

SANDEN HOLDINGS CORPORATION

February 7, 2019

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF December 31, 2018

Fiscal year ending March 31, 2019

SANDEN HOLDINGS CORPORATION

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

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Scheduled filing date for quarterly report: February 8, 2019

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, 2018- December 31, 2018)

(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, 2019	201,310	(4.1)	(848)	-	(1,306)	-	(1,887)	-
3Q of Fiscal year ended March 31, 2018	209,874	3.3	2,251	-	3,199	-	2,035	-

Notes: Equity in Comprehensive Income: 3Q of Fiscal year ending March 31, 2019 (¥5,494million), (—)%
 3Q of Fiscal year ended March 31, 2018 ¥3,330million, (—)%

	Net income per share basic (¥)	Net income per share diluted (¥)
3Q of Fiscal year ending March 31, 2019	(68.23)	-
3Q of Fiscal year ended March 31, 2018	73.64	-

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, 2019	267,322	45,114	15.1	1,457.36
Fiscal year ended March 31, 2018	275,649	50,957	16.4	1,633.99

Notes: Equity capital 3Q of Fiscal year ending March 31, 2019 ¥40,335million
 Fiscal year ended March 31, 2018 ¥45,185million

Note: From the start of the subject fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting". Figures for Fiscal year ended March 31, 2018 have been retroactively adjusted.

2. Dividends

	Dividend per share (¥)				Total
	1Q	2Q	3Q	4Q	
Fiscal year ended March 31, 2018	-	0.00	-	0.00	-
Fiscal year ending March 31, 2019	-	0.00	-		
Fiscal year ending March 31, 2019 (Forecast)				0.00	0.00

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

3. Forecast of business results for the current fiscal year (April 1, 2018-March 31, 2019)

(%: 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, 2019	280,000	(2.6)	3,000	(45.1)	2,000	(54.7)	500	(88.3)	18.08

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

*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, 2018	28,066,313	As of March 31, 2018	28,066,313
(b)	As of December 31, 2018	389,152	As of March 31, 2018	413,024
(c)	Period ended December 31, 2018	27,660,168	Period ended December 31, 2017	27,633,010

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 by a certified public accountant or an audit firm.

*Cautionary statement regarding forecasts of operating results and special notes

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 of Financial Results for the third Quarter (April 1,2018-December 31, 2018)

(1) An explanation of Results of Operations

In the first three quarters of the current fiscal year, the global economy and the Japanese economy continued to recover slowly with the support of strong capital expenditures and consumer spending. However, the outlook for the global economy is uncertain because of concerns about the effects of U.S. trade policies, slowing economic growth in China, Britain's departure from the European Union and other events.

During the first three quarters, the Sanden Group conducted many activities for achieving the targets of the ongoing four-year medium-term plan that will end in March 2021. This plan has four key initiatives: (1) Comprehensive cost transformation to improve profitability; (2) Asset efficiency enhancement to strengthen the overall financial structure; (3) Optimization of the business portfolio to create corporate value; and (4) Management system reform to achieve sustainable growth.

Despite these activities, sales decreased 4.1% from one year earlier to 201,310 million yen. The main reasons were a decrease in automobile sales, mainly in overseas, and a decline in Commercial Store Systems Business sales in Japan. Although there were measures to implement cost structure reforms in order to improve profitability, earnings were negatively impacted primarily by the decrease in sales. As a result, there was an operating loss of 848 million yen compared with operating income of 2,251 million yen in the first three quarters of the previous fiscal year. Furthermore, due to a share of loss of entities accounted for using equity method involving an affiliated company in the Middle East and other reasons, there was an ordinary loss of 1,306 million yen compared with ordinary income of 3,199 million yen one year earlier and a loss attributable to owners of parent of 1,887 million yen compared with a profit of 2,035 million yen one year earlier.

Results for business segments are as follows.

A. Automotive Systems

The Sanden Group developed technologically advanced products that precisely match the needs of customers and supplied products with compact size, low weight and electric motors in order to provide value for customers. Sales and earnings decreased mainly because of lower sales in North America and China.

