

# SANDEN HOLDINGS CORPORATION

May 11, 2015

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2015 (UNAUDITED)

Fiscal year ending March 31, 2015

### 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: Mitsuya Yamamoto President  
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Date of general meeting of stockholders for the annual operation results: June 19, 2015

Date of registration of statutory accounts (Yukashokenhoukokusho): June 19, 2015

Planned date of dividend payment: June 22, 2015

(Fractions less than ¥1 million omitted)

### 1. Consolidated Financial Results for current fiscal year (April 1, 2014- March 31, 2015)

(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 ¥, %)	
Fiscal year ended March 31, 2015	306,984	11.7	9,407	93.6	10,314	107.3	5,580	(4.5)
Fiscal year ended March 31, 2014	274,786	13.7	4,858	-	4,976	-	5,843	438.8

Notes: Equity in Comprehensive Income: March 31, 2015 ¥11,713million  
March 31, 2014 ¥13,123million

	Net income per share basic (¥)	Net income per share diluted (¥)	Net income over equity ratio (%)	Net income before extraordinary items over total assets ratio (%)	Operating income over sales ratio (%)
Fiscal year ended March 31, 2015	40.40	-	8.5	3.6	3.1
Fiscal year ended March 31, 2014	42.65	-	10.5	1.9	1.8

Notes: Equity in earnings (losses) of affiliates: March 31, 2015 ¥2,518million  
March 31, 2014 ¥1,996million

### (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 (¥)
Fiscal year ended March 31, 2015	299,265	75,677	23.6	510.80
Fiscal year ended March 31, 2014	277,920	65,651	22.1	443.68

Notes: Equity capital March 31, 2015 ¥70,553million  
March 31, 2014 ¥61,291million

### (3) Cash flows

(Millions of ¥; Fractions less than ¥1 million omitted)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended March 31, 2015	16,223	(13,301)	(2,022)	20,588
Fiscal year ended March 31, 2014	18,803	(12,105)	(8,675)	19,078

## 2. Dividends

	Dividend per share (¥)			Total annual dividends (Million of ¥)	Dividend payout ratio (Consolidated) (%)	Ratio of dividend payout over net assets (Consolidated) (%)
	Interim	Year end	Total			
Fiscal year ended March 31, 2014	0.00	10.00	10.00	1,387	23.4	2.5
Fiscal year ended March 31, 2015	0.00	10.00	10.00	1,387	24.8	2.1
Fiscal year ending March 31, 2016 (Forecast)	-	-	-	-	-	-

Note: Dividend of Fiscal year ending March 31, 2016 is yet to be determined.

## 3. Forecast of business results for the next fiscal year (April 1, 2015-March 31, 2016)

(%: 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, 2016	310,000	1.0	10,000	6.3	11,000	6.6	7,000	25.4	50.68

\* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):  
None

(2) 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

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

(a) Outstanding shares (including treasury stock)	As of March 31, 2015:	140,331,565	As of March 31, 2014:	140,331,565
(b) Treasury stock	As of March 31, 2015:	2,208,161	As of March 31, 2014:	2,187,892
(c) Average number of shares outstanding during the year	As of March 31, 2015:	138,132,950	As of March 31, 2014:	137,020,313

**Reference: Non-consolidated Financial Results**

**Financial results for the year ended March 2015 (April 1, 2014 – March 31, 2015)**

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2015	163,359	12.0	3,519	277.2	7,949	166.9
Fiscal year ended March 2014	145,814	(0.6)	933	29.0	2,978	(25.5)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Fiscal year ended March 2015	5,185	51.3	37.39	-
Fiscal year ended March 2014	3,428	(26.8)	24.94	-

(2) Financial Positions (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	163,059	38,549	23.6	277.93
As of March 31, 2014	154,423	32,680	21.2	237.76

Notes: Shareholders' equity As of March 31, 2015: 38,549 million yen As of March 31, 2014: 32,680 million yen

\* Status of implementation of audit procedures

It is under the review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

\* 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 "Analysis of Results of Operations" on page 2 of Supplementary Information.

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## 1. Analysis of Results of Operations and Financial Condition

### (1) Analysis of Results of Operations

#### A. Overview

In the fiscal year that ended in March 2015, the global economy has seen a gradual recovery in the current fiscal year with steady economic recovery in the United States and signs of improvement in Europe as a result of monetary easing policies etc; this despite a slow-down in growth in China and some emerging countries.

Meanwhile, despite a rise in consumption tax in Japan that led to a fall in personal consumption, the country has seen a steady pace of economic recovery driven by the weak yen and high stock prices resulting from additional monetary easing, as well as improvements in the employment situation.

In this business environment, the Sanden Group is working to create further corporate value by continuing to concentrate on the 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”.

As a result of these initiatives, net sales increased 11.7% to 306,984 million yen, showing a record high for the 2nd year in a row. Operating income increased 93.6% to 9,407 million yen, ordinary income increased 107.3% to 10,314 million yen, both higher than the previous fiscal year.

Effective April 1, 2015, the Group transferred to a holding company structure to allow it to maximize corporate value across the Group as a whole, and increase the pace of world-wide growth.

