

SANDEN HOLDINGS CORPORATION

May 15, 2019

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2019

Fiscal year ended March 31, 2019

SANDEN HOLDINGS CORPORATION

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(URL: <https://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 27, 2019

Date of registration of statutory accounts (Yukashokenhoukokusho): June 27, 2019

Planned date of dividend payment: -

Supplementary briefing materials created for the quarterly report: Yes

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

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results for current fiscal year (April 1, 2018- March 31, 2019)

(1) Results of operations

(%: percentage change from previous fiscal year)

| | Net Sales (Millions of ¥, %) | | Operating income (Millions of ¥, %) | | Ordinary income (Millions of ¥, %) | | Net income (Millions of ¥, %) | |
|----------------------------------|---------------------------------|-------|---|--------|---------------------------------------|--------|----------------------------------|---|
| Fiscal year ended March 31, 2019 | 273,934 | (4.8) | 889 | (83.7) | 564 | (87.2) | (23,060) | - |
| Fiscal year ended March 31, 2018 | 287,609 | 2.0 | 5,469 | 245.7 | 4,411 | - | 4,255 | - |

Notes: Equity in Comprehensive Income: March 31, 2019 (¥27,070million), (—)% March 31, 2018 ¥1,884million, (-) %

| | Net income per share basic (¥) | Net income per share diluted (¥) | Net income over equity ratio (%) | Ordinary income before extraordinary items over total assets ratio (%) | Operating income over sales ratio (%) |
|----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|---|--|
| Fiscal year ended March 31, 2019 | (833.58) | - | (71.9) | 0.2 | 0.3 |
| Fiscal year ended March 31, 2018 | 154.00 | - | 9.6 | 1.6 | 1.9 |

Notes: Equity in earnings (losses) of affiliates: March 31, 2019 ¥2,148million March 31, 2018 ¥2,667million

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

(2) Financial positions

(Fractions less than ¥1 million omitted)

| | Total assets (Millions of ¥) | Net assets (Millions of ¥) | Equity Ratio of equity over total assets(%) | Net assets per share (¥) |
|----------------------------------|---------------------------------|-------------------------------|---|-----------------------------|
| Fiscal year ended March 31, 2019 | 246,401 | 23,538 | 7.7 | 685.04 |
| Fiscal year ended March 31, 2018 | 275,649 | 50,957 | 16.4 | 1,633.99 |

Notes: Equity capital March 31, 2019 ¥18,959million March 31, 2018 ¥45,185million

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

(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, 2019 | 3,043 | (11,362) | 2,679 | 13,030 |
| Fiscal year ended March 31, 2018 | 7,140 | 4,093 | (6,536) | 18,776 |

2. Dividends

| | Dividend per share (¥) | | | | | Total annual dividends (Million of ¥) | Dividend payout ratio (Consolidated) (%) | Ratio of dividend payout over net assets (Consolidated) (%) |
|---|------------------------|------|----|------|-------|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | Total | | | |
| Fiscal year ended March 31, 2018 | - | 0.00 | - | 0.00 | 0.00 | - | - | - |
| Fiscal year ended March 31, 2019 | - | 0.00 | - | 0.00 | 0.00 | - | - | - |
| Fiscal year ending March 31, 2020 (Forecast) | - | 0.00 | - | 0.00 | 0.00 | | - | |

3. Forecast of business results for the next fiscal year (April 1, 2019-March 31, 2020)

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

| | Net Sales (Millions of ¥, %) | | Operating income (Millions of ¥, %) | | Ordinary income (Millions of ¥, %) | | Net income (Millions of ¥, %) | | Net income per share basic (¥) |
|-----------------------------------|---------------------------------|-----|---|-------|---------------------------------------|-------|----------------------------------|---|---|
| Fiscal year ending March 31, 2020 | 275,000 | 0.4 | 3,000 | 237.4 | 2,500 | 342.6 | 500 | - | 18.07 |

* **Notes**

- (1) Changes in significant subsidiaries during the current fiscal year
 (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
 Newly consolidated company: None
 Excluded: 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 shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

| | | | |
|----------------|------------|----------------|------------|
| End of FY2019: | 28,066,313 | End of FY2018: | 28,066,313 |
| End of FY2019: | 389,207 | End of FY2018: | 413,024 |
| FY2018: | 27,664,077 | FY2017: | 27,635,774 |

(b) Treasury shares

(c) Average number of shares outstanding during the year

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

Average number of shares outstanding during the year is calculated on the assumption that this stock consolidation was implemented at the beginning of the previous fiscal year.

