

SANDEN HOLDINGS CORPORATION

November 7, 2017

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

Fiscal year ending March 31, 2018

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
For further information, please contact
Nobuhiro Umemura
Corporate Officer
Accounting Division
Contact Number: +81-3-5209-3341

Scheduled filing date for quarterly report: November 10, 2017

Planned date of dividend payment: -

Supplementary briefing materials created for the quarterly report: Yes

Briefing sessions held on quarterly results: Yes (for securities analysts and institutional investors)

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results for the second quarter of current fiscal year (April 1, 2017- September 30, 2017)

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

	Net sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Ordinary income (Millions of ¥, %)		Net income (Millions of ¥, %)	
2Q of Fiscal year ending March 31, 2018	141,504	2.5	1,841	-	2,623	-	2,391	-
2Q of Fiscal year ended March 31, 2017	138,116	(7.7)	(964)	-	(3,132)	-	(7,208)	-

Notes: Equity in Comprehensive Income: 2Q of Fiscal year ending March 31, 2018 ¥2,512million, (—)%
2Q of Fiscal year ended March 31, 2017 (¥16,306million), (—)%

	Net income per share basic (¥)	Net income per share diluted (¥)
2Q of Fiscal year ending March 31, 2018	86.56	-
2Q of Fiscal year ended March 31, 2017	(260.96)	-

Note: Sanden Holdings carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017. Net income per share is calculated on the assumption that this stock consolidation was implemented at the beginning of the previous fiscal year.

(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 (¥)
2Q of Fiscal year ending March 31, 2018	291,741	51,673	15.8	1,662.59
Fiscal year ended March 31, 2017	280,194	49,159	15.5	1,576.34

Notes: Equity capital 2Q of Fiscal year ending March 31, 2018 ¥45,957million
Fiscal year ended March 31, 2017 ¥43,549million

Note: Sanden Holdings carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017. Net assets per share is calculated on the assumption that this stock consolidation was implemented at the beginning of the previous fiscal year.

2. Dividends

	Dividend per share (¥)				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended March 31, 2017	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2018	-	0.00	-	-	-
Fiscal year ending March 31, 2018 (Forecast)	-	-	-	0.00	-

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

Sanden Holdings carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017.

The forecast for the dividend for the fiscal year ending in March 2018 of “-” reflects this stock consolidation.

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

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

	Net sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Ordinary income (Millions of ¥, %)		Net income (Millions of ¥, %)		Net income per share basic (¥)
Fiscal year ending March 31, 2018	285,000	1.0	7,000	342.4	7,500	-	4,500	-	162.87

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

Sanden Holdings carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017.

The forecast for net income per share for the fiscal year ending in March 2018 reflects this stock consolidation.

*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 - (4) Notes to the quarterly consolidated financial statements" on page 10 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)

As of September 30, 2017	28,066,313	As of March 31, 2017	28,066,313
As of September 30, 2017	424,342	As of March 31, 2017	439,448
Period ended September 30, 2017	27,629,408	Period ended September 30, 2016	27,622,097

(a) Outstanding shares (including treasury shares)

(b) Treasury shares

(c) Average number of shares outstanding during the first quarter (cumulative)

Note: Sanden Holdings carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017.

Outstanding shares, Treasury shares and Average number of shares outstanding are calculated on the assumption that this stock consolidation was implemented at the beginning of the previous fiscal year.

*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

Sanden Holdings carried out the share consolidation at the ratio of 5 shares to 1 share effective October 1, 2017. 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

Year-end dividend per share: 0.00 yen

2. Net income per share

32.57 yen per share

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. Quarterly Consolidated Financial Statements and Important Notes.....	4
(1) Quarterly consolidated balance sheets	4
(2) Statements of quarterly consolidated income and consolidated comprehensive income	6
(3) Quarterly consolidated statement of cash flow.....	8
(4) Notes to the quarterly consolidated financial statements	10

1. Qualitative Information on Quarterly Financial Results

(1) An explanation of Results of Operations

In the first half of the fiscal year ending in March 2018, the global economy continued to recover slowly, primarily in industrialized countries. The outlook for the U.S. economy is unclear because of uncertainty about government policies and rising geopolitical risk. In China, there are concerns about a slowdown in economic growth. In Japan, the economy is recovering at a moderate pace despite the continuing existence of sources of concern, including increasing uncertainty about the global economy.

