

SANDEN HOLDINGS CORPORATION

Aug 8, 2017

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2017

Fiscal year ending March 31, 2018

SANDEN HOLDINGS CORPORATION

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

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Shares listed: Tokyo Stock Exchange
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Scheduled filing date for quarterly report: August 9, 2017

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 current fiscal year (April 1, 2017- June 30, 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 ending March 31, 2018	71,631	2.8	1,055	-	1,691	-	1,284	-
1Q of Fiscal year ended March 31, 2017	69,659	(12.2)	(984)	-	(3,041)	-	(2,131)	-

Notes: Equity in Comprehensive Income: 1Q of Fiscal year ending March 31, 2018 ¥ 1,727million (-%)
1Q of Fiscal year ended March 31, 2017 ¥ (7,995)million (-%)

	Net income per share basic (¥)	Net income per share diluted (¥)
1Q of Fiscal year ending March 31, 2018	9.30	-
1Q of Fiscal year ended March 31, 2017	(15.43)	-

(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 ending March 31, 2018	295,195	50,881	15.3	327.42
Fiscal year ended March 31, 2017	280,194	49,159	15.5	315.27

Notes: Equity capital 1Q of Fiscal year ending March 31, 2018 ¥ 45,229million
Fiscal year ended March 31, 2017 ¥ 43,549million

2. Dividends

	Dividend per share (¥)		
	Interim	Year end	Total
Fiscal year ended March 31, 2017	0.00	0.00	0.00
Fiscal year ending March 31, 2018	-	-	-
Fiscal year ending March 31, 2018 (Forecast)	0.00	0.00	-

Note: Revisions made since the most recently published dividends forecast: No

Sanden Holdings is planning a stock consolidation on October 1, 2017 of one share for every five shares of common stock held. The forecast for the dividend for the fiscal year ending in March 2018 of “-” reflects this stock consolidation. For more information, refer to the following section titled “Cautionary statement regarding forecasts of operating results and special notes.”

3. Forecast of business results for the next fiscal year (April 1, 2017-March 31, 2018)

(%: 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, 2018	285,000	1.0	5,000	216.0	4,000	-	2,000	-	72.40

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

Sanden Holdings is planning a stock consolidation on October 1, 2017 of one share for every five shares of common stock held. The forecast for net income per share for the fiscal year ending in March 2018 reflects this stock consolidation. For more information, refer to the following section titled “Cautionary statement regarding forecasts of operating results and special notes.”

***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. Quarterly Consolidated Financial Statements and Important Notes - (3) Notes to the quarterly consolidated financial statements" on page 8 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, 2017:	140,331,565	As of March 31, 2017:	140,331,565
(b) Treasury shares	As of June 30, 2017:	2,192,326	As of March 31, 2017:	2,197,243
(c) Average number of shares outstanding during the first quarter (cumulative)	As of June 30, 2017:	138,137,506	As of June 30, 2016:	138,108,308

*Summary of quarterly financial results is exempt from quarterly review.

*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

(Dividend and earnings forecasts following the stock consolidation)

A common stock consolidation resolution was approved at The 91st Ordinary General Meeting of Shareholders held on June 22, 2017 and this stock consolidation is to take place on October 1, 2017 at a ratio of one share for every five shares held. The dividend per share and net income per share forecasts for the fiscal year ending in March 2018 without adjusting for this stock consolidation are as follows.

1. Dividend per share

Second quarter

dividend per share: 0.00 yen (Note 1)

Year-end dividend per share: 0.00 yen (Note 2)

2. Net income per share

14.48 yen per share

Notes:

1. The second quarter dividend will be paid for the number of shares outstanding prior to the stock consolidation.

2. Dividend per share is calculated based on the number of shares outstanding prior to the stock consolidation

3. The forecast for the total dividend per share for the fiscal year ending in March 2018 is 0.00 yen.

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1. Qualitative Information on Quarterly Financial Results

(1) An explanation of Results of Operations

In the first quarter of the fiscal year, the global economy continued to recover slowly, mainly in industrialized countries. However, the outlook is uncertain due to geopolitical risk in Europe and other reasons and there are concerns about slowing economic growth in China. In Japan, the gradual recovery of the economy continued despite the rising uncertainty about the global economy and other sources of concern.

In the first quarter, as was announced on May 11, 2017, the Sanden Group started a corporate mid-term plan that will end in March 2021.

The plan establishes the following financial targets and has four key initiatives in order to reach these targets.