Segment sales decreased 4.8% to 144,422 million yen and operating income was down 86.6% to 445 million yen.

B. Commercial Store Systems

In the retail store systems sector, 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. Sales were lower than one year earlier because of the completion of most store remodeling projects associated with the management integrations of convenience store companies in Japan.

In the vending systems sector, sales were about the same as one year earlier even though Japan's vending machine market is continuing to shrink. Performance benefited from the development of environmentally responsible vending machines and the launch of new models.

There was a loss in the first three quarters because of the decrease in sales. However, this business continued to take many actions centered on cost cutting and improving productivity for building a stronger base of operations.

Segment sales decreased 3.2% to 49,171 million yen and there was an operating loss of 849 million yen compared with operating income of 248 million yen one year earlier.

(2) An explanation of Financial Condition

Assets, liabilities and net assets

Sanden Holdings started using Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the first quarter of this fiscal year. Previous fiscal year comparisons and analysis use figures that have been adjusted for consistency with this accounting standard.

Total assets were 267,322 million yen at the end of the third quarter, 8,326 million yen less than at the end of the previous fiscal year. The main reason was a decrease in cash and deposits.

Liabilities decreased 2,484 million yen to 222,207 million yen mainly because of a decrease in notes and accounts payable-trade.

Net assets decreased 5,842 million yen to 45,114 million yen mainly because of a decrease in the foreign currency translation adjustment.

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

There is no change in the consolidated earnings forecast announced on November 11, 2018.

2. Quarterly Consolidated Financial Statements and Important Notes

Quarterly consolidated balance sheets

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	Third quarter ended Dec. 2018 (As of December 31, 2018)
ASSETS		
Current assets		
Cash and deposits	18,776	12,290
Notes and accounts receivable-trade	74,204	72,121
Merchandise and finished goods	21,895	28,204
Work in process	12,089	10,743
Raw materials	10,065	10,035
Other inventories	3,438	3,125
Accounts receivable-other	5,876	4,844
Consumption taxes receivable	4,527	4,200
Other	9,167	7,555
Allowance for doubtful accounts	(678)	(515)
Total current assets	159,363	152,605
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,351	20,664
Machinery, equipment and vehicles, net	23,642	24,238
Tools, furniture and fixtures, net	5,019	4,833
Land	16,883	16,774
Lease assets, net	8,144	7,850
Construction in progress	6,699	6,321
Total property, plant and equipment	81,741	80,683
Intangible assets		
Goodwill	73	30
Lease assets	177	349
Other	3,618	3,493
Total intangible assets	3,869	3,873
Investments and other assets		
Investment securities	22,960	23,104
Net defined benefit asset	118	118
Deferred tax assets	4,641	4,658
Other	6,018	5,472
Allowance for doubtful accounts	(3,064)	(3,194)
Total investments and other assets	30,674	30,159
Total noncurrent assets	116,285	114,716
Total assets	275,649	267,322

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	Third quarter ended Dec. 2018 (As of December 31, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	53,483	49,198
Short-term loans payable	45,011	42,834
Current portion of bonds	712	1,225
Current portion of long-term loans payable	18,299	20,864
Accounts payable-other	11,039	8,287
Lease obligations	2,018	2,078
Income taxes payable	699	626
Provision for bonuses	3,759	2,330
Provision for sales rebates	935	816
Provision for product warranties	3,253	2,626
Provision for loss on compensation for damage	986	27
Other	10,027	12,247
Total current liabilities	150,227	143,162
Noncurrent liabilities		
Bonds payable	5,987	6,725
Long-term loans payable	56,134	59,849
Lease obligations	6,113	6,428
Deferred tax liabilities	205	218
Net defined benefit liability	3,376	3,242
Provision for environmental measures	273	236
Provision for share-based compensation	187	231
Other	2,185	2,112
Total noncurrent liabilities	74,464	79,044
Total liabilities	224,691	222,207
NET ASSETS		
Shareholders' equity		
Capital stock	11,037	11,037
Capital surplus	3,731	3,579
Retained earnings	33,703	31,657
Treasury shares	(1,126)	(876)
Total shareholders' equity	47,346	45,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	292	316
Deferred gains or losses on hedges	(16)	(96)
Foreign currency translation adjustment	(1,484)	(4,555)
Remeasurements of defined benefit plans	(954)	(726)
Total accumulated other comprehensive income	(2,161)	(5,062)
Non-controlling interests	5,772	4,779
Total net assets	50,957	45,114
Total liabilities and net assets	275,649	267,322