#### B. Business segments

##### **Automotive Systems**

Net sales in Automotive Systems increased in comparison with the previous fiscal year, driven not only by higher vehicle sales in China and Asia, but also by capturing new business in this segment by using our original strength of environmental technologies

Profit rose in comparison to the previous fiscal year driven on one hand by the Company's active investment in the development of environmental technologies for the future; as well as cost reductions and productivity improvements realized as a result of further development of overseas production bases, in-house production of components and structural reforms in global procurement of components; and also the impact of the weak yen.

As a result, net sales increased 9.9% to 200,222 million yen and operating income increased 48.9% to 5,602 million yen compared with the previous fiscal year.

##### **Commercial Store Systems**

In the retail store systems sector, business increased as we supported customers' growth strategies by suggesting and providing comprehensive solutions in terms of products, systems and services that reflect changes in environmental attitudes and lifestyles. The result was an increase in sales compared with the previous fiscal year.

In the domestic market, the vending systems sector saw an increase in sales compared with the previous fiscal year. This was the result of our aggressive development of environmental-friendly products, typically the vending machines that use our exclusive CO<sub>2</sub> heat pumps, as well as initiatives to expand new business domains such as coffee dispensers etc.

Profit rose in comparison to the previous fiscal year as a result of increased sales, plus on-going and thorough structural reforms aimed primarily at reducing costs and improving productivity.

As a result, net sales increased 17.1% to 94,893 million yen and operating income increased 75.3% to 6,211 million yen compared with the previous fiscal year.

##### **Others**

We have been concentrating on sales in Japan and other countries of Eco Cute, a heat pump hot water supply system using a natural CO<sub>2</sub> 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. We are making steady progress toward the goal of extending operations to more business domains.

C. Outlook for the fiscal year ending in March 2016

The forecast for consolidated sales and earnings in the fiscal year ending in March 2016 is as follows.

(Consolidated Performance Forecasts)

(Million yen)

	Fiscal year ending March 2015 Results	Fiscal year ending March 2016 Forecasts	% Change
Net Sales	306,984	310,000	1.0%
Operating Income	9,407	10,000	6.3%
Ordinary Income	10,314	11,000	6.6%
Net Income	5,580	7,000	25.4%

This forecast assumes exchange rates of 100 yen to the U.S. dollar and 140 yen to the Euro.

(Performance Forecasts by Segment)

(Million yen)

	Automotive Systems	Commercial Store Systems	Other	Total
Fiscal year ending March 2015 Results				
Net Sales	200,222	94,893	11,867	306,984
Operating Income	5,602	6,211	(2,406)	9,407
Fiscal year ending March 2016 Forecasts				
Net Sales	206,000	90,000	14,000	310,000
Operating Income	7,000	5,000	(2,000)	10,000

(2) Analysis of Financial Condition

A. Assets, liabilities and net assets

Total assets were 299,265 million yen at the end of the fiscal year, 21,344 million yen higher than at the end of the previous fiscal year; this was attributable to increases such as that in Account Receivable - Trade.

Liabilities were 223,587 million yen at the end of the fiscal year, 11,318 million yen higher than at the end of the previous fiscal year; this was attributable to increases such as those in Notes Payable and Accounts Payable - Trade.

Net assets were 75,677 million yen at the end of the fiscal year, 10,026 million yen higher than at the end of the previous fiscal year; this was attributable to increases such as those in Net Income and in the Foreign Exchange Conversion Adjustment Account.

B. Cash flows

At the end of the fiscal year Cash & Cash Equivalents were 20,588 million yen, 1,510 million yen higher than at the end of the previous fiscal year. This was due to an increase of 16,223 million yen from operating activities; a decrease of 13,301 million yen from investing activities; and a decrease of 2,022 million yen from financing activities.

Net cash provided by operating activities was 16,223 million yen, 2,579 million less than the previous year; this was due to the fact that despite of an increase of income before income taxes and minority interests to 7,988 million yen, 2,201 million yen higher than the previous year, there was no return of defined contribution pension plans during the fiscal year to create an increase, unlike the previous fiscal year.

Net cash used in investing activities was 13,301 million yen, 1,196 million yen higher than the previous fiscal year; this was due to purchase of property, plant and equipment totaling 12,353 million yen, 485 million yen less than the previous fiscal year.

Net cash used in financing activities was 2,022 million yen, 6,652 million yen less than the previous fiscal year; this was attributable to the settlement of 15,050 million yen in long-term loans payable, 300 million yen less than the previous fiscal year.

Below is a list of indicators related to cash flows.

Fiscal years ended March 31	2014	2015
Equity ratio (%)	22.1	23.6
Market cap equity ratio (%)	22.9	24.8
Cash flows / interest-bearing debt ratio (X)	6.6	7.9
Interest coverage ratio (X)	7.7	6.0

Notes: Equity ratio is shareholders' equity divided by total assets.

Market cap equity ratio is market capitalization divided by total assets.

Cash flow/ interest-bearing debt ratio is interest-bearing debt ratio divided by operating cash flows.

