

SANDEN HOLDINGS CORPORATION

May 10, 2016

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2016 (UNAUDITED)

Fiscal year ending March 31, 2016

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
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Date of general meeting of stockholders for the annual operation results: June 22, 2016

Date of registration of statutory accounts (Yukashokenhoukokusho): June 22, 2016

Planned date of dividend payment: June 23, 2016

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results for current fiscal year (April 1, 2015- March 31, 2016)

(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, 2016	294,237	(4.2)	5,494	(41.6)	6,138	(40.5)	6,965	24.8
Fiscal year ended March 31, 2015	306,984	11.7	9,407	93.6	10,314	107.3	5,580	(4.5)

Notes: Equity in Comprehensive Income: March 31, 2016 ¥2,044million
March 31, 2015 ¥11,713million

	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, 2016	50.43	-	9.9	2.0	1.9
Fiscal year ended March 31, 2015	40.40	-	8.5	3.6	3.1

Notes: Equity in earnings (losses) of affiliates: March 31, 2016 ¥4,147million
March 31, 2015 ¥2,518million

(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, 2016	301,325	75,503	23.3	507.56
Fiscal year ended March 31, 2015	299,265	75,677	23.6	510.80

Notes: Equity capital March 31, 2016 ¥70,098million
March 31, 2015 ¥70,553million

(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, 2016	6,304	(14,932)	(6,066)	17,482
Fiscal year ended March 31, 2015	16,223	(13,301)	(2,022)	20,588

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, 2015	0.00	10.00	10.00	1,387	24.8	2.1
Fiscal year ended March 31, 2016	0.00	15.00	15.00	2,092	29.7	2.9
Fiscal year ending March 31, 2017 (Forecast)	0.00	15.00	15.00		29.6	

3. Forecast of business results for the next fiscal year (April 1, 2016-March 31, 2017)

(%: 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, 2017	300,000	2.0	7,500	36.5	9,000	46.6	7,000	0.5	50.68

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1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

A. Overview

Leveraging the power of quality and global operations to create corporate value from environmental responsibility is the core management philosophy of the Sanden Group. During the fiscal year, group companies took many actions for achieving three key strategic goals: sales growth driven by environmental technologies, a stronger competitive position backed by operational reforms and improvements to management by enacting management systems reforms.

In the fiscal year that ended in March 2016, net sales decreased 4.2% to 294,237 million yen, operating income was down 41.6% to 5,494 million yen, ordinary income was down 40.5% to 6,138 million yen, but profit attributable to owners of parent rose 24.8% to 6,965 million yen.

B. Business segments

Automotive Systems

Group companies worked on developing highly advanced products that precisely target the environmental needs of customers. These activities resulted in the provision of products that value for customers by focusing on the themes of compact size, light weight and heat pumps. Segment sales were firm in Europe and Asia and new business in China contributed to sales growth. However, total segment sales declined because of a downturn in automobile sales in North America and Japan.

Investments to develop future environmental technologies and the decline in segment sales had a negative effect on earnings. However, segment earnings increased because of cost cutting measures, including an increase in the internal production of parts and structural reforms for procuring parts outside Japan, and an improvement in productivity.

As a result, segment sales decreased 0.9% to 198,385 million yen and operating income increased 16.4% to 6,523 million yen.

Commercial Store Systems

The retail store systems sector continued to create comprehensive proposals combining products, systems and services that reflect changes in customers' interest in environmental issues and their life styles. Despite these activities, a decline in demand following the growth in the previous fiscal year caused this sector's sales to decrease.

In the vending systems sector, there were extensive measures to develop environmentally responsible products, chiefly vending machines incorporating our exclusive CO₂ heat pump. We also expanded operations to include coffee servers and other new products. However, sales decreased primarily because of lower demand in Japan associated with capital expenditures.

Although we continued to use a variety of actions for improving operations in this segment, chiefly by cutting costs and boosting productivity, the decline in sales caused earnings to fall.

As a result, segment sales decreased 11.5% to 83,988 million yen and operating income was down 69.5% to 1,894 million yen.

Others

Based on our core strategies for future growth, we are continuing to work on increasing sales of Eco Cute, a heat pump hot water supply system using a natural CO₂ refrigerant, on a global scale. In addition, we continued to make substantial capital expenditures for the innovative technologies needed for hot water heaters and other products that use environmental technologies. The goal of these activities is extending operations to more business domains.

C. Outlook for the fiscal year ending in March 2017

The forecast for consolidated sales and earnings in the fiscal year ending in March 2017 is as follows.

(Consolidated)			(Million yen)
	Fiscal year ended March 2016 (Actual)	Fiscal year ending March 2017 (Forecast)	Change
Net sales	294,237	300,000	2.0%
Operating income	5,494	7,500	36.5%
Ordinary income	6,138	9,000	46.6%
Profit attributable to owners of parent	6,965	7,000	0.5%

(Note) This forecast assumes exchange rates of 110 yen to the U.S. dollar and 125 yen to the euro.