[Reference] Non-consolidated Financial Results

Non-consolidated financial results for the fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|----------------------------------|-------------|--------|------------------|--------|-----------------|------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2019 | 13,043 | (16.3) | 4,908 | (28.0) | 4,017 | 39.7 | 2,506 | (32.1) |
| Fiscal year ended March 31, 2018 | 15,583 | 20.2 | 6,819 | 81.9 | 2,876 | - | 3,692 | - |

| | Net income per share (basic) | | Net income per share (diluted) | |
|----------------------------------|------------------------------|--|--------------------------------|--|
| | Yen | | Yen | |
| Fiscal year ended March 31, 2019 | 90.27 | | - | |
| Fiscal year ended March 31, 2018 | 133.05 | | - | |

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

(2) Financial Position (Non-consolidated)

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2019 | 105,019 | 16,883 | 16.1 | 607.75 |
| As of March 31, 2018 | 100,207 | 14,333 | 14.3 | 516.42 |

Reference: Shareholders' equity

As of March 31, 2019: 16,883 million yen

As of March 31, 2018: 14,333 million yen

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

* This report is exempt from the audit procedure by certified public accountants or accounting firms.

* Cautionary statement regarding forecasts of operating results and special notes

(Notes to the forward-looking statements, and others)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "1. Results of Operations (4) Outlook" on page 4.

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1. Results of Operations

(1) Overview of Results of Operations

In the fiscal year that ended in March 2019, the slow recoveries of the global and Japanese economies continued with the support of firm capital expenditures and consumer spending. However, the economic outlook has become more uncertain because of U.S.-China trade tension, slowing economic growth in China, problems involving Brexit and other reasons.

The Sanden Group took many actions during the fiscal year based on the previous four-year mid-term plan that was announced in May 2017. Although these initiatives are starting to produce benefits, performance in the current fiscal year declined because of large extraordinary losses and other factors. One reason was the changes in the business climate explained in the preceding paragraph. In addition, the business climate has become much more challenging than when the previous mid-term plan was established due to the environmental regulations in Europe, Middle East sanctions by the United States and other reasons.

Sales decreased 4.8% to 273,934 million yen mainly because higher sales in the Commercial Store Systems business were offset by lower sales in the Automotive Systems Business. The performance of this business was impacted by a market downturn caused by U.S.-China trade friction and the decline in automobile sales, chiefly outside Japan. Although there were activities to improve the cost structure to boost profitability, earnings were down primarily because of the decline in sales. Operating income fell 83.7% to 889 million yen, ordinary income was down 87.2% to 564 million yen and there was a loss attributable to owners of parent of 23,060 million yen compared with a profit of 4,255 million yen in the previous fiscal year. This loss was largely attributable to provision of allowance for doubtful accounts (an extraordinary loss) for receivables and other amounts due from an affiliated company in the Middle East and to expenses for structural reforms.

Results for business segments are as follows.

A. Automotive Systems Business

The Sanden Group developed technologically advanced products that precisely matched the needs of the customers concerning environmental sensitivity and supplied compact, light and energy-efficient products that provide value for customers.

Although sales were higher for environmentally responsible vehicles, mainly in Europe, sales were lower in China and other Asian countries primarily due to U.S. and Chinese actions involving trade and sales to a major U.S. customer declined. As a result, segment sales were lower than one year earlier. Earnings also decreased despite cost cutting and a further reexamination of expenses in response to the large downturn in sales. As a result, segment sales decreased 7.4% to 193,465 million yen and operating income fell 91.5% to 560 million yen.

B. Commercial Store Systems Business

In the retail store systems sector, the Sanden Group continued to provide comprehensive ideas and solutions encompassing products, systems and services linked to customers' growth strategies and needs involving environmental issues. Sales were higher than one year earlier because of deliveries of coffee servers to customers in Japan and for other reasons.

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

Segment earnings increased because of the larger scale of operations and other reasons. As a result, segment sales increased 1.9% to 69,423 million yen and operating income was up 170.9% to 773 million yen.