Interest coverage ratio is operating cash flows divided by interest expenses.

\*1 All figures are based on consolidated financial data.

\*2 Market capitalization is calculated based on the number of shares issued after deducting treasury stock.

\*3 Cash flows are operating cash flows in the consolidated statements of cash flows.

\*4 Debt is the sum of all interest-bearing liabilities on the consolidated balance sheets.

\*5 Interest expenses are interest expenses paid as shown in the consolidated statements of cash flows.

(3) Fundamental policy for allocation of profit and dividends for the current fiscal year and next fiscal year

The return of profits to all our shareholders is one of the Company's key management policies. Based on providing stable dividends on a sustainable, on-going basis and after comprehensive consideration of the Company's consolidated results, we continue to offer dividends with around a 30% consolidated pay-out ratio.

Furthermore, we intend to use retained earnings for up front investments aimed at maximizing shareholder value by improving product competitiveness to allow global business expansion; investing in next generation technologies; and developing new areas of business etc., while also strengthening our corporate structure.

Based on consolidated performance, the financial position and the outlook for future results of operations, we plan to pay a year-end dividend of 10 yen per share as initially planned. This will result in a fiscal year dividend of 10 yen per share.

Note that at present the dividend for the year ending in March 2016 has yet to be decided.

(4) Business Risk

Sanden has a syndicated loan agreement with several financial institutions to provide for the stable procurement of funds.

However, this agreement has certain financial covenants that, if violated, would force Sanden to repay any loans immediately in a lump sum or result on other actions that may affect financial soundness and other aspects of operations. These financial covenants are described in "5. Consolidated Financial Statements (5) Notes to the Consolidated Financial Statements (Consolidated balance sheet)." As of March 31, 2015, the Company is not in breach of any such covenant.

## 2. Corporate Group

At the end of the current fiscal year there were no significant changes to include in the latest Securities Report (dated June 20, 2014) under "Business Profile (Business System Chart)" or "Status of Affiliates"; as such there is nothing to report in this section.

### 3. Management Policy

- (1) Fundamental management policies  
<Management Policies>

To create corporate value from the environment  
We try to grow with the core of the environment  
based on the strength of Global and Quality

The Sanden Group are making progress in their development and implementation based on our Management Policies. The goal of the Sanden Group is to advance to the next phase of global growth centered on the environmental by using "Quality" established by utilizing Sanden Total Quality Management, a unique set of management quality reforms, and "Global" derived from a network spanning 23 countries/region and 54 business locations. Based on the Management Policies, we have been pro-actively pursuing initiatives to create new corporate value, with the objective of realizing the Group's vision of becoming a group of "Globally Excellent Companies."

- (2) Medium to long-term strategies, important issues, and performance indicators  
The Group is pro-actively working on its key, fundamental strategies 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". As part of these efforts, the Group changed its structure to a holding company on April 1, 2015 and launched a new management system to maximize corporate value across the Group as a whole. The transfer to a holding company structure has involved the whole company working as one for the purpose of (a) enhancing global management functions, (b) increasing business competitiveness, (c) strengthening new product development and (d) improving group management efficiency, in order to realize our key, fundamental strategies.

#### A. Sales Growth Centered on Environmental Technologies

- (a) Increase sales resulting from improvements in the supply chain in growing markets
- (b) Increase market share resulting from the development of environmentally-friendly products in line with customer needs
- (c) Deploy into new business sectors resulting from developments in cutting-edge, environmental technologies
- (d) Expand products in new domains resulting from the improved development of systems technologies

#### B. Strengthening Business Competitiveness based on Reform of the Corporate Structure

- (a) Promote optimization of procurement through our global area strategy
- (b) Strengthening manufacturing capability resulting from innovations in manufacturing technology
- (c) Establish highly efficient production systems resulting from a thorough elimination on waste and inefficiency
- (d) Restructure our global development processes to adapt to the market environment
- (e) Pursuit for highly efficient operations by restructuring our global supply chains

#### C. Management Reforms based on the Reform of Management Systems

- (a) Maximize the Group's corporate value resulting from the establishment of an optimal governance system under the new management system
- (b) Realize flexible working practices resulting from the establishment of a decision-making process capable of rapid response
- (c) Improve in management made by leveraging personnel from throughout the world and encouraging diversity
- (d) Develop a global IT platform resulting from a fundamental review of our IT infrastructure
- (e) Promote improvement of internal operating efficiencies resulting from consolidation of joint Group functions

To fulfill its corporate social responsibilities, the Group will approach these challenges in a manner that continues to address stakeholder expectations; ensures thorough compliance, including relevant laws and regulations; and encourages CSR and environmental initiatives etc.

- (3) Other important issues  
None

### 4. Fundamental Attitudes on the Choice of Accounting Standards

The Group is preparing to adopt International Financial Reporting Standards (IFRS) in future and is currently reviewing its accounting policies etc, and the schedule for the adoption of IFRS.