As was announced on May 11, 2017, the Sanden Group started a four-year 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.

<Financial targets>

Net Sales : 320 billion yen

Ordinary Income Ratio : 5%

Equity Ratio : 25%

<4 Key initiatives>

- (1) Comprehensive cost transformation to improve profitability
- (2) Asset efficiency enhancement to strengthen the overall financial structure
- (3) Optimization of business portfolio to create corporate value
- (4) Management system reform to achieve sustainable growth

Due to activities based on this plan, first half sales increased 2.5% to 141,504 million yen with the automotive systems business the primary source of growth. Operating income improved from a 964 million yen loss one year earlier to a profit of 1,841 million yen. Although the cost of raw materials increased, earnings improved mainly because of cost reductions resulting from drastic structural reforms that began in the previous fiscal year.

Ordinary income was 2,623 million yen compared with a loss of 3,132 million yen one year earlier and profit attributable to owners of parent was 2,391 million yen compared with a loss of 7,208 million yen one year earlier.

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 and benefit from foreign exchange rates.

Profits 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 6.6% to 101,305 million yen and operating income increased 238.9% to 2,100 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.

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

As a result, segment sales decreased 5.4% to 35,411 million yen and operating income was 568 million yen compared with a 201 million yen loss one year earlier.

(2) An explanation of Financial Condition

A. Assets, liabilities and net assets

Assets totaled 291,741 million yen at the end of the first half, 11,547 million yen more than at the end of the previous fiscal year mainly because of increases in cash and deposits and inventories.

Liabilities increased 9,033 million yen to 240,068 million yen mainly because of an increase in interest-bearing debt.

Net assets increased 2,513 million yen to 51,673 million yen mainly because of an increase in profit attributable to owners of parent.

B. Cash flows

Cash and cash equivalents were 23,821 million yen at the end of the first half, 9,780 million yen more than at the end of the previous fiscal year.

Net cash provided by operating activities decreased 5,508 million yen from one year earlier to 1,564 million yen. Major sources of cash were profit before income taxes and a decrease in notes and accounts receivable-trade. Cash was used by a decrease in accounts payable-other.

Net cash used in investing activities decreased 4,469 million yen from one year earlier to 3,995 million yen.

The primary use of cash was payments of 4,812 million yen for the purchase of property, plant and equipment, down 2,638 million yen from one year earlier.

Net cash provided by financing activities increased 11,769 million yen to 12,117 million yen. Repayments of long-term loans payable increased 3,676 million yen to 19,150 million yen, but cash was provided by proceeds from long-term loans payable of 21,994 million yen, up 5,400 million yen, and other sources.

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

The consolidated sales and earnings forecast for the fiscal year ending on March 31, 2018 has been revised as follows due to current results of operations and other reasons.

Revision of the consolidated forecast for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	285,000	5,000	4,000	2,000	72.40
Revised forecast (B)	285,000	7,000	7,500	4,500	162.87
Change (B-A)	-	2,000	3,500	2,500	-
Percent change (%)	-	40.0%	87.5%	125.0%	-
(Ref.) Previous fiscal year (Fiscal year ended March 2017)	282,061	1,582	(2,262)	(22,488)	(162.82)

For more information, please see the news release dated November 7, 2017 concerning this forecast revision.

Although automotive systems sales are down in North America and China because of changes in the business climate, the fiscal year earnings forecasts have been revised to reflect the steadily emerging benefits of structural reforms that began in the previous fiscal year. These revisions also reflect the positive effect of the weaker yen as well as other factors.

Beginning with the third quarter of this fiscal year, foreign exchange rate assumptions have been changed from 105 yen to 110 yen to the U.S. dollar and from 115 yen to 125 yen to the euro. As a result, the exchange rate assumptions for the fiscal year are 110 yen to the U.S. dollar and 125 yen to the euro.

(Precautions)

Sanden conducted a five-to-one stock consolidation on October 1, 2017. This consolidation is incorporated in the earnings per share forecast for the fiscal year ending on March 31, 2018.

The above forecast is based on information currently available. Actual performance may differ from this forecast for a number of reasons.