We believe that our highest priorities for achieving sustained growth of the Sanden Group are carrying through further structural reforms, improving profitability, growing our business, and reconstructing our financial foundation, including an increase in equity.

With these backgrounds as mentioned earlier, we thought we would need to review the contents of previous mid-term management plan that began in the fiscal year 2017 and was supposed to be completed in the fiscal year 2020. As a result, we have developed our new mid-term management plan to resolve our management challenges so that 'we will be able to strengthen our management foundation as soon as possible, change our business structure for future growth, and increase our corporate value'.

The following is a summary of this new mid-term business plan called "SCOPE 2023".

1. Meaning of the plan's name

The plan is called SCOPE 2023 because the plan defines the basic stance for accomplishing its goals, while placing importance on the scope of activities and business domains up to the end of the plan in March 2024. The plan's name also expresses its role as a key strategy for accomplishing our goals.

| | | |
|----------|---------------|--|
| S | Structure | Comprehensive reform of production system |
| C | Collaboration | Growth with 'collaborative creation' |
| O | Organization | Organizational reform in system for implementation |
| P | Profitability | Enhancement of basic earning power |
| E | Evolution | Cash flow creation by reforming assets structure |

2. Implementation period
Five years (April 1, 2019 to March 31, 2024)
3. Consolidated sales and earnings goals
Fiscal year ending in March 2024

| | |
|------------------|-------------------|
| Net sales | 3,200 billion yen |
| Operating margin | 5% |
| Equity ratio | 25% |
4. Basic policy
Create the new Sanden by carrying out ‘structural reform’ for reestablishment of management foundation and promoting ‘collaborative creation’ for sustainable growth.
5. Key strategies
We will engage in the following 5 key activities to achieve the mid-term goals.
 - (1) Comprehensive reorganization of production system
 - ◆ Reorganization of global bases and establishment of optimal personnel structure
 - Improve QCD through global production sharing based on product life cycle
 - Achieve optimal human resource allocation through production integration according to production quantity
 - (2) Enhancement of basic earning power
 - ◆ Innovation in product cost structure and production method
 - Carry out optimal procurement, utilizing advantage of scale and creating competitive environment.
 - Enhance cost competitiveness through management on advanced elemental technologies development.
 - Innovate manufacturing structure by creating new production methods suitable to each product.
 - Develop a ‘smart factory’ utilizing IoT and AI. Introduce ‘smart factory’ to global Sanden.
 - Consolidate product and part information (BOM) to implement PLM (Product Life Management).
 - (3) Growth by actively promoting ‘collaborative creation’
 - ◆ Concentration of operating resources to environment-conscious product area and acceleration of development in collaboration with other companies

| | |
|---------------------------------|---|
| Automotive systems | <ul style="list-style-type: none"> · Contribute to value improvement in customers’ products by evolving environment conscious products. · Strengthen development of key devices of the next generation. |
| Commercial store systems | <ul style="list-style-type: none"> · Build strategic partnership to deploy cold chain overseas. · Develop new markets by proposing solutions utilizing our core technologies. |
| Advanced technology development | <ul style="list-style-type: none"> · Develop new technologies that utilize renewable energy. · Develop heat integration system. |
 - (4) Cash flow creation through capital reinforcement and reform of assets structure
 - Implement measures for capital reinforcement.
 - Reorganize the global supply chain system.
 - Liquidate idle assets and sell non-business assets.
 - Implementation of cash flow management.
 - (5) System innovation for implementation
 - ◆ Reform of corporate organization to enhance corporate value
 - Restructure organization to strengthen strategic function and group management.
 - Reform operating processes by utilizing IT solutions that improve management efficiency.
 - ◆ Reform of personnel system to sustain continual growth
 - Establish a global personnel system by which diverse human resources can play active roles.
 - Reform the incentive system that is a driving factor of mid-term growth.
 - Reform the education & training system to develop management executives of the next generation.
 - ◆ Contribution to achievement of Sustainable Development Goals through our business activities
 - Solve social challenges and increase customer satisfaction through new technology development.
 - Implement work style reform to revitalize business activities.

The Sanden group will steadily execute this mid-term plan and create new corporate value with the motto of “Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized” as our ‘ideal structure’.

In order to strengthen our financial structure, we are consulting about capital reinforcement, including issue of class shares, with several investors.