(Business segments)				(Million yen)
	Automotive Systems	Commercial Store Systems	Others	Total
Fiscal year ended March 2016 (Actual)				
Net sales	198,385	83,988	11,863	294,237
Operating income	6,523	1,894	(2,922)	5,494
Fiscal year ending March 2017 (Forecast)				
Net sales	198,000	90,000	12,000	300,000
Operating income	6,500	3,500	(2,500)	7,500

(2) Analysis of Financial Condition

A. Assets, liabilities and net assets

Total assets were 301,325 million yen at the end of the fiscal year, 2,059 million yen higher than at the end of the previous fiscal year. This was mainly the net result of decreases in cash and deposits and notes and accounts receivable-trade and increases in inventories as well as changes in the equity interests and capital increases of affiliated companies.

Liabilities increased 2,234 million yen to 225,821 million yen. Major changes included a decrease in notes and accounts payable-trade and an increase in interest-bearing liabilities.

Net assets decreased 174 million yen to 75,503 million yen mainly because of a decrease in the foreign currency translation adjustment.

B. Cash flows

There was a net decrease of 3,016 million yen in cash and cash equivalents to 17,482 million yen at the end of the fiscal year. Net cash provided by operating activities was 6,304 million yen, net cash used in investing activities was 14,932 million yen and net cash provided by financing activities was 6,066 million yen.

Net cash provided by operating activities decreased 9,919 million yen to 6,304 million yen. This was mainly the net result of 7,905 million yen in profit before income taxes, 82 million yen less than in the previous fiscal year, increase in inventories and other factors.

Net cash used in investing activities increased 1,630 million yen to 14,932 million yen. Major uses of cash were 11,141 million yen for the purchase of property, plant and equipment, 1,212 million yen less than in the previous fiscal year, and 7,454 million yen for purchase of shares of subsidiaries and associates and payments for investments in capital of subsidiaries and associates and other factors.

Net cash provided by financing activities improved by 8,088 million yen to 6,066 million yen. Although there was a 10,516 million yen of repayment of long-term loans payable (decreased 4,533 million yen from the previous year), major contributor was a 13,960 million yen of proceeds from long-term loans payable (increased 1,686 million yen).

Cash flow indicators are as follows.

Fiscal years ended March 31	FY3/2015	FY3/2016
Equity ratio (%)	23.6	23.3
Market cap equity ratio (%)	24.8	14.8
Cash flow/interest-bearing debt ratio (X)	7.9	21.5
Interest coverage ratio (X)	6.0	2.4

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 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 shares.

*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 earnings and dividends for the current fiscal year and next fiscal year
Distributing earnings to shareholders is one of the highest priorities of Sanden Holdings. Based on our policy of making earnings distributions in accordance with consolidated results of operations, our goal is to pay a stable and consistent dividend with a consolidated payout ratio of about 30%.

In addition, we plan to use retained earnings to maximize shareholder value, invest to make products more competitive for global growth, invest in the development of next-generation technologies, start new businesses, and take other actions for future growth as improving constitution of enterprise.

We plan to pay a year-end dividend of 15 yen per share for the fiscal year that ended in March 2016. This dividend reflects the basic policy for dividends with regard to our performance, financial condition and the outlook for the next fiscal year and afterward.

We plan to pay dividends of 15 yen per share for the fiscal year ending in March 2017.

- (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, 2016, Sanden was in compliance with all financial covenants.

2. Corporate Group

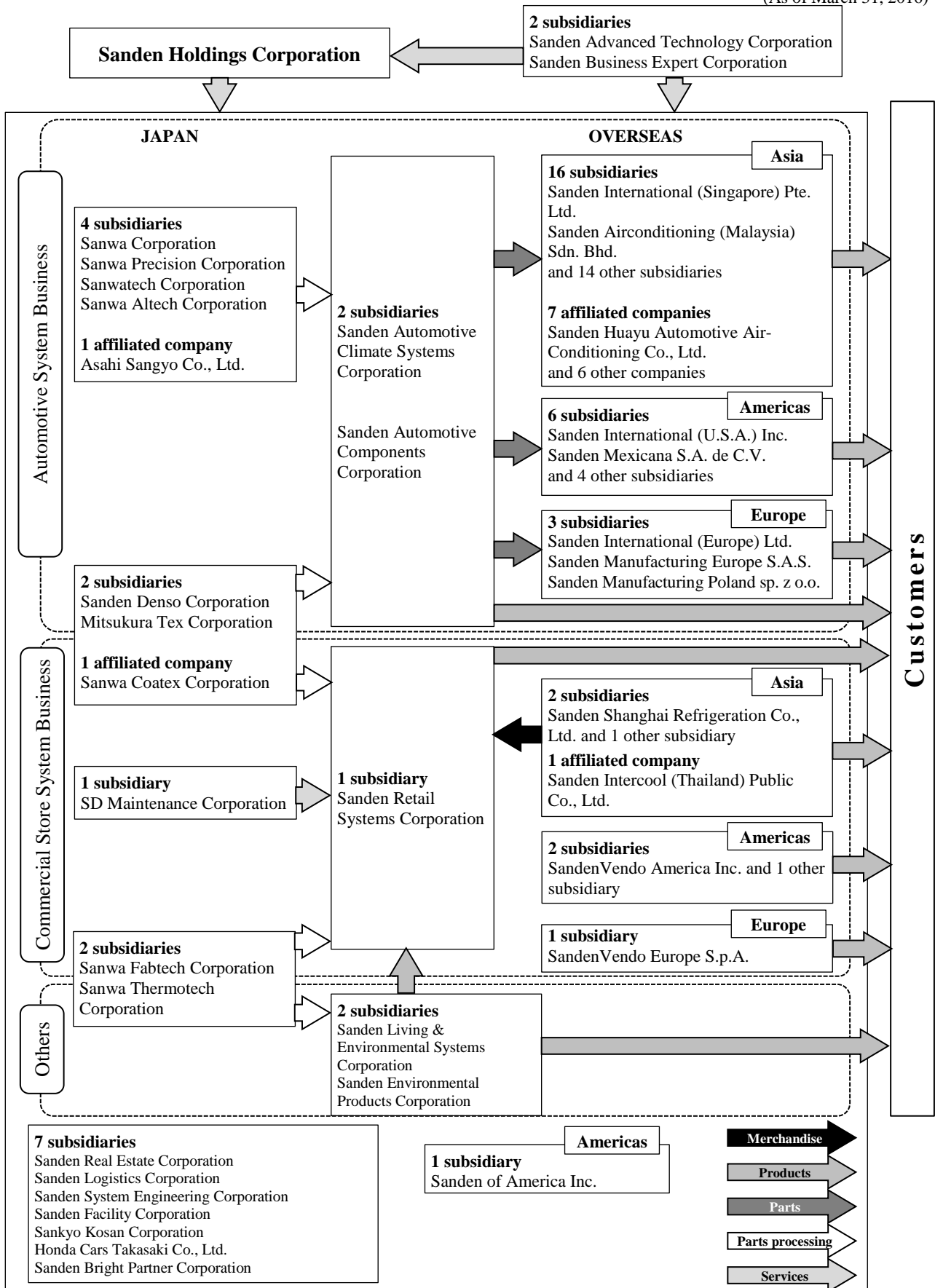
The Sanden Group consists of Sanden Holdings, 54 subsidiaries and 10 affiliated companies. The main activities are the manufacture and sale of automotive systems, commercial store systems and other products. In addition, the group's operations include logistics, research and other services associated with the main activities.