## 5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2014	As of March 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and deposits	19,087	20,597
Notes and accounts receivable-trade	76,530	87,351
Merchandise and furnished goods	22,833	23,304
Work in process	7,514	6,978
Raw materials	12,524	13,894
Other inventories	3,769	3,241
Deferred tax assets	3,167	2,735
Accounts receivable-other	3,849	5,237
Consumption taxes receivable	4,260	3,543
Other	7,532	8,806
Allowance for doubtful accounts	(948)	(1,941)
Total current assets	160,122	173,749
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	23,242	24,432
Machinery, equipment and vehicles, net	27,579	30,190
Tools, furniture and fixtures, net	5,150	5,983
Land	19,152	19,246
Lease assets, net	5,196	5,872
Construction in progress	8,360	5,123
Total property, plant and equipment	88,681	90,849
Intangible assets		
Goodwill	677	591
Lease assets	140	115
Other	3,431	4,116
Total intangible assets	4,250	4,823
Investments and other assets		
Investment securities	21,388	25,760
Net defined benefit assets	-	62
Deferred tax assets	2,005	2,191
Other	1,684	2,038
Allowance for doubtful accounts	(212)	(209)
Total investments and other assets	24,866	29,842
Total noncurrent assets	117,798	125,516
Total assets	277,920	299,265



(Million yen)

	As of March 31, 2014	As of March 31, 2015
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	54,714	58,027
Short-term loans payable	42,953	47,937
Current portion of long-term loans payable	13,527	10,754
Accounts payable-other	10,635	11,325
Lease obligations	1,213	1,325
Income taxes payable	639	828
Provision for bonuses	3,620	4,509
Provision for sales rebates	519	1,267
Provision for product warranties	1,582	2,142
Deferred tax liabilities	16	-
Other	7,141	7,805
Total current liabilities	136,563	145,923
Noncurrent liabilities		
Long-term loans payable	62,567	62,962
Lease obligations	4,118	4,755
Deferred tax liabilities	1,018	2,017
Net defined benefit liability	2,545	3,657
Provision for directors' retirement benefits	179	179
Provision for environmental measures	518	505
Other	4,757	3,586
Total noncurrent liabilities	75,705	77,663
Total liabilities	212,269	223,587
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	11,037	11,037
Capital surplus	4,453	4,453
Retained earnings	44,239	48,438
Treasury stock	(1,178)	(1,190)
Total shareholder's equity	58,553	62,739
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,532	4,625
Deferred gains or losses on hedges	(22)	(102)
Foreign currency translation adjustment	807	4,934
Remeasurements of defined benefit plans	(579)	(1,642)
Total valuation and translation adjustments	2,738	7,814
Minority interests	4,359	5,123
Total net assets	65,651	75,677
Total liabilities and net assets	277,920	299,265

## (2) Statements of consolidated income and consolidated comprehensive income

## Statements of consolidated income

(Million yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	274,786	306,984
Cost of sales	226,685	249,738
Gross profit	48,101	57,246
Selling, general and administrative expenses	43,242	47,838
Operating income (loss)	4,858	9,407
Non-operating income		
Interest income	71	41
Dividends income	173	185
Foreign exchange gains	-	1,343
Equity in earnings of affiliates	1,996	2,518
Other	975	1,240
Total non-operating income	3,217	5,328
Non-operating expenses		
Interest expenses	2,459	2,687
Foreign exchange losses	106	-
Other	533	1,733
Total non-operating expenses	3,098	4,421
Ordinary income (loss)	4,976	10,314
Extraordinary income		
Gain on sales of noncurrent assets	131	95
Gain on sales of investment securities	2	22
Gain on transfer to defined contribution pension plans	1,953	-
Other	21	106
Total extraordinary income	2,109	223
Extraordinary loss		
Loss on disposal of noncurrent assets	138	1,103
Loss on valuation of investment securities	-	16
Impairment loss	235	-
Loss on antitrust law	-	385
Market-related measures expenses	923	896
Other	0	147
Total extraordinary loss	1,298	2,550
Income (loss) before income taxes and minority interests	5,787	7,988
Income taxes-current	1,037	1,280
Income taxes-deferred	(928)	629
Total income taxes	108	1,909
Income before minority interests	5,678	6,078
Minority interests in income	(165)	498
Net income (loss)	5,843	5,580

Statements of consolidated comprehensive income

(Million yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	5,678	6,078
Other comprehensive income		
Valuation difference on available-for-sale securities	706	2,085
Deferred gains or losses on hedges	(135)	(80)
Foreign currency translation adjustment	4,880	3,121
Remeasurements of defined benefit plans	-	(1,062)
Share of other comprehensive income of associates accounted for using equity method	1,994	1,571
Total other comprehensive income	7,445	5,634
Comprehensive income	13,123	11,713
(break-down)		
Comprehensive income attributable to owners of the parent	12,659	10,656
Comprehensive income attributable to minority interests	464	1,056

(3) Statement of changes in shareholders' equity  
 Previous fiscal year (April 1, 2013 –March 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of previous period	11,037	4,453	39,855	(2,197)	53,149
Changes during the period					
Dividends from surplus			(1,361)		(1,361)
Net income			5,843		5,843
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock			(7)	38	31
Net changes by share exchanges			(89)	991	901
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	4,384	1,019	5,403
Balance at the end of current period	11,037	4,453	44,239	(1,178)	58,553