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 half ended September 2017 (As of September 30, 2017)
ASSETS		
Current assets		
Cash and deposits	14,040	23,821
Notes and accounts receivable - trade	79,964	76,632
Merchandise and finished goods	23,200	23,217
Work in process	10,547	11,125
Raw materials	10,026	10,683
Other inventories	3,406	4,127
Deferred tax assets	2,372	2,736
Accounts receivable - other	4,840	5,530
Consumption taxes receivable	3,246	3,358
Other	6,241	8,111
Allowance for doubtful accounts	(753)	(818)
Total current assets	157,132	168,524
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,776	21,546
Machinery, equipment and vehicles, net	23,788	25,325
Tools, furniture and fixtures, net	5,238	4,960
Land	17,717	17,735
Leased assets, net	7,166	6,875
Construction in progress	5,562	6,226
Total property, plant and equipment	81,250	82,670
Intangible assets		
Goodwill	142	108
Leased assets	156	187
Other	4,122	3,898
Total intangible assets	4,422	4,194
Investments and other assets		
Investment securities	31,867	30,700
Net defined benefit asset	90	91
Deferred tax assets	2,621	2,768
Other	6,026	6,039
Allowance for doubtful accounts	(3,216)	(3,246)
Total investments and other assets	37,389	36,352
Total noncurrent assets	123,062	123,217
Total assets	280,194	291,741

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	First half ended September 2017 (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,005	51,709
Short-term loans payable	54,518	62,555
Current portion of bonds	-	250
Current portion of long-term loans payable	29,789	20,207
Accounts payable - other	14,714	9,209
Lease obligations	1,900	1,943
Income taxes payable	993	732
Provision for bonuses	3,793	3,584
Provision for sales rebates	1,083	1,315
Provision for product warranties	4,736	3,851
Deferred tax liabilities	7	26
Other	8,852	10,108
Total current liabilities	173,396	165,493
Non-current liabilities		
Bonds payable	-	3,450
Long-term loans payable	44,181	57,770
Lease obligations	5,247	4,884
Deferred tax liabilities	1,724	1,827
Net defined benefit liability	3,257	3,750
Provision for directors' retirement benefits	112	-
Provision for environmental expenses	360	329
Provision for share-based compensation	138	144
Other	2,616	2,417
Total non-current liabilities	57,637	74,575
Total liabilities	231,034	240,068
Net assets		
Shareholders' equity		
Capital stock	11,037	11,037
Capital surplus	3,747	3,747
Retained earnings	29,447	31,839
Treasury shares	(1,203)	(1,158)
Total shareholders' equity	43,028	45,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,618	3,544
Deferred gains or losses on hedges	(16)	(187)
Foreign currency translation adjustment	(2,048)	(1,486)
Remeasurements of defined benefit plans	(1,032)	(1,379)
Total accumulated other comprehensive income	520	491
Non-controlling interests	5,610	5,715
Total net assets	49,159	51,673
Total liabilities and net assets	280,194	291,741

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

(Million yen)

	First half ended September 2016 (April 1, 2016 – September 30, 2016)	First half ended September 2017 (April 1, 2017 – September 30, 2017)
Net sales	138,116	141,504
Cost of sales	114,593	116,180
Gross profit	23,522	25,324
Selling, general and administrative expenses	24,486	23,482
Operating income (loss)	(964)	1,841
Non-operating income		
Interest income	31	27
Dividend income	99	94
Foreign exchange gains	-	75
Share of profit of entities accounted for using equity method	1,666	1,691
Other	350	500
Total non-operating income	2,148	2,389
Non-operating expenses		
Interest expenses	1,134	1,252
Foreign exchange losses	2,583	-
Other	597	354
Total non-operating expenses	4,315	1,606
Ordinary income (loss)	(3,132)	2,623
Extraordinary income		
Gain on sales of non-current assets	115	104
Insurance income	470	-
Gain on sales of investment securities	28	738
Other	18	10
Total extraordinary income	632	853
Extraordinary losses		
Loss on disposal of non-current assets	146	51
Market risk measures expenses	1,490	-
Early extra retirement payments	1,993	-
Other	369	42
Total extraordinary losses	3,998	93
Income (loss) before income taxes	(6,498)	3,383
Income taxes	378	757
Net income (loss)	(6,876)	2,625
Net income attributable to non-controlling interests	331	233
Net income (loss) attributable to owners of parent	(7,208)	2,391

Quarterly consolidated statement of comprehensive income
 First half of the fiscal year

(Million yen)