The following table shows the major products and companies in each business segment.

Category	Major Products	Major Companies
(1) Automotive Systems		
Automotive climate control systems and compressors Automotive heat exchangers	Car air conditioner compressors Car interior climate control units Engine heat exchangers Air conditioner heat exchangers	Sanden Automotive Climate Systems Corporation Sanden Automotive Components Corporation Sanden International (U.S.A.), Inc. Sanden International (Europe) Ltd. Sanden Manufacturing Europe S.A.S. Sanden Manufacturing Poland sp. z o.o. Sanden International (Singapore) Pte. Ltd. Sanden Thailand Co., Ltd. Sanden Vikas (India) Limited Tianjin Sanden Automotive Air-Conditioning Co., Ltd. Sanden Chongqing Automotive Air Conditioning Co., Ltd.
(2) Commercial Store Systems		
Store showcases Store design, construction and maintenance Beverage and food vending machines	Refrigerated showcases Frozen showcases Energy-efficient control systems for stores Soft drink vending machines Coffee vending machines Merchandise vending machines Vending machine money processing/communication units	Sanden Retail Systems Corporation SandenVendo America Inc. Sanden International (Europe) Ltd. SandenVendo Europe S.p.A. Sanden Shanghai Refrigeration Co., Ltd.
(3) Others		
Home heater/hot water systems Electronic devices Motor vehicle sales	Eco Cute Heating and ventilation systems Remote surveillance/interactive modems	Sanden Living & Environmental Systems Corporation Sanden Environmental Products Corporation Honda Cars Takasaki Co., Ltd. Sanden International (Europe) Ltd. Sanden Manufacturing Europe S.A.S. Sanden International (Australia) Pty. Ltd.

The group diagram is as follows.

(As of March 31, 2016)



3. Management Policy

- (1) Fundamental management policies
Management Policy

Create corporate value from the environment
Achieve future growth, with “environment” as the core, based on global strength and quality capabilities

The Sanden Group’s management policy is to develop and implement activities that pursue the aim stated above. The “Quality” established by implementing a unique set of management quality reforms and “Global Strength” derived from a network spanning 23 regions and countries and 54 locations will enable us to grow globally as we carry out business activities that have "Environmental Protection" as the core value. Based on this policy, the group is dedicated to achieving its vision of becoming “Global Excellent Companies” that constantly take actions aimed at creating more corporate value.

- (2) Medium- to long-term strategies and important issues
The group is proactively working toward three core strategic goals: sales growth centered on environmental technologies, strengthening business competitiveness based on reform of the corporate constitution, and management reforms based on the reform of management systems. As part of these efforts, the group transitioned to a holding company structure on April 1, 2015, creating a new management structure capable of maximizing the group’s aggregate value.
- A. Sales growth centered on environmental technologies
 - (a) Expand global business through the development of environmental products to meet client needs
 - (b) Cultivate new fields of business by developing leading-edge environmental technologies
 - (c) Expand products in new domains by reinforcing the development of system technologies
 - (d) Expand sales by strengthening marketing in growth markets
 - B. Strengthening business competitiveness based on reform of the corporate constitution
 - (a) Restructure global development processes in response to the market environment
 - (b) Reinforce the manufacturing base through production technology innovation
 - (c) Establish highly efficient production systems by thoroughly eliminating waste
 - (d) Pursue highly efficient operations by rebuilding the global areas
 - (e) Implement the global parts strategy for the best possible procurement of parts worldwide
 - C. Management reforms based on the reform of management systems
 - (a) Maximize the group’s corporate value by creating optimal governance structure
 - (b) Realize expeditious business execution by restructuring swift decision-making processes
 - (c) Reinforce management by making use of global human resources and promoting diversity
 - (d) Establish a global IT backbone
 - (e) Promote the efficiency of indirect operations by consolidating common group functions

The Sanden Group is committed to meeting the expectations of all stakeholders by taking the actions needed to achieve these goals. At the same time, group companies will fulfill their corporate citizenship obligations by implementing rigorous compliance activities, including for compliance with laws and regulations, CSR programs, environmental protection measures and other activities.