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of previous period	1,821	113	(5,433)	-	(3,498)	3,309	52,961
Changes during the period							
Dividends from surplus							(1,361)
Net income							5,843
Purchase of treasury stock							(11)
Disposal of treasury stock							31
Net changes by share exchanges							901
Net changes during the period other than shareholders' equity	710	(135)	6,241	(579)	6,236	1,050	7,286
Total changes of items during the period	710	(135)	6,241	(579)	6,236	1,050	12,689
Balance at the end of current period	2,532	(22)	807	(579)	2,738	4,359	65,651

Current fiscal year (April 1, 2014 –March 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,037	4,453	44,239	(1,178)	58,553
Changes during the period					
Dividends from surplus			(1,382)		(1,382)
Net income			5,580		5,580
Purchase of treasury stock				(12)	(12)
Disposal of treasury stock		0		0	0
Net changes by share exchanges					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	4,198	(12)	4,186
Balance at the end of current period	11,037	4,453	48,438	(1,190)	62,739

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	2,532	(22)	807	(579)	2,738	4,359	65,651
Changes during the period							
Dividends from surplus							(1,382)
Net income							5,580
Purchase of treasury stock							(12)
Disposal of treasury stock							0
Net changes by share exchanges							-
Net changes of items other than shareholders' equity	2,093	(80)	4,126	(1,062)	5,076	764	5,840
Total changes of items during the period	2,093	(80)	4,126	(1,062)	5,076	764	10,026
Balance at the end of current period	4,625	(102)	4,934	(1,642)	7,814	5,123	75,677

## (4) Statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	5,787	7,988
Depreciation and amortization	10,134	11,694
Amortization of goodwill	54	160
Increase (decrease) in provision for bonuses	673	803
Increase (decrease) in net defined benefit liability	(83)	(27)
Increase (decrease) in allowance for doubtful accounts	(194)	964
Increase (decrease) in provision for product warranties	129	453
Increase (decrease) in provision for environmental measures	(91)	(93)
Interest and dividends income	(245)	(226)
Interest expenses	2,459	2,687
Equity in (earnings) losses of affiliates	(1,996)	(2,518)
Gain on sales of noncurrent assets	(131)	(95)
Loss (gain) on disposal of noncurrent assets	138	1,103
Loss (gain) on sales of investment securities	(2)	(22)
Gain on transfer to defined contribution pension plans	(1,953)	-
Impairment loss	235	-
Decrease (increase) in notes and accounts receivable-trade	(2,928)	(6,181)
Decrease (increase) in inventories	2,760	852
Decrease (increase) in accounts receivable-other	(811)	(1,191)
Decrease (increase) in consumption taxes refund receivable	164	958
Increase (decrease) in other noncurrent liabilities	1,262	(1,265)
Increase (decrease) in notes and accounts payable-trade	6,231	1,509
Increase (decrease) in accounts payable-other	95	1,493
Increase (decrease) in accrued expenses	(820)	(582)
Decrease (increase) in other current assets	(647)	472
Increase (decrease) in other current liabilities	(300)	976
Other	(2,222)	(94)
Subtotal	17,697	19,819
Interest and dividends income received	957	1,511
Return of pension plan assets	6,398	-
Interest expenses paid	(2,448)	(2,718)
Contribution paid on transfer to defined contribution pension plans	(1,495)	(1,492)
Income taxes paid	(2,306)	(896)
Net cash provided by (used in) operating activities	18,803	16,223

(Million yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,838)	(12,353)
Proceeds from sales of property, plant and equipment	1,797	686
Purchase of intangible assets	(609)	(1,092)
Purchase of investment securities	(223)	(323)
Proceeds from sales of investment securities	3	31
Proceeds from acquisition of shares in subsidiaries in line with changes in scope of consolidation	27	-
Other	(261)	(250)
Net cash provided by (used in) investing activities	(12,105)	(13,301)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(13,271)	3,817
Proceeds from long-term loans payable	22,570	12,274
Repayment of long-term loans payable	(15,350)	(15,050)
Repayments of lease obligations	(1,283)	(1,410)
Cash dividends paid	(1,361)	(1,382)
Cash dividends paid to minority shareholders	(0)	(454)
Proceeds from stock issuance to minority shareholders	32	195
Other	(10)	(12)
Net cash provided by (used in) financing activities	(8,675)	(2,022)
Effect of exchange rate changes on cash and cash equivalents	1,093	610
Net increase (decrease) in cash and cash equivalents	(883)	1,510
Cash and cash equivalents, beginning of period	19,961	19,078
Cash and cash equivalents, end of period	19,078	20,588

(5) Note to the consolidated financial statements

(Notes to going concern assumptions)

None

(Basis of presenting the consolidated financial statements)

A. Scope of consolidation

Number of consolidated subsidiaries: 55

Major subsidiaries

SANDEN INTERNATIONAL (U.S.A.) INC., SANDEN INTERNATIONAL (SINGAPORE) PTE LTD.,  
SANDEN INTERNATIONAL (EUROPE) LTD., SANDEN MANUFACTURING EUROPE S.A.S.,  
SANDEN OF AMERICA INC., SANDENVENDO AMERICA, INC.,  
SANDEN MANUFACTURING POLAND SP. Z O.O.