(2) Overview of Financial Condition

Starting at the beginning of the fiscal year that ended in March 2019, Sanden Holdings is using “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018). Comparisons and analysis in this section use prior-year figures to which this accounting standard has been applied retroactively.

Assets totaled 246,401 million yen at the end of March 2019, 29,247 million yen less than at the end of the previous fiscal year. The main reasons are an increase in the allowance for doubtful accounts and decreases in cash and deposits, property, plant and equipment, and deferred tax assets.

Liabilities decreased 1,829 million yen to 222,862 million yen. Major changes were an increase in interest-bearing liabilities and decreases in notes and accounts payable-trade and accounts payable-other.

Net assets decreased 27,418 million yen to 23,538 million yen mainly because of the loss attributable to owners of parent and a decrease in the foreign currency translation adjustment.

(3) Overview of Cash Flows

Cash and cash equivalents were 13,030 million yen at the end of March 2019, 5,746 million yen less than at the end of the previous fiscal year.

Cash provided by operating activities decreased 4,097 million yen from the previous fiscal year to 3,043 million yen. Although there was a loss before income taxes of 20,568 million yen, cash was provided by a reduction in operating assets, including an increase in the allowance for doubtful accounts and expenses for structural reforms.

Cash used in investing activities was 11,362 million yen compared with a positive cash flow of 4,093 million yen in the previous fiscal year. The main reason was expenditures of 14,196 million yen for the purchase of property, plant and equipment.

Cash provided by financing activities was 2,679 million yen compared with a negative cash flow of 6,536 million yen in the previous fiscal year. There were payments of 20,452 million yen for repayments of long-term loans payable and the redemption of bonds and proceeds of 18,835 million yen from long-term loans and the issuance of bonds.

Cash flow indicators are as follows.

| Fiscal years ended March 31 | FY/2017 | FY/2018 |
|---|---------|---------|
| Equity ratio (%) | 16.4 | 7.7 |
| Market cap equity ratio (%) | 15.3 | 8.5 |
| Cash flow/interest-bearing debt ratio (X) | 18.8 | 45.6 |
| Interest coverage ratio (X) | 3.3 | 1.3 |

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.

Notes: 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 Interest-bearing 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.

(4) Outlook

The business climate for the Sanden Group is expected to remain uncertain because of numerous sources of concern. U.S.-China trade friction is continuing longer than expected, economic growth in China is slowing, Brexit is creating problems and other reasons to be cautious about the outlook.

During the fiscal year ending in March 2020, there will be many activities based on the five key strategies of SCOPE 2023, the new five-year mid-term plan that was announced on April 26, 2019. We are forecasting an improvement in operating income due to the benefits of these activities and expected increase in earnings resulting from the expected growth in sales.

The forecast for consolidated sales and earnings for the fiscal year ending in March 2020 is as follows.

| | Fiscal year ended March 2019 (Results) | Fiscal year ending March 2020 (Forecast) | (Million yen) Change (%) |
|--|---|---|-----------------------------|
| Net sales | 273,934 | 275,000 | 0.4 |
| Operating income | 889 | 3,000 | 237.4 |
| Ordinary income | 564 | 2,500 | 342.6 |
| Profit (loss) attributable to owners of parent | (23,060) | 500 | - |

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

- (5) 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.

In addition, we plan to use retained earnings to maximize shareholder value by strengthening business operations, as well as making our products more competitive for global growth, developing next-generation technologies, entering new business fields and making other upfront investments.

Unfortunately, there will be no year-end dividend for the fiscal year that ended on March 31, 2019 because of the loss attributable to owners of parent, which was caused primarily by a large increase in the allowance for doubtful accounts.

For the fiscal year ending on March 31, 2020, we do not plan to pay a dividend because of the need to use retained earnings to improve our financial soundness.

To succeed in this challenging operating environment, we will reinvigorate our management framework and take actions based on the new SCOPE 2023 mid-term plan. The central components of this plan are “implementation of structural reforms” in order to rebuild the foundation for our operations and “collaborative creation” for achieving sustained growth. The entire Sanden Group has a strong commitment to doing whatever is needed to improve financial soundness and increase corporate value so that we can resume dividend payments as soon as possible.