- (3) Other important issues
None

4. Basic perspective on selection of accounting standards

The group is preparing accounting principles and considering adoption timing with regard to the future adoption of International Financial Reporting Standards (IFRS).

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2015	As of March 31, 2016
ASSETS		
Current assets		
Cash and deposits	20,597	17,491
Notes and accounts receivable-trade	87,351	85,403
Merchandise and furnished goods	23,304	25,225
Work in process	6,978	8,563
Raw materials	13,894	13,968
Other inventories	3,241	2,828
Deferred tax assets	2,735	2,359
Accounts receivable-other	5,237	6,062
Consumption taxes receivable	3,543	4,581
Other	8,806	8,340
Allowance for doubtful accounts	(1,941)	(1,863)
Total current assets	173,749	172,961
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	24,432	22,713
Machinery, equipment and vehicles, net	30,190	27,495
Tools, furniture and fixtures, net	5,983	6,371
Land	19,246	18,697
Lease assets, net	5,872	6,334
Construction in progress	5,123	7,943
Total property, plant and equipment	90,849	89,555
Intangible assets		
Goodwill	591	401
Lease assets	115	115
Other	4,116	4,389
Total intangible assets	4,823	4,906
Investments and other assets		
Investment securities	25,760	29,203
Net defined benefit asset	62	115
Deferred tax assets	2,191	2,765
Other	2,038	1,994
Allowance for doubtful accounts	(209)	(177)
Total investments and other assets	29,842	33,901
Total noncurrent assets	125,516	128,363
Total assets	299,265	301,325

(Million yen)

	As of March 31, 2015	As of March 31, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	58,027	56,107
Short-term loans payable	47,937	52,873
Current portion of long-term loans payable	10,754	20,447
Accounts payable-other	11,325	11,206
Lease obligations	1,325	1,551
Income taxes payable	828	681
Provision for bonuses	4,509	4,279
Provision for sales rebates	1,267	863
Provision for product warranties	2,142	1,793
Deferred tax liabilities	-	6
Other	7,805	8,783
Total current liabilities	145,923	158,593
Noncurrent liabilities		
Long-term loans payable	62,962	55,621
Lease obligations	4,755	4,800
Deferred tax liabilities	2,017	305
Net defined benefit liability	3,657	3,452
Provision for directors' retirement benefits	179	179
Provision for environmental measures	505	372
Provision for share-based compensation	-	49
Other	3,586	2,445
Total noncurrent liabilities	77,663	67,228
Total liabilities	223,587	225,821
NET ASSETS		
Shareholder's equity		
Capital stock	11,037	11,037
Capital surplus	4,453	3,747
Retained earnings	48,438	54,021
Treasury shares	(1,190)	(1,221)
Total shareholder's equity	62,739	67,584
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,625	2,496
Deferred gains or losses on hedges	(102)	(147)
Foreign currency translation adjustment	4,934	1,464
Remeasurements of defined benefit plans	(1,642)	(1,299)
Total accumulated other comprehensive income	7,814	2,513
Non-controlling interests	5,123	5,405
Total net assets	75,677	75,503
Total liabilities and net assets	299,265	301,325

(2) Statements of consolidated income and consolidated comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	306,984	294,237
Cost of sales	249,738	240,926
Gross profit	57,246	53,311
Selling, general and administrative expenses	47,838	47,816
Operating income	9,407	5,494
Non-operating income		
Interest income	41	26
Dividends income	185	211
Foreign exchange gains	1,343	-
Share of profit of entities accounted for using equity method	2,518	4,147
Other	1,240	1,104
Total non-operating income	5,328	5,489
Non-operating expenses		
Interest expenses	2,687	2,585
Foreign exchange losses	-	1,248
Other	1,733	1,011
Total non-operating expenses	4,421	4,845
Ordinary income	10,314	6,138
Extraordinary income		
Gain on sales of noncurrent assets	95	620
Gain on sales of investment securities	22	1,531
Other	106	99
Total extraordinary income	223	2,252
Extraordinary loss		
Loss on disposal of noncurrent assets	1,103	402
Loss on valuation of investment securities	16	-
Loss on antitrust act	385	-
Market-related measures expenses	896	-
Other	147	83
Total extraordinary loss	2,550	485
Profit before income taxes	7,988	7,905
Income taxes-current	1,280	1,196
Income taxes-deferred	629	(987)
Total income taxes	1,909	208
Profit	6,078	7,696
Profit attributable to non-controlling interests	498	731
Profit attributable to owners of parent	5,580	6,965