B. Equity-method affiliates

Number of equity-method affiliates: 8

Major companies

SANDEN INTERCOOL (THAILAND) PUBLIC CO., LTD.  
SHANGHAI SANDEN BEHR AUTOMOTIVE AIR CONDITIONING CO., LTD

C. Fiscal years of consolidated subsidiaries

The following subsidiaries use the accounting year ending December 31: Tianjin Sanden Automotive Air-Conditioning Co., Ltd; Sanden Shanghai Refrigeration Co., Ltd; Sanden (Suzhou) Precision Parts Co., Ltd; Kunshan Zhenhua Refrigeration Machine Co., Ltd; Sanden Chongqing Automotive Air Conditioning Co., Ltd; Sanden Shanghai Thermal Environmental System Co., Ltd; SANDEN MEXICANA, S.A. DE C.V; CONSORCIO TEKSAN, S.A. DE C.V; SANDEN MANUFACTURING MEXICO SA DE CV and SANDEN RECURSOS MEXICO SRL DE CV.

In preparing our consolidated financial statements, we have used the existing financial statements for these subsidiaries as of December 31 and adjusted the consolidated statements for any significant transactions that occurred between December 31 and March 31 (the date of the consolidated results.)

D. Accounting policies

(a) Valuation of significant assets

1) Securities

Other securities

i) With market value:

Market value method using the market price on the closing date.

Unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.

ii) Without market value:

Cost method based on the moving-average method

Book values are written down as necessary when there is a significant decline in the effective price of a security.

2) Derivatives

Market value method

3) Inventories

Inventories are mostly valued by using the weighted-average cost method (book values are reduced when there is a decline in the profitability of specific inventory items).

Overseas consolidated subsidiaries value inventories mostly by using the lower of the weighted-average cost or market value.

(b) Depreciation and amortization method for principal assets

i) Property, plant and equipment (excluding lease assets)

Straight-line method.

The number of useful years of service are generally as follows:

Buildings and structures: 8-50 years

Machinery, equipment and vehicles: 3-13 years

ii) Intangible assets (excluding lease assets)

Straight-line method.

For amortization of internal-use software, the straight-line method based on the estimated internal-use period is used.

iii) Lease assets

Lease assets pertaining to finance leases that do not involve a transfer of title are depreciated using the Straight-line method with the lease period serving as the useful life and residual value set at 0.



- (c) Accounting for Key Allowances
- i) Allowances for doubtful accounts
 

We estimate the amount of un-collectibles for the Company and its consolidated Japanese subsidiaries using the loan/loss ratio for general receivables and the case-by-case potential for recovery for specific receivables such as those at risk of bad debt.
  - ii) Provision for bonuses
    - 1) Provision for bonuses
 

An amount equivalent to the estimated amount needed to cover employee bonuses is recorded for the consolidated fiscal year.
    - 2) Provision for directors' bonuses
 

An amount equivalent to the estimated amount needed to pay bonuses for directors (in the Company and its consolidated Japanese subsidiaries) is recorded for the consolidated fiscal year.
  - iii) Provision for sales rebates
 

The Company records estimates that may arise for sales rebates on equipment and products for commercial store systems etc.
  - iv) Provision for product warranties
 

We use the ratio of after-sales service costs to net sales for the previous fiscal year, plus amounts that can be individually estimated for the year to cover the cost of free after-sales service on products.
  - v) Provision for directors' retirement benefits
    - 1) Provision for directors' retirement benefits
 

We used to record the amount required to cover retirement benefits to the Company's directors as of a given fiscal year-end in accordance with (in-house) regulations on director's retirement benefits; however the regulations were abolished in June 2005 and as a result no new allowances have been recorded since July 2005. Consequently, the allowances recorded as of March 31, 2015 apply to the period of service given by current directors up to June 2005.
    - 2) Provision for corporate officers' retirement benefits
 

We used to record the amount required to cover retirement benefits to the Company's corporate officers as of a given fiscal year-end in accordance with (in-house) regulations on executive director's retirement benefits; however the regulations were abolished in June 2005 and as a result no new allowances have been recorded since July 2005. Consequently, the allowances recorded as of March 31, 2015 apply to the period of service given by current executive directors up to June 2005.
  - vi) Provision for environmental measures
 

The allowance is based on estimated future payments for soil and water remediation in the United States at the former site of a factory of The Vendo Company and the surrounding area.
- (d) Accounting method for retirement benefits
- i) Method for determining periods for expected retirement payments
 

To calculate retirement benefit liabilities, the payment calculation formula standard is used as the method for allocating expected retirement benefit payments over the period up to March 31, 2015.
  - ii) Actuarial gains and losses and past service expenses
 

Past service costs are charged to expenses using the Straight-line method over a fixed number of years within employees' average remaining service periods at the time of occurrence.