	First half ended September 2016 (April 1, 2016 – September 30, 2016)	First half ended September 2017 (April 1, 2017 – September 30, 2017)
Profit (loss)	(6,876)	2,625
Other comprehensive income		
Valuation difference on available-for-sale securities	97	(74)
Deferred gains or losses on hedges	114	(170)
Foreign currency translation adjustment	(6,303)	1,286
Remeasurements of defined benefit plans, net of tax	(36)	(346)
Share of other comprehensive income of entities accounted for using equity method	(3,300)	(806)
Total other comprehensive income	(9,429)	(112)
Comprehensive income	(16,306)	2,512
Comprehensive income attributable to owners of parent	(15,733)	2,362
Comprehensive income attributable to non-controlling interests	(572)	149

(3) Quarterly consolidated statement of cash flow

(Million yen)

	First half ended Sep. 2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half ended Sep. 2017 (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Income (loss) before income taxes	(6,498)	3,383
Depreciation	5,927	5,583
Increase (decrease) in provision for bonuses	(1,170)	(217)
Increase (decrease) in allowance for doubtful accounts	276	72
Increase (decrease) in provision for product warranties	1,615	(936)
Interest and dividend income	(130)	(121)
Interest expenses	1,134	1,252
Share of (profit) loss of entities accounted for using equity method	(1,666)	(1,691)
Insurance income	(470)	-
Early extra retirement payments	1,993	-
Decrease (increase) in notes and accounts receivable - trade	4,455	4,817
Decrease (increase) in inventories	1,367	(248)
Decrease (increase) in accounts receivable - other	672	(612)
Decrease (increase) in consumption taxes refund receivable	522	38
Increase (decrease) in notes and accounts payable - trade	(4,724)	(1,622)
Increase (decrease) in accounts payable - other	(2,006)	(5,778)
Increase (decrease) in accrued expenses	1,684	(258)
Other	4,233	770
Subtotal	7,215	4,432
Interest and dividend income received	2,197	619
Interest expenses paid	(1,143)	(1,294)
Proceeds from insurance income	340	-
Contribution paid on transfer to defined contribution pension plans	(1,287)	-
Income taxes paid	(249)	(2,192)
Net cash provided by (used in) operating activities	7,073	1,564
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,452)	(4,812)
Proceeds from sales of property, plant and equipment	233	383
Purchase of intangible assets	(246)	(97)
Purchase of investment securities	(10)	(12)
Proceeds from sales of investment securities	62	570
Payments for investments in capital of subsidiaries and associates	(1,464)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	166	-
Other	247	(26)
Net cash provided by (used in) investing activities	(8,465)	(3,995)

(Million yen)

	First half ended Sep. 2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half ended Sep. 2017 (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,114	6,643
Proceeds from long-term loans payable	16,544	21,944
Repayments of long-term loans payable	(15,474)	(19,150)
Proceeds from issuance of bonds	-	3,700
Repayments of lease obligations	(743)	(963)
Purchase of treasury shares	(2)	(2)
Proceeds from sales of treasury shares	2	48
Cash dividends paid	(2,085)	-
Dividends paid to non-controlling interests	(6)	(106)
Other	(0)	6
Net cash provided by (used in) financing activities	348	12,117
Effect of exchange rate change on cash and cash equivalents	(1,188)	92
Net increase (decrease) in cash and cash equivalents	(2,231)	9,780
Cash and cash equivalents at beginning of period	17,482	14,040
Cash and cash equivalents at end of period	15,250	23,821

(4) 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 half ended September 2017 (April 1, 2017 – September 30, 2017)
Calculation of taxes	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 half). Quarterly income before income taxes is then multiplied by this estimated effective tax rate to calculate taxes. 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. Income taxes - deferred are included in income taxes.

(Segment information)

First half of the previous fiscal year (April 1, 2016 – September 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	95,013	37,417	132,431	5,684	138,116	-	138,116
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	95,013	37,417	132,431	5,684	138,116	-	138,116
Segment income (loss)	619	(201)	418	(1,383)	(964)	-	(964)

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 half of the current fiscal year (April 1, 2017 – September 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	101,305	35,411	136,717	4,787	141,504	-	141,504
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	101,305	35,411	136,717	4,787	141,504	-	141,504
Segment income (loss)	2,100	568	2,668	(827)	1,841	-	1,841

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