2. Basic Position concerning Selection of Accounting Standards

A study is underway concerning the establishment of accounting principles for adopting International Financial Reporting Standards (IFRS) in the future and the timing of the application of IFRS.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated balance sheet

(Million yen)

| | Fiscal year ended March 2018 As of March 31, 2018 | Fiscal year ended March 2019 As of March 31, 2019 |
|--|--|--|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 18,776 | 13,030 |
| Notes and accounts receivable-trade | 74,204 | 73,591 |
| Merchandise and furnished goods | 21,895 | 24,142 |
| Work in process | 12,089 | 11,685 |
| Raw materials | 10,065 | 9,249 |
| Other inventories | 3,438 | 3,194 |
| Accounts receivable-other | 5,876 | 5,975 |
| Consumption taxes receivable | 4,527 | 4,575 |
| Other | 9,167 | 9,531 |
| Allowance for doubtful accounts | (678) | (16,562) |
| Total current assets | 159,363 | 138,412 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 21,351 | 20,767 |
| Machinery, equipment and vehicles, net | 23,642 | 20,873 |
| Tools, furniture and fixtures, net | 5,019 | 5,217 |
| Land | 16,883 | 16,776 |
| Lease assets, net | 8,144 | 7,615 |
| Construction in progress | 6,699 | 6,187 |
| Total property, plant and equipment | 81,741 | 77,436 |
| Intangible assets | | |
| Goodwill | 73 | 27 |
| Lease assets | 177 | 351 |
| Other | 3,618 | 3,699 |
| Total intangible assets | 3,869 | 4,078 |
| Investments and other assets | | |
| Investment securities | 22,960 | 21,873 |
| Net defined benefit asset | 118 | 110 |
| Deferred tax assets | 4,641 | 2,240 |
| Other | 6,018 | 5,856 |
| Allowance for doubtful accounts | (3,064) | (3,606) |
| Total investments and other assets | 30,674 | 26,473 |
| Total noncurrent assets | 116,285 | 107,988 |
| Total assets | 275,649 | 246,401 |

(Million yen)

| | Fiscal year ended March 2018 As of March 31, 2018 | Fiscal year ended March 2019 As of March 31, 2019 |
|---|--|--|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 53,483 | 50,000 |
| Short-term loans payable | 45,011 | 51,513 |
| Current portion of bonds | 712 | 1,505 |
| Current portion of long-term loans payable | 18,299 | 23,704 |
| Accounts payable-other | 11,039 | 7,553 |
| Lease obligations | 2,018 | 2,175 |
| Income taxes payable | 699 | 478 |
| Provision for bonuses | 3,759 | 3,347 |
| Provision for sales rebates | 935 | 426 |
| Provision for product warranties | 3,253 | 2,782 |
| Provision for loss on compensation for damage | 986 | 432 |
| Other | 10,027 | 12,789 |
| Total current liabilities | 150,227 | 156,710 |
| Noncurrent liabilities | | |
| Bonds payable | 5,987 | 5,832 |
| Long-term loans payable | 56,134 | 47,939 |
| Lease obligations | 6,113 | 5,974 |
| Deferred tax liabilities | 205 | 245 |
| Net defined benefit liability | 3,376 | 3,653 |
| Provision for environmental measures | 273 | 243 |
| Provision for share-based compensation | 187 | 255 |
| Other | 2,185 | 2,005 |
| Total noncurrent liabilities | 74,464 | 66,151 |
| Total liabilities | 224,691 | 222,862 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 11,037 | 11,037 |
| Capital surplus | 3,731 | 3,579 |
| Retained earnings | 33,703 | 10,484 |
| Treasury shares | (1,126) | (877) |
| Total shareholders' equity | 47,346 | 24,225 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 292 | 257 |
| Deferred gains or losses on hedges | (16) | (84) |
| Foreign currency translation adjustment | (1,484) | (4,297) |
| Remeasurements of defined benefit plans | (954) | (1,140) |
| Total accumulated other comprehensive income | (2,161) | (5,265) |
| Non-controlling interests | 5,772 | 4,579 |
| Total net assets | 50,957 | 23,538 |
| Total liabilities and net assets | 275,649 | 246,401 |