<Consolidated Management Target for FY2020>

Net Sales : 320 billion yen

Ordinary Income Ratio : 5%

Equity ratio : 25%

<Key initiatives>

(1) Comprehensive cost transformation to improve profitability

(2) Asset efficiency enhancement to strengthen the overall financial structure

(3) Optimization of business portfolio toward creating corporate value

(4) Management system reforms to achieve sustained growth

As a result, first quarter sales were 71,631 million yen, 2.8% higher than one year earlier, mainly because of higher sales in the automotive systems business. Operating income was 1,055 million yen compared with a 984 million yen loss one year earlier. Higher prices of raw materials caused by tight supplies had a negative effect on earnings but earnings benefited from drastic structural reforms including cost reduction efforts that began in the previous fiscal year. Ordinary income improved from a 3,041 million yen loss to income of 1,691 million yen and profit attributable to owners of parent improved from a 2,131 million yen loss to income of 1,284 million yen.

Results for business segments are as follows.

A. Automotive Systems Business

The Sanden Group continued to develop innovative products that reflect the environmental interests of customers. Group companies sold many products that provided value for customers, mainly by compact, lightweight and energy saving. As a result, sales were higher than one year earlier, due in part to growth in sales in Europe and Asia.

Earnings also increased. The main reasons were the higher sales in Europe and Asia and cost reductions resulting from drastic structural reforms.

As a result, segment sales increased 4.2% to 51,832 million yen and operating income increased 613.3% to 1,134 million yen.

B. Commercial Store Systems Business

In the retail store systems sector, sales increased as the Sanden Group continued to provide comprehensive ideas and solutions encompassing products, systems and services linked to customers' growth strategies and needs involving environmental issues.

In the vending systems sector, there were activities for business expansion that were centered on the development of environmentally friendly products and the launch of new products. However, sales decreased mainly because of the declining trend in the vending machines market in Japan.

Segment earnings were higher than one year earlier because of the cost reductions resulting from drastic structural reform initiatives and for other reasons.

As a result, segment sales increased 1.0% to 17,546 million yen and operating income was 393 million yen compared with a 490 million yen loss one year earlier.

(2) An explanation of Financial Condition

Assets, liabilities and net assets

Assets totaled 295,195 million yen at the end of the first quarter, 15,000 million yen more than at the end of the previous fiscal year. This was attributable primarily to increases in cash and cash equivalents, notes and accounts receivable-trade, and inventories.

Liabilities increased 13,278 million yen to 244,313 million yen mainly because of an increase in interest-bearing liabilities.

Net assets increased 1,722 million yen to 50,881 million yen. The main reasons were first quarter profit attributable to owners of parent and an increase in valuation difference on available-for-sale securities.

(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 9, 2017

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	First quarter ended June 2017 (As of June 30, 2017)
ASSETS		
Current assets		
Cash and deposits	14,040	20,823
Notes and accounts receivable - trade	79,964	82,695
Merchandise and finished goods	23,200	22,032
Work in process	10,547	12,331
Raw materials	10,026	10,649
Other inventories	3,406	4,873
Deferred tax assets	2,372	2,674
Accounts receivable - other	4,840	4,308
Consumption taxes receivable	3,246	3,445
Other	6,241	7,842
Allowance for doubtful accounts	(753)	(739)
Total current assets	157,132	170,935
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,776	21,586
Machinery, equipment and vehicles, net	23,788	24,655
Tools, furniture and fixtures, net	5,238	5,057
Land	17,717	17,712
Leased assets, net	7,166	7,175
Construction in progress	5,562	5,766
Total property, plant and equipment	81,250	81,954
Intangible assets		
Goodwill	142	124
Leased assets	156	143
Other	4,122	3,994
Total intangible assets	4,422	4,262
Investments and other assets		
Investment securities	31,867	32,438
Net defined benefit asset	90	91
Deferred tax assets	2,621	2,734
Other	6,026	6,005
Allowance for doubtful accounts	(3,216)	(3,227)
Total investments and other assets	37,389	38,042
Total noncurrent assets	123,062	124,259
Total assets	280,194	295,195

