

SANDEN HOLDINGS CORPORATION

February 7, 2018

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF December 31, 2017

Fiscal year ending March 31, 2018

SANDEN HOLDINGS CORPORATION

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Shares listed: Tokyo Stock Exchange
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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 current fiscal year (April 1, 2017- December 31, 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 ¥, %)	
3Q of Fiscal year ending March 31, 2018	209,874	3.3	2,251	-	3,199	-	2,035	-
3Q of Fiscal year ended March 31, 2017	203,141	(5.6)	(884)	-	(1,228)	-	(3,637)	-

Notes: Equity in Comprehensive Income: 3Q of Fiscal year ending March 31, 2018 ¥3,330million, (—)%
3Q of Fiscal year ended March 31, 2017 (¥9,369million), (—)%

	Net income per share basic (¥)	Net income per share diluted (¥)
3Q of Fiscal year ending March 31, 2018	73.64	-
3Q of Fiscal year ended March 31, 2017	(131.70)	-

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 (¥)
3Q of Fiscal year ending March 31, 2018	294,799	52,488	15.8	1,687.42
Fiscal year ended March 31, 2017	280,194	49,159	15.5	1,576.34

Notes: Equity capital 3Q of Fiscal year ending March 31, 2018 ¥46,642million
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 forecasts: No

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 to 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. 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)
(b) Treasury shares
(c) Average number of shares outstanding during the first quarter (cumulative)

(a)	As of December 31, 2017	28,066,313	As of March 31, 2017	28,066,313
(b)	As of December 31, 2017	425,335	As of March 31, 2017	439,448
(c)	Period ended December 31, 2017	27,633,010	Period ended December 31, 2016	27,623,296

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 forecast

Second quarter

dividend per share: 0.00 yen

Year-end dividend per share: 0.00 yen

2. Net income per share forecast

32.57 yen per share

Index for Supplementary Information

1. Qualitative Information of Financial Results for the third Quarter (April 1, 2017-December 31, 2017)	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) Notes to the quarterly consolidated financial statements	8

1. Qualitative Information of Financial Results for the third Quarter (April 1, 2017-December 31, 2017)

(1) An explanation of Results of Operations

In the first three quarters of the fiscal year ending in March 2018, the global economy continued to recover slowly, primarily in industrialized countries although there are economic uncertainties because of the U.S. government policies and rising geopolitical risk as well as some concerns about a slowdown in economic growth in China. 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.

In consideration of the management environment, we have started the four-year Corporate Mid-Term Plan that will end in March 2021 to ensure revitalization of the Sanden Group. 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 reforms to achieve sustained growth

Due to activities based on this plan, net sales increased 3.3% to 209,874 million yen with higher sales in the automotive systems business and other factors. Operating income improved from a 884 million yen loss one year earlier to a profit of 2,251 million yen. Although the cost of raw materials increased, earnings improved mainly because of cost reductions resulting from the comprehensive structural reforms that began in the previous fiscal year. Ordinary income was 3,199 million yen compared with a loss of 1,228 million yen one year earlier and profit attributable to owners of parent was 2,035 million yen compared with a loss of 3,637 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 benefit from foreign exchange rates.

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

As a result, segment sales increased 6.8% to 151,752 million yen and operating income increased 101.7% to 3,328 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 the comprehensive structural reforms and for other reasons.

As a result, segment sales decreased 3.1% to 50,804 million yen and operating income was 248 million yen compared with a 420 million yen loss one year earlier.

(2) An explanation of Financial Condition

Assets, liabilities and net assets

Assets totaled 294,799 million yen at the end of the third quarter, 14,605 million yen more than at the end of the previous fiscal year mainly because of increases in cash and deposits and inventories.

Liabilities increased 11,276 million yen to 242,310 million yen mainly because of an increase in interest-bearing debt.

Net assets increased 3,328 million yen to 52,488 million yen mainly because of an increase in profit attributable to owners of parent.

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

There is no change in the forecast announced on November 7, 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)	Third quarter ended Dec. 2017 (As of December 31, 2017)
ASSETS		
Current assets		
Cash and deposits	14,040	22,982
Notes and accounts receivable - trade	79,964	75,084
Merchandise and finished goods	23,200	24,313
Work in process	10,547	12,522
Raw materials	10,026	11,253
Other inventories	3,406	4,080
Deferred tax assets	2,372	2,830
Accounts receivable - other	4,840	5,669
Consumption taxes receivable	3,246	4,063
Other	6,241	10,025
Allowance for doubtful accounts	(753)	(898)
Total current assets	157,132	171,927
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,776	21,376
Machinery, equipment and vehicles, net	23,788	24,752
Tools, furniture and fixtures, net	5,238	4,781
Land	17,717	17,204
Leased assets, net	7,166	6,886
Construction in progress	5,562	8,648
Total property, plant and equipment	81,250	83,649
Intangible assets		
Goodwill	142	92
Leased assets	156	185
Other	4,122	3,796
Total intangible assets	4,422	4,074
Investments and other assets		
Investment securities	31,867	29,543
Net defined benefit asset	90	91
Deferred tax assets	2,621	2,610
Other	6,026	6,154
Allowance for doubtful accounts	(3,216)	(3,252)
Total investments and other assets	37,389	35,147
Total noncurrent assets	123,062	122,871
Total assets	280,194	294,799