We have decided to charge actuarial gains and losses to expenses using the Straight-line method over a fixed number of years within employees' average remaining service periods at the time of occurrence; note that the pro-rata amount for any such gains/losses occurring in a given year, will be charged from the following year. It should also be noted that the Company batch processes expenses in the fiscal year they are incurred.
- (e) Translation of significant assets/liabilities denominated in foreign currency
- Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date; any translation differences are treated as gains or losses. Note that for overseas subsidiaries etc. assets and liabilities are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date; while revenue and expenses are translated using the average exchange rate for the period. Any currency translation differences are included as "Foreign currency translation adjustment" and "Minority interests" and recorded under net assets on the balance sheet.
- (f) Hedge accounting
- Deferred hedge accounting process is used.
- However, exceptional treatment is used for interest rate swaps that require exceptional treatment.
- (g) Goodwill amortization method and period
- Goodwill is amortized over five years using the straight-line method.
- (h) Scope of Capital in Consolidated Statement of Cash flows

This consists of cash on hand, deposits that can be withdrawn as required and those that are readily convertible into cash; and also, short-term investments that mature within three months of the date of acquisition and have an insignificant risk of fluctuation in value.

	(Million yen)	
	Fiscal year ended March 2014	Fiscal year ended March 2015
Reconciliation between amount of cash and cash equivalents and balance sheet amount		
Cash and deposits	19,087	20,597
Time deposits due over three months	(9)	(9)
<b>Cash and cash equivalents</b>	<b>19,078</b>	<b>20,588</b>

(i) Consumption tax

Financial statements are prepared exclusive of consumption tax.

(Consolidated balance sheet)

The Company has a syndicated loan agreement (for 10,000 million yen of long-term loans) with several financial institutions that includes the following financial covenants.

September 16, 2011 agreement (financial covenants in the agreement)

- 1) Consolidated balance sheet net assets at the end of each fiscal year and the end of the first half of each fiscal year (excluding foreign currency translation adjustments) must be at least 70% of net assets at the end of the immediately preceding period-end (including a first half) and at least 39,500 million yen.
- 2) Ordinary income on the consolidated income statement cannot be negative for any three consecutive fiscal years starting with the fiscal year that ended in March 2012.

As of March 31, 2015, the Company has not been in breach of these financial covenants.

(Consolidated statement of changes in shareholders' equity)

Previous fiscal year (Apr. 1, 2013 –Mar. 31, 2014)

1. Type and number of outstanding shares and type and number of treasury stock (Thousand shares)

	Beginning of the period	Shares increased	Shares decreased	End of the period
Outstanding Shares				
Common Stock	140,331	-	-	140,331
Total	140,331	-	-	140,331
Treasury stock				
Common Stock (Notes 1 & 2)	4,057	288	2,157	2,187
Total	4,057	288	2,157	2,187

Notes: 1.The increase of 288 thousand shares of treasury common stock included 27 thousand shares from the purchase of fractional shares (i.e. shares that fail to constitute 1 trading unit) and 260 thousand shares from increases in equity ratios of consolidated subsidiaries.

2.The decrease of 2,157 thousand shares of treasury common stock included 2,081 thousand shares allotted under share exchange schemes; 74 thousand shares in treasury stock sold by companies accounted for under the equity method; and 1 thousand shares in fractional share (i.e. shares that fail to constitute 1 trading unit) sales.

2. Dividends

(1) Dividend paid

Resolution	Type of share	Total payments (Million yen)	Dividend per share (Yen)	Reference date	Effective date
General meeting of stockholders (June 21, 2013)	Common stock	1,366	10.0	March 31, 2013	June 24, 2013

(2) Dividend with a reference date in the fiscal year but payment date in the following fiscal year

Resolution	Type of share	Total payments (Million yen)	Dividend source	Dividend per share (yen)	Reference date	Effective date
General meeting of stockholders (June 20, 2014)	Common stock	1,387	Retained earnings	10.0	March 31, 2014	June 23, 2014

Current fiscal year (April 1, 2014 –March 31, 2015)

1. Type and number of outstanding shares and type and number of treasury stock (Thousand shares)

	Beginning of the period	Shares increased	Shares decreased	End of the period
Outstanding Shares				
Common Stock	140,331	-	-	140,331
Total	140,331	-	-	140,331
Treasury stock				
Common Stock (Notes 1 & 2)	2,187	20	0	2,208
Total	2,187	20	0	2,208

Notes: 1.The increase of 20 thousand shares of treasury common stock is due to purchases of fractional shares (i.e. shares that fail to constitute 1 trading unit)  
2.The decrease of 0 thousand shares of treasury common stock is due to sales of fractional shares (i.e. shares that fail to constitute 1 trading unit.)

2. Dividends

(1) Dividend paid

Resolution	Type of stock	Total payments (Million yen)	Dividend per share (Yen)	Reference date	Effective date
General meeting of stockholders (June 20, 2014)	Common stock	1,387	10.0	March 31, 2014	June 23, 2014

(2) Dividend with a reference date in the fiscal year but payment date in the following fiscal year

Resolution	Type of stock	Total payments (Million yen)	Source of dividend	Dividend per share (Yen)	Reference date	Effective date
General meeting of stockholders (June 19, 2015)	Common stock	1,387	Retained earnings	10.0	March 31, 2015	June 22, 2015

(Segment information)

1. Overview of reporting segment

Segments used for financial reporting are the constituent units of Sanden for which separate financial information is available and for which the board of directors performs regular reviews for the purposes of determining the distribution of resources and evaluating results of operations.