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	First quarter ended June 2017 (As of June 30, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	53,005	54,471
Short-term loans payable	54,518	63,329
Current portion of long-term loans payable	29,789	29,679
Accounts payable - other	14,714	8,358
Lease obligations	1,900	1,963
Income taxes payable	993	660
Provision for bonuses	3,793	4,757
Provision for sales rebates	1,083	1,368
Provision for product warranties	4,736	4,887
Deferred tax liabilities	7	12
Other	8,852	11,197
Total current liabilities	173,396	180,684
Non-current liabilities		
Bonds payable	-	2,000
Long-term loans payable	44,181	48,211
Lease obligations	5,247	5,204
Deferred tax liabilities	1,724	1,979
Net defined benefit liability	3,257	3,304
Provision for directors' retirement benefits	112	-
Provision for environmental expenses	360	338
Provision for share-based compensation	138	163
Other	2,616	2,425
Total non-current liabilities	57,637	63,628
Total liabilities	231,034	244,313
NET ASSETS		
Shareholders' equity		
Capital stock	11,037	11,037
Capital surplus	3,747	3,747
Retained earnings	29,447	30,732
Treasury shares	(1,203)	(1,200)
Total shareholders' equity	43,028	44,317
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,618	4,054
Deferred gains or losses on hedges	(16)	(97)
Foreign currency translation adjustment	(2,048)	(2,041)
Remeasurements of defined benefit plans	(1,032)	(1,003)
Total accumulated other comprehensive income	520	912
Non-controlling interests	5,610	5,652
Total net assets	49,159	50,881
Total liabilities and net assets	280,194	295,195

(2) Statements of quarterly consolidated income and consolidated comprehensive income
 Statements quarterly consolidated of income
 First quarter of the fiscal year

(Million yen)

	First quarter ended June 2016 (April 1, 2016 – June 30, 2016)	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)
Net sales	69,659	71,631
Cost of sales	57,594	58,603
Gross profit	12,064	13,028
Selling, general and administrative expenses	13,049	11,973
Operating income (loss)	(984)	1,055
Non-operating income		
Interest income	11	15
Dividend income	85	83
Share of profit of entities accounted for using equity method	822	1,239
Other	186	326
Total non-operating income	1,105	1,664
Non-operating expenses		
Interest expenses	582	643
Foreign exchange losses	2,306	123
Other	273	261
Total non-operating expenses	3,162	1,028
Ordinary income (loss)	(3,041)	1,691
Extraordinary income		
Gain on sales of non-current assets	1	64
Insurance income	357	-
Other	16	5
Total extraordinary income	375	70
Extraordinary losses		
Loss on disposal of non-current assets	8	8
Loss on disaster	55	-
Other	19	25
Total extraordinary losses	82	33
Profit (loss) before income taxes	(2,749)	1,728
Income taxes	(708)	258
Profit (loss)	(2,040)	1,469
Profit attributable to non-controlling interests	90	185
Profit (loss) attributable to owners of parent	(2,131)	1,284

Quarterly consolidated statements of comprehensive income
 First quarter of the fiscal year

(Million yen)

	First quarter ended June 2016 (April 1, 2016 – June 30, 2016)	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)
Profit (loss)	(2,040)	1,469
Other comprehensive income		
Valuation difference on available-for-sale securities	(431)	434
Deferred gains or losses on hedges	(7)	(80)
Foreign currency translation adjustment	(4,018)	523
Remeasurements of defined benefit plans	229	29
Share of other comprehensive income of entities accounted for using equity method	(1,726)	(649)
Total other comprehensive income	(5,955)	257
Comprehensive income	(7,995)	1,727
Comprehensive income attributable to owners of parent	(7,727)	1,676
Comprehensive income attributable to non-controlling interests	(268)	50

- (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

(Application of accounting methods specifically for consolidated quarterly financial statements)

	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)
Calculation of taxes	<p>Taxes are calculated by determining a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for income before income taxes in the current fiscal year (including the first quarter). Quarterly income before income taxes is then multiplied by this estimated effective tax rate to calculate taxes.</p> <p>However, when the tax calculated by using the estimated effective tax rate is believed to be significantly erroneous, taxes are calculated by using Paragraph 12 (method for using the statutory effective tax rate) in Practical Guidelines for Tax Effects on Interim Financial Statements, Etc.</p> <p>Income taxes - deferred are included in income taxes.</p>

(Segment information)

First quarter of the previous 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 & environment systems, 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 or goodwill, etc.by reporting segment

None

First quarter of the current fiscal year (April 1, 2017 – June 30, 2017)

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	51,832	17,546	69,378	2,253	71,631	-	71,631
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	51,832	17,546	69,378	2,253	71,631	-	71,631
Segment income (loss)	1,134	393	1,528	(472)	1,055	-	1,055

Notes: 1. Others includes vehicle sales, living & environment systems, 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 or goodwill, etc.by reporting segment

None