	Fiscal year ended March 2017 (As of March 31, 2017)	Third quarter ended Dec. 2017 (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,005	52,182
Short-term loans payable	54,518	62,288
Current portion of bonds	-	250
Current portion of long-term loans payable	29,789	19,690
Accounts payable - other	14,714	10,189
Lease obligations	1,900	1,841
Income taxes payable	993	754
Provision for bonuses	3,793	2,351
Provision for sales rebates	1,083	1,336
Provision for product warranties	4,736	3,406
Provision for loss on compensation for damage	-	1,941
Deferred tax liabilities	7	100
Other	8,852	11,351
Total current liabilities	173,396	167,684
Non-current liabilities		
Bonds payable	-	3,450
Long-term loans payable	44,181	58,142
Lease obligations	5,247	4,929
Deferred tax liabilities	1,724	1,663
Net defined benefit liability	3,257	3,782
Provision for directors' retirement benefits	112	-
Provision for environmental expenses	360	294
Provision for share-based compensation	138	162
Other	2,616	2,202
Total non-current liabilities	57,637	74,625
Total liabilities	231,034	242,310
Net assets		
Shareholders' equity		
Capital stock	11,037	11,037
Capital surplus	3,747	3,747
Retained earnings	29,447	31,482
Treasury shares	(1,203)	(1,160)
Total shareholders' equity	43,028	45,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,618	2,997
Deferred gains or losses on hedges	(16)	(157)
Foreign currency translation adjustment	(2,048)	50
Remeasurements of defined benefit plans	(1,032)	(1,356)
Total accumulated other comprehensive income	520	1,535
Non-controlling interests	5,610	5,846
Total net assets	49,159	52,488
Total liabilities and net assets	280,194	294,799

(2) Statements of quarterly consolidated income and consolidated comprehensive income
Quarterly consolidated statement of income
First three quarters of the fiscal year

(Million yen)

	First three quarters ended December 2016 (April 1, 2016 – Dec. 31, 2016)	First three quarters ended December 2017 (April 1, 2017 – Dec. 31, 2017)
Net sales	203,141	209,874
Cost of sales	167,753	172,118
Gross profit	35,388	37,755
Selling, general and administrative expenses	36,272	35,504
Operating income (loss)	(884)	2,251
Non-operating income		
Interest income	38	46
Dividend income	165	165
Share of profit of entities accounted for using equity method	1,907	2,442
Other	567	643
Total non-operating income	2,679	3,298
Non-operating expenses		
Interest expenses	1,669	1,762
Foreign exchange losses	515	127
Other	838	460
Total non-operating expenses	3,023	2,350
Ordinary income (loss)	(1,228)	3,199
Extraordinary income		
Gain on sales of non-current assets	2,668	680
Gain on sales of investment securities	28	2,216
Insurance income	491	106
Other	27	34
Total extraordinary income	3,217	3,037
Extraordinary losses		
Loss on disposal of non-current assets	238	334
Market measures cost	1,440	–
Early extra retirement payments	1,990	–
Provision for loss on compensation for damage	–	1,941
Other	593	533
Total extraordinary losses	4,263	2,809
Profit (loss) before income taxes	(2,274)	3,427
Income taxes	871	1,199
Profit (loss)	(3,145)	2,228
Profit attributable to non-controlling interests	491	193
Profit (loss) attributable to owners of parent	(3,637)	2,035

Quarterly consolidated statements of comprehensive income
 First three quarters of the fiscal year

(Million yen)

	First three quarters ended December 2016 (April 1, 2016 – Dec. 31, 2016)	First three quarters ended December 2017 (April 1, 2017 – Dec. 31, 2017)
Profit (loss)	(3,145)	2,228
Other comprehensive income		
Valuation difference on available-for-sale securities	1,178	(621)
Deferred gains or losses on hedges	(638)	(140)
Foreign currency translation adjustment	(3,130)	2,094
Remeasurements of defined benefit plans, net of tax	(265)	(323)
Share of other comprehensive income of entities accounted for using equity method	(3,367)	93
Total other comprehensive income	(6,224)	1,102
Comprehensive income	(9,369)	3,330
Comprehensive income attributable to owners of parent	(8,986)	3,049
Comprehensive income attributable to non-controlling interests	(383)	280

(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 three quarters ended December 2017 (April 1, 2017 – Dec. 31, 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 third 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, etc.)

First three quarters of the previous fiscal year (April 1, 2016 – December 31, 2016)

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

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustments	Amount on quarterly consolidated statement of income (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	142,156	52,408	194,565	8,575	203,141	–	203,141
Inter-segment sales or transfer balances	–	–	–	–	–	–	–
Total	142,156	52,408	194,565	8,575	203,141	–	203,141
Segment income (loss)	1,650	(420)	1,229	(2,114)	(884)	–	(884)

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

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

2. Information on fixed asset impairment losses by reporting segment and goodwill, etc.
None

First three quarters of the current fiscal year (April 1, 2017 – December 31, 2017)

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

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustments	Amount on quarterly consolidated statement of income (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	151,752	50,804	202,557	7,316	209,874	–	209,874
Inter-segment sales or transfer balances	–	–	–	–	–	–	–
Total	151,752	50,804	202,557	7,316	209,874	–	209,874
Segment income (loss)	3,328	248	3,577	(1,326)	2,251	–	2,251

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

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

2. Information on fixed asset impairment losses by reporting segment and goodwill, etc.
None