Sanden uses its products, systems and services to establish comprehensive strategies for operations in Japan and overseas and conduct these business activities. Consequently, there are two reporting segments that are divided according to these products, systems and services: automotive systems and commercial store systems.

Segment	Main products, systems and services
Automotive systems	Automotive air conditioning systems, Automotive air conditioning compressors; and other automotive components
Commercial store systems	Various types of vending machines, freezer and refrigerated showcases, large open showcases and other products

2. Methods used to calculate figures for net sales; profit & loss; assets & liabilities; and other items for each reporting segment

The accounting methods used for reporting segments are generally the same as the method explained in “Basis of presenting the consolidated financial statements.”

Operating income is used for profit of reporting segments.

3. Information concerning sales, profit & loss, assets, liabilities and other items for reporting segments

Previous fiscal year (April 1, 2013 - March 31, 2014)

(Million yen)

	Reporting segments			Others (Note 1)	Total	Adjustment	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	182,207	81,070	263,278	11,508	274,786	-	274,786
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	182,207	81,070	263,278	11,508	274,786	-	274,786
Segment income (loss)	3,762	3,542	7,305	(2,446)	4,858	-	4,858
Segment assets	191,219	70,587	261,807	16,113	277,920	-	277,920
Other							
Depreciation and amortization	8,415	1,407	9,823	310	10,134	-	10,134
Equity in earnings of affiliates	1,716	280	1,996	-	1,996	-	1,996
Investments in equity method affiliates	8,497	3,287	11,785	-	11,785	-	11,785
Increase in tangible and intangible assets	13,563	1,238	14,801	1,859	16,661	-	16,661

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 consolidated income statement.

Current fiscal year (April 1, 2014 - March 31, 2015)

(Million yen)

	Reporting 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	200,222	94,893	295,116	11,867	306,984	-	306,984
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	200,222	94,893	295,116	11,867	306,984	-	306,984
Segment income (loss)	5,602	6,211	11,814	(2,406)	9,407	-	9,407
Segment assets	209,211	71,258	280,470	18,794	299,265	-	299,265
Other							
Depreciation and amortization	9,687	1,662	11,349	344	11,694	-	11,694
Equity in earnings of affiliates	2,150	367	2,518	-	2,518	-	2,518
Investments in equity method affiliates	8,911	4,062	12,973	-	12,973	-	12,973
Increase in tangible and intangible assets	10,672	2,558	13,230	899	14,130	-	14,130

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 consolidated income statement.

(Per-share information)

(Yen)

	Previous fiscal year (For the year ended March 31, 2014)	Current fiscal year (For the year ended March 31, 2015)
Net assets per share	443.68	510.80
Net income per share (basic)	42.65	40.40

Notes; 1. There is no residual stock; consequently there is nothing to report under "Net Income per Share - diluted.

2. The basis for calculating net income (loss) per share is as follows.

	Previous fiscal year (For the year ended March 31, 2014)	Current fiscal year (For the year ended March 31, 2015)
Net income (loss) (million yen)	5,843	5,580
Amount not attributable to common shareholders (million yen)	-	-
Net income related to common stock (million yen)	5,843	5,580
Average number of shares (equity) throughout the year	137,020,313	138,132,950

(Significant subsequent events)

Having obtained the approval of a General Meeting of Stockholders held on June 20 2014, the Company changed its name to SANDEN HOLDINGS CORPORATION on April 1, 2015 and transferred to a holding company structure by means of a company split.

(Omission of disclosure)

Information about lease transactions, related party transactions, tax effect accounting, financial instruments, marketable securities, derivative transactions, retirement benefit payments, stock options, asset retirement liabilities, and notes concerning leased real estate have been omitted from this document because Sanden believes there was no significant need to disclose this information.

## 6. Other

### Notice of Change in Directors

#### 1. Candidates for Directors (Planned to be resolved at the 89<sup>th</sup> general meeting of stockholders on June 19, 2015)

	Masayoshi Ushikubo	Current Director & Chairman
	Yoshimasa Hayakawa	Current Director & Vice Chairman
(newly appointed)	Kin-ei Kanda	Current Vice President Corporate Officer
	Mitsugi Takahashi	Current Executive Director
(newly appointed)	Tsutomu Sakakibara	Current Corporate Officer
	Mark Ulfing	Current Executive Director
	Katsuya Nishi	Current Senior Director
(newly appointed)	Takao Kaihatsu	Current Corporate Officer
	Hideto Ozaki (outside)	Current Director (outside)
(newly appointed)	Hideo Hougi (outside)	

#### 2. Retiring Director (Planned date of change June 19, 2015)

	Mitsuya Yamamoto	Current Director & President
	Isao Tada	Current Director