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit	6,078	7,696
Other comprehensive income		
Valuation difference on available-for-sale securities	2,085	(2,111)
Deferred gains or losses on hedges	(80)	(44)
Foreign currency translation adjustment	3,121	(2,831)
Remeasurements of defined benefit plans, net of tax	(1,062)	343
Share of other comprehensive income of entities accounted for using equity method	1,571	(1,007)
Total other comprehensive income	5,634	(5,652)
Comprehensive income	11,713	2,044
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,656	1,664
Comprehensive income attributable to non-controlling interests	1,056	380

(3) Consolidated statement of changes in equity

Previous fiscal year (Apr. 1, 2014 –Mar. 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	11,037	4,453	44,239	(1,178)	58,553
Changes of items during period					
Dividends of surplus			(1,382)		(1,382)
Profit attributable to owners of parent			5,580		5,580
Purchase of treasury shares				(12)	(12)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					-
Total changes of items during 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					Non-controlling 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 of items during period							
Dividends of surplus							(1,382)
Profit attributable to owners of parent							5,580
Purchase of treasury shares							(12)
Disposal of treasury shares							0
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 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

Current fiscal year (Apr. 1, 2015 –Mar. 31, 2016)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	11,037	4,453	48,438	(1,190)	62,739
Changes of items during period					
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(731)			(731)
Dividends of surplus			(1,381)		(1,381)
Profit attributable to owners of parent			6,965		6,965
Purchase of treasury shares				(488)	(488)
Disposal of treasury shares		24		456	481
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(706)	5,583	(31)	4,845
Balance at the end of current period	11,037	3,747	54,021	(1,221)	67,584

	Accumulated other comprehensive income					Non-controlling 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	4,625	(102)	4,934	(1,642)	7,814	5,123	75,677
Changes of items during period							
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(731)
Dividends of surplus							(1,381)
Profit attributable to owners of parent							6,965
Purchase of treasury shares							(488)
Disposal of treasury shares							481
Net changes of items other than shareholders' equity	(2,128)	(44)	(3,470)	343	(5,301)	281	(5,020)
Total changes of items during period	(2,128)	(44)	(3,470)	343	(5,301)	281	(174)
Balance at the end of current period	2,496	(147)	1,464	(1,299)	2,513	5,405	75,503

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	7,988	7,905
Depreciation	11,694	12,374
Amortization of goodwill	160	166
Increase (decrease) in provision for bonuses	803	(165)
Increase (decrease) in net defined benefit liability	(27)	200
Increase (decrease) in allowance for doubtful accounts	964	10
Increase (decrease) in provision for product warranties	453	(276)
Increase (decrease) in provision for environmental measures	(93)	(106)
Interest and dividends income	(226)	(237)
Interest expenses	2,687	2,585
Share of (profit) loss of entities accounted for using equity method	(2,518)	(4,147)
Gain on sales of noncurrent assets	(95)	(620)
Loss on disposal of noncurrent assets	1,103	402
Loss (gain) on sales of investment securities	(22)	(1,531)
Decrease (increase) in notes and accounts receivable-trade	(6,181)	(1,147)
Decrease (increase) in inventories	852	(5,045)
Decrease (increase) in accounts receivable-other	(1,191)	(1,043)
Decrease (increase) in consumption taxes refund receivable	958	(540)
Increase (decrease) in other noncurrent liabilities	(1,265)	180
Increase (decrease) in notes and accounts payable-trade	1,509	(592)
Increase (decrease) in accounts payable-other	1,493	(874)
Increase (decrease) in accrued expenses	(582)	1,016
Decrease (increase) in other current assets	472	109
Increase (decrease) in other current liabilities	976	(830)
Other	(94)	1,182
Subtotal	19,819	8,974
Interest and dividends income received	1,511	3,061
Interest expenses paid	(2,718)	(2,574)
Contribution paid on transfer to defined contribution pension plans	(1,492)	(1,394)
Income taxes paid	(896)	(1,762)
Net cash provided by (used in) operating activities	16,223	6,304

(Million yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,353)	(11,141)
Proceeds from sales of property, plant and equipment	686	1,690
Purchase of intangible assets	(1,092)	(950)
Purchase of investment securities	(323)	(23)
Proceeds from sales of investment securities	31	3,190
Payments for investments in capital of subsidiaries and associates	-	(4,427)
Purchase of shares of subsidiaries and associates	-	(3,026)
Other	(250)	(242)
Net cash provided by (used in) investing activities	(13,301)	(14,932)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,817	6,528
Proceeds from long-term loans payable	12,274	13,960
Repayment of long-term loans payable	(15,050)	(10,516)
Repayments of lease obligations	(1,410)	(1,713)
Purchase of treasury shares	(12)	(488)
Proceeds from sales of treasury shares	0	480
Cash dividends paid	(1,382)	(1,381)
Dividends paid to non-controlling interests	(454)	(157)
Proceeds from share issuance to non-controlling shareholders	195	-
Payments for investments in capital of subsidiaries and associates that do not result in change in scope of consolidation	-	(645)
Net cash provided by (used in) financing activities	(2,022)	6,066
Effect of exchange rate changes on cash and cash equivalents	610	(544)
Net increase (decrease) in cash and cash equivalents	1,510	(3,106)
Cash and cash equivalents, beginning of period	19,078	20,588
Cash and cash equivalents, end of period	20,588	17,482

(5) Note to the consolidated financial statements

(Notes to going concern assumptions)

None

(Basis of presenting the consolidated financial statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 52

Major subsidiaries

Sanden Automotive Components Corporation; Sanden Retail Systems Corporation; Sanden Automotive Climate Systems Corporation; 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.