(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 2017 (April 1, 2017 – Dec. 31, 2017)	First three quarters ended December 2018 (April 1, 2018 – Dec. 31, 2018)
Net sales	209,874	201,310
Cost of sales	172,118	167,479
Gross profit	37,755	33,830
Selling, general and administrative expenses	35,504	34,679
Operating income (loss)	2,251	(848)
Non-operating income		
Interest income	46	43
Dividend income	165	23
Foreign exchange gains	–	510
Share of profit of entities accounted for using equity method	2,442	1,131
Other	643	645
Total non-operating income	3,298	2,354
Non-operating expenses		
Interest expenses	1,762	1,923
Foreign exchange losses	127	–
Other	460	888
Total non-operating expenses	2,350	2,812
Ordinary income (loss)	3,199	(1,306)
Extraordinary income		
Gain on sales of non-current assets	680	185
Gain on sales of investment securities	2,216	63
Insurance income	106	–
Other	34	14
Total extraordinary income	3,037	263
Extraordinary losses		
Loss on disposal of non-current assets	334	118
Provision for loss on compensation for damage	1,941	28
Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries	–	109
Other	533	265
Total extraordinary losses	2,809	522
Profit (loss) before income taxes	3,427	(1,564)
Income taxes	1,199	772
Profit (loss)	2,228	(2,337)
Profit (loss) attributable to non-controlling interests	193	(450)
Profit (loss) attributable to owners of parent	2,035	(1,887)

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

(Million yen)

	First three quarters ended December 2017 (April 1, 2017 – Dec. 31, 2017)	First three quarters ended December 2018 (April 1, 2018 – Dec. 31, 2018)
Profit (loss)	2,228	(2,337)
Other comprehensive income		
Valuation difference on available-for-sale securities	(621)	32
Deferred gains or losses on hedges	(140)	(80)
Foreign currency translation adjustment	2,094	(494)
Remeasurements of defined benefit plans, net of tax	(323)	227
Share of other comprehensive income of entities accounted for using equity method	93	(2,841)
Total other comprehensive income	1,102	(3,157)
Comprehensive income	3,330	(5,494)
Comprehensive income attributable to owners of parent	3,049	(4,788)
Comprehensive income attributable to non-controlling interests	280	(706)

(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 2018 (April 1, 2018 – Dec. 31, 2018)
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>

(Additional Information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

Partial Amendments to Accounting Standards for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the first quarter of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of noncurrent liabilities.

(Segment information, etc.)

First three quarters of the previous 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.

First three quarters of the current fiscal year (April 1, 2018 – December 31, 2018)

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	144,422	49,171	193,593	7,716	201,310	–	201,310
Inter-segment sales or transfer balances	–	–	–	–	–	–	–
Total	144,422	49,171	193,593	7,716	201,310	–	201,310
Segment income (loss)	445	(849)	(404)	(444)	(848)	–	(848)

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

(Significant subsequent events)

Simplified absorption-type divestiture

The Board of Directors of Sanden Holdings approved a resolution on February 7, 2019 to conduct an absorption-type divestiture of the stock and other assets of subsidiaries involved in the Automotive Systems Business and Commercial Store Systems Business as well as the rights and obligations of the associated administrative activities. These assets and rights and obligations will be transferred to wholly owned subsidiaries of Sanden Holdings. This divestiture will take place on April 1, 2019. More information is in the press release dated February 7, 2019 concerning this divestiture.