	51	16
Total extraordinary income	330	375
Extraordinary losses		
Loss on disposal of non-current assets	136	8
Loss on disaster	-	55
Other	-	19
Total extraordinary losses	136	82
Profit (loss) before income taxes	3,454	(2,749)
Income taxes	430	(708)
Profit (loss)	3,023	(2,040)
Profit attributable to non-controlling interests	136	90
Profit (loss) attributable to owners of parent	2,886	(2,131)

Quarterly consolidated statements of comprehensive income
 First quarter of the fiscal year (April 1, 2016 – June 30, 2016)

(Million yen)

	First quarter ended June 2015 (April 1, 2015 – June 30, 2015)	First quarter ended June 2016 (April 1, 2016 – June 30, 2016)
Profit (loss)	3,023	(2,040)
Other comprehensive income		
Valuation difference on available-for-sale securities	676	(431)
Deferred gains or losses on hedges	4	(7)
Foreign currency translation adjustment	904	(4,018)
Remeasurements of defined benefit plans	208	229
Share of other comprehensive income of entities accounted for using equity method	(6)	(1,726)
Total other comprehensive income	1,786	(5,955)
Comprehensive income	4,810	(7,995)
Comprehensive income attributable to owners of parent	4,646	(7,727)
Comprehensive income attributable to non-controlling interests	164	(268)

- (3) Notes to the quarterly consolidated financial statements
(Notes to going concern assumptions)
None

(Notes on any significant change in amount of shareholders' equity)
None

(Segment information)

First quarter of the previous fiscal year (April 1, 2015 – June 30, 2015)

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

(Million yen)

	Reportable 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

First quarter of the current fiscal year (April 1, 2016 – June 30, 2016)

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

(Million yen)

	Reportable 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	49,754	17,376	67,131	2,528	69,659	-	69,659
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	49,754	17,376	67,131	2,528	69,659	-	69,659
Segment income (loss)	159	(490)	(331)	(653)	(984)	-	(984)

- 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