2. Equity-method affiliates

Number of equity-method affiliates: 8

Major companies

Sanden Intercool (Thailand) Public Co., Ltd.; Sanden Huayu Automotive Air-Conditioning Co., Ltd.

3. Fiscal years of consolidated subsidiaries

Consolidated subsidiaries Tianjin Sanden Automotive Air-Conditioning Co., Ltd., Sanden Shanghai Refrigeration Co., Ltd., Sanden (Suzhou) Precision Parts 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 S.A. de C.V., and Sanden Recursos Mexico SRL de C.V. end their fiscal years on December 31.

Financial statements of these subsidiaries as of December 31 are used to prepare the consolidated financial statements and adjustments are made as required for significant transactions occurring between December 31 and March 31.

4. Accounting policies

(1) Valuation of significant assets

A. Securities

Other securities

• 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.

• 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.

B. Derivatives

Market value method

C. 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.

- (2) Depreciation and amortization method for principal assets
- A. Property, plant and equipment (excluding lease assets)
Straight-line method.
The useful lives of principal assets are as follows.
Buildings and structures: 8-50 years
Machinery, equipment and vehicles: 3-13 years
At Sanden Holdings and its consolidated subsidiaries in Japan, depreciable assets with an acquisition price of more than 100,000 yen but less than 200,000 yen are depreciated in equal amounts over three years.
- B. 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.
- C. Lease assets
For finance leases without the transfer of ownership, the leased assets are depreciated using the straight-line method over the lease period with a residual value of zero.
- (3) Significant allowances
- A. Allowances for doubtful accounts
To prepare against expected losses from bad debts, 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.
Overseas consolidated subsidiaries primarily post an amount equal to the amount not expected to be received for specific receivables.
- B. Provision for bonuses
- (a) Provision for bonuses
To prepare for bonus payment to employees, the portion of the estimated payment amount allocable to the fiscal year is accrued.
- (b) Provision for directors' bonuses
To prepare for bonus payment to directors, the estimated payment amount for the fiscal year is accrued.
- C. Provision for sales rebates
The allowance for sales rebates is the estimated amount of payments for sales rebates for commercial systems products and other products.
- D. Provision for product warranties
For the cost of free services provided after products are sold, an allowance for product warranties is maintained in an amount based on past expenses as a percentage of sales with additions for expenses that can be estimated for specific items.
- E. Provision for directors' retirement benefits
For retirement payments to directors and corporate auditors, an allowance was maintained in an amount equal to the amount of payments that could be demanded at the end of each fiscal year based on internal rules for these payments. The retirement benefit system for directors and corporate auditors was terminated in June 2005 and no additions to this allowance have been made since July 2005. Consequently, this allowance as of March 31, 2016 was the amount of payments for individuals who became a director or corporate auditor prior to June 2005 and remain in this position.
- F. Provision for environmental measures
This 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.
- G. Provision for share-based compensation
For the transfer of shares to the Executive Compensation Board Incentive Plan (BIP) Trust, the expected value of shares to be provided based on the points held by each director, in accordance with the rules for transferring shares to this trust, is recorded.

- (4) Accounting standard for retirement benefits
 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, 2016.
 Actuarial gains and losses and past service expenses
 Past service expenses are recognized by using the straight-line method over a number of years that is not more than the average remaining years of service for employees when the expenses are incurred.
 Actuarial gains and losses are allocated based on the straight-line method using a number of years that is not more than the average remaining years of service for employees to each fiscal year when these gains or losses occur. These amounts are then recognized as expenses in each following fiscal year. The company treats these expenses collectively in the fiscal year in which they are incurred.
- (5) Translation of significant assets/liabilities denominated in foreign currency
 Monetary payable denominated in foreign currencies are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Gain or loss resulting from translation is credited or charged to income; however, assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date while their income and expenses are translated into Japanese yen at the average rates for the period, with discrepancies recorded under net assets as foreign currency translation adjustment and minority interests.
- (6) Hedge accounting method
 A. Method
 Deferred hedge accounting is used.
 However, exceptional treatment is used for interest rate swaps that require exceptional treatment.
- B. Hedging instruments and hedge targets
 Hedging instruments: forward exchange contract, interest rate swap transaction, commodity derivatives
 Hedge targets: foreign monetary claim and foreign forecasted transactions, floating rate interest on loans, raw materials purchase cost
- C. Hedging policy
 In principle, foreign exchange forward agreements for the purpose of hedging foreign exchange rate volatility risk are used for the portion of this risk involving foreign currency-denominated receivables that are associated with sales originating in Japan. Interest rate swaps are used for hedging interest rate volatility risk associated with interest payments. Commodity derivatives are used for hedging price volatility risk involving raw materials.
- D. Method for evaluating effectiveness of hedges
 Hedges are used after evaluating effectiveness by confirming that there is a difference of no more than 20% between price movements of the item hedged and the hedging instrument. However, there is no evaluation of effectiveness for interest rate swaps using a special process.
- (7) Goodwill amortization method and period
 Goodwill is amortized over five years using the straight-line method.
- (8) Cash and cash equivalents in the consolidated statements of cash flows
 Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within three months from the date of acquisition, which are easily convertible into cash with little or no risk from fluctuation in value.

Reconciliation between amount of cash and cash equivalents and balance sheet amount	(Million yen)	
	Fiscal year ended March 2015	Fiscal year ended March 2016
Cash and deposits	20,597	17,491
Time deposits due over three months	(9)	(9)
Cash and cash equivalents	20,588	17,482

(9) Consumption tax

Financial statements are prepared exclusive of consumption tax.

(Changes in accounting policies)

Beginning with the fiscal year ended on March 31, 2016, the Company is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As a result, when ownership changes at a subsidiary where the Group retains control, this difference is included in the capital surplus. In addition, the recognition of expenses associated with acquisitions has been changed to the consolidated fiscal year in which the corresponding expense occurred. Furthermore, there is a revision in the allocation of acquisition expenses for business combinations occurring on or after the fiscal year ended on March 31, 2016. The revised method reflects in the consolidated financial statements in which the business combination occurred any changes to the amount allocated to acquisition cost resulting from the confirmation of provisional accounting methods. There are also revisions to the presentation of net income and other items and minority interests is now called non-controlling interests. To reflect these changes in the presentation of the financial statements, fiscal year consolidated financial statements for the previous fiscal year have been revised.

For the application of these accounting standards, the transitional measures specified in Accounting Standard for Business Combinations No. 58-2 (4), Accounting Standard for Consolidated Financial Statements No. 44-5 (4) and Accounting Standard for Business Divestitures No. 57-4 (4) were used. These accounting standards will continue to be applied starting with the beginning of the fiscal year ended on March 31, 2016.

As a result, capital surplus at the end of the current fiscal year decreased 731 million yen. The effects on ordinary income and profit before income taxes are negligible.

In relation to cash flows relating to payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation or proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation in the consolidated cash flow statement for this consolidated fiscal year, these have been included in the 'Cash flows from financing activities' section. We have changed the method for itemizing the cash flows relating to costs deriving from purchase of shares of subsidiaries resulting in change in scope of consolidation and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation or proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation to include them in the 'Cash flows from operating activities' section.

Capital surplus in consolidated statement of changes in equity for the current fiscal year decreased 731 million yen.

Effects on the per share information are stated on each section.

(Additional information)

(Transactions involving the Executive Compensation BIP Trust)

The Board of Directors of Sanden Holdings approved a resolution on August 7, 2015 to establish an Executive Compensation BIP Trust as a form of compensation that is linked to Sanden's results of operations. The purpose is to increase the commitment of applicable executives to medium to long-term growth in sales and earnings and growth of corporate value. This trust is for directors and executives officers and senior advisers (not including people not living in Japan, outside directors and non-executive directors; "directors and others" hereafter) that have signed outsourcing contracts with Sanden Holdings.

The accounting procedure used for this trust is Practical Solution on Transactions of Delivering the Company's Own Shares to Employees, etc. Through Trusts (PITF No. 30, March 26, 2015)

(1) Summary of transactions

The BIP Trust purchases Sanden shares by using compensation for directors and others paid by Sanden Holdings to this trust. Then the eligible directors and others receive Sanden shares as share-based compensation based on the ability to reach performance targets in each fiscal year and the position of each directors and others. However, as a rule, directors and others can receive these shares only when they resign or retire.

(2) Sanden Holdings shares remaining in the trust

Sanden Holdings shares remaining in the BIP Trust is recorded as treasury shares in net assets by using the book value (excluding associated expenses). At the end of March 2016, the trust held 837,411 shares of Sanden Holdings shares with a book value of 478 million yen.

(Early application of the guidance on recoverability of deferred tax assets.)

Sanden Holdings was allowed to apply Implementation Guidance on Recoverability of Deferred Tax Assets (No. 26, March 28, 2016) beginning with consolidated financial statements as of the end of March 2016. As a result, Sanden Holdings started using this guidance in the fiscal year that ended in March 2016.

(Consolidated balance sheet)

Sanden has a syndicated loan agreement with financial institutions that includes the following financial covenants.

September 16, 2011 agreement (for 10,000 million yen of current portion of long-term loans payable)

(Financial covenants in this 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, 2016, Sanden was not in violation of any of these financial covenants.

(Consolidated statement of changes in equity)

Previous fiscal year (Apr. 1, 2014 –Mar. 31, 2015)

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

	Number of shares beginning of the period	Shares increased	Shares decreased	Number of shares end of the period
Shares outstanding				
Common shares	140,331	-	-	140,331
Total	140,331	-	-	140,331
Treasury shares				
Common shares (Note 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 shares is due to purchases of shareholdings of less than one trading unit (tangen).

2. The decrease of 0 thousand shares of treasury common shares is due to sales of shares in amounts of less than one trading unit (tangen).

2. Dividends

(1) Dividend paid

Resolution	Class of shares	Total payments (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders (June 20, 2014)	Common shares	1,387	10.0	March 31, 2014	June 23, 2014

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

Resolution	Class of shares	Total payments (Million yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders (June 19, 2015)	Common shares	1,387	Retained earnings	10.0	March 31, 2015	June 22, 2015

Current fiscal year (Apr. 1, 2015 –Mar. 31, 2016)

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

	Number of shares beginning of the period	Shares increased	Shares decreased	Number of shares end of the period
Shares outstanding				
Common shares	140,331	-	-	140,331
Total	140,331	-	-	140,331
Treasury shares				
Common shares (Note 1, 2, 3)	2,208	16	(2)	2,222
Total	2,208	16	(2)	2,222

Notes: 1.The increase of 16 thousand shares of treasury common shares is due to purchases of shareholdings of less than one trading unit (tangen).

2.The decrease of 2 thousand shares of treasury common shares is due to sales of shares in amounts of less than one trading unit (tangen) and the transfer of shares to the BIP Trust.

3.Common shares treasury shares includes shares held by the BIP Trust (0 shares at the beginning and 837,411 shares at the end of the fiscal year ended March 31, 2016).

2. Dividends

(1) Dividend paid

Resolution	Class of shares	Total payments (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders (June 16, 2015)	Common shares	1,387	10.0	March 31, 2015	June 22, 2015

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

Resolution	Class of shares	Total payments (Million yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders (June 22, 2016)	Common shares	2,092	Retained earnings	15.0	March 31, 2016	June 23, 2016

(Business combinations)

Transactions under common control

Purchases of additional stock of subsidiary

1. Summary of transaction

(1) Name of company undergoing combination	Sanden Shanghai Refrigeration Co., Ltd
(2) Date of combination	September 30, 2015 (deemed acquisition date)
(3) Combination method	Purchase of shares held by non-controlling shareholder
(4) Name after the combination	No change
(5) Other information	The additional shares purchased represents 49.0% of all voting rights and will make Sanden Shanghai Refrigeration a wholly owned subsidiary of Sanden Holdings. The purpose of this additional investment is to expand manufacturing and sales activities for commercial store systems in China.

2. Accounting treatment

This investment was accounted for as a transaction with a non-controlling shareholder within the category of transactions under common control. This accounting treatment is based on Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

3. Item concerning additional purchase of shares of subsidiary

Purchase price and method of payment

Cash 645 million yen

(Segment information, etc.)

1. Overview of reportable segment information

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 reportable segments that are divided according to these products, systems and services: automotive systems and commercial store systems.

Segment	Major products, systems and services
Automotive systems	Automobile air conditioning systems, automobile air conditioning compressors and other automotive parts
Commercial store systems	Vending machines, freezer and refrigerated showcases, large open showcases and other products

2. Calculation of sales, earnings/losses, assets, liabilities and other items for reportable segments

The accounting method used for reportable business segments is generally the same as the method explained in "Basis of presenting the consolidated financial statements."

Operating income is used for earnings of reportable segments.

3. Information concerning sales, earnings/losses, assets, liabilities and other items for reportable segments

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

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales (of which to outside customers)	200,222	94,893	295,116	11,867	306,984	-	306,984
(of which inter-segment and transfers)	-	-	-	-	-	-	-
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	9,687	1,662	11,349	344	11,694	-	11,694
Share of profit of entities accounted for using equity method	2,150	367	2,518	-	2,518	-	2,518
Equity in entities accounted for using equity method	8,911	4,062	12,973	-	12,973	-	12,973
Increase in property, plant and equipment and intangible assets	10,672	2,558	13,230	899	14,130	-	14,130

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

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

Current fiscal year (April 1, 2015 - March 31, 2016)

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustment	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales (of which to outside customers)	198,385	83,988	282,373	11,863	294,237	-	294,237
(of which inter-segment and transfers)	-	-	-	-	-	-	-
Total	198,385	83,988	282,373	11,863	294,237	-	294,237
Segment income (loss)	6,523	1,894	8,417	(2,922)	5,494	-	5,494
Segment assets	215,933	71,581	287,515	13,809	301,325	-	301,325
Other							
Depreciation	9,992	2,013	12,005	369	12,374	-	12,374
Share of profit of entities accounted for using equity method	3,200	946	4,147	-	4,147	-	4,147
Equity in entities accounted for using equity method	17,067	4,007	21,074	-	21,074	-	21,074
Increase in property, plant and equipment and intangible assets	12,668	1,816	14,485	610	15,095	-	15,095

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

2. The sum 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, 2015)	Current fiscal year (For the year ended March 31, 2016)
Net assets per share	510.80	507.56
Earnings per share (basic)	40.40	50.43

Notes: 1. Diluted net income per share is not presented since the company has no potential shares.

2. The average number of shares issued during the fiscal year that ended in March 2016 excludes treasury shares that include the shares held by the Executive Compensation BIP Trust. The average number of shares held by this trust during the fiscal year was 488,887 and the number of shares held by this trust at the end of the fiscal year was 837,411.

3. As was explained in the section on changes to accounting methods, the standard on business combinations is used. The application of this standard reduced net assets per share in the fiscal year that ended in March 2016 by 5.29 yen. There was only a negligible effect on net income per share.

4. The basis for calculating earnings per share is as follows.

	Previous fiscal year (For the year ended March 31, 2015)	Current fiscal year (For the year ended March 31, 2016)
Profit attributable to owners of parent (million yen)	5,580	6,965
Profit not attributable to common shareholders (million yen)	-	-
Profit attributable to owners of parent of common shareholders (million yen)	5,580	6,965
Average number of shares outstanding (shares)	138,132,950	138,114,721

(Subsequent events)

None

(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.