(2) Statements of consolidated income and consolidated comprehensive income

Consolidated statement of income

(Million yen)

| | Fiscal year ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018) | Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019) |
|---|--|--|
| Net sales | 287,609 | 273,934 |
| Cost of sales | 234,955 | 227,011 |
| Gross profit | 52,654 | 46,922 |
| Selling, general and administrative expenses | 47,185 | 46,033 |
| Operating income | 5,469 | 889 |
| Non-operating income | | |
| Interest income | 54 | 54 |
| Dividends income | 191 | 41 |
| Share of profit of entities accounted for using equity method | 2,667 | 2,148 |
| Foreign exchange gains | - | 397 |
| Other | 1,064 | 666 |
| Total non-operating income | 3,978 | 3,308 |
| Non-operating expenses | | |
| Interest expenses | 2,180 | 2,482 |
| Foreign exchange losses | 1,437 | - |
| Other | 1,419 | 1,150 |
| Total non-operating expenses | 5,036 | 3,633 |
| Ordinary income | 4,411 | 564 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 690 | 337 |
| Insurance income | 106 | - |
| Gain on sales of investment securities | 5,488 | 63 |
| Gain on sales of investments in capital of subsidiaries and associates | 572 | - |
| Other | 163 | 137 |
| Total extraordinary income | 7,020 | 538 |
| Extraordinary losses | | |
| Loss on disposal of noncurrent assets | 557 | 257 |
| Provision of allowance for doubtful accounts | - | 16,244 |
| Restructuring expenses | 2,884 | 4,461 |
| Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries | - | 109 |
| Provision for loss on compensation for damage | 1,901 | 432 |
| Other | 221 | 165 |
| Total extraordinary loss | 5,564 | 21,672 |
| Profit (loss) before income taxes | 5,867 | (20,568) |
| Income taxes-current | 1,269 | 686 |
| Income taxes-deferred | 139 | 2,384 |
| Total income taxes | 1,409 | 3,071 |
| Profit (loss) | 4,458 | (23,639) |
| Profit (loss) attributable to non-controlling interests | 202 | (579) |
| Profit (loss) attributable to owners of parent | 4,255 | (23,060) |

Consolidated statement of comprehensive income

(Million yen)

| | Fiscal year ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018) | Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019) |
|--|--|--|
| Profit (loss) | 4,458 | (23,639) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (3,323) | (26) |
| Deferred gains or losses on hedges | 0 | (68) |
| Foreign currency translation adjustment | 1,001 | (1,014) |
| Remeasurements of defined benefit plans, net of tax | 78 | (186) |
| Share of other comprehensive income of entities accounted for using equity method | (331) | (2,134) |
| Total other comprehensive income | (2,573) | (3,430) |
| Comprehensive income | 1,884 | (27,070) |
| Comprehensive income attributable to owners of parent | 1,574 | (26,164) |
| Comprehensive income attributable to non- controlling interests | 310 | (906) |

(3) Consolidated statement of changes in equity

Previous fiscal year (Apr. 1, 2017 –Mar. 31, 2018)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 11,037 | 3,747 | 29,447 | (1,203) | 43,028 |
| Changes of items during period | | | | | |
| Profit (loss) attributable to owners of parent | | | 4,255 | | 4,255 |
| Purchase of treasury shares | | | | (6) | (6) |
| Disposal of treasury shares | | (15) | | 83 | 67 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | (15) | 4,255 | 76 | 4,317 |
| Balance at end of current period | 11,037 | 3,731 | 33,703 | (1,126) | 47,346 |

| | 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 beginning of current period | 3,618 | (16) | (2,048) | (1,032) | 520 | 5,610 | 49,159 |
| Changes of items during period | | | | | | | |
| Profit (loss) attributable to owners of parent | | | | | | | 4,255 |
| Purchase of treasury shares | | | | | | | (6) |
| Disposal of treasury shares | | | | | | | 67 |
| Net changes of items other than shareholders' equity | (3,325) | 0 | 564 | 78 | (2,681) | 161 | (2,520) |
| Total changes of items during period | (3,325) | 0 | 564 | 78 | (2,681) | 161 | 1,797 |
| Balance at end of current period | 292 | (16) | (1,484) | (954) | (2,161) | 5,772 | 50,957 |

Current fiscal year (Apr. 1, 2018 –Mar. 31, 2019)

(Million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 11,037 | 3,731 | 33,703 | (1,126) | 47,346 |
| Changes of items during period | | | | | |
| Profit (loss) attributable to owners of parent | | | (23,060) | | (23,060) |
| Purchase of treasury shares | | | | (235) | (235) |
| Disposal of treasury shares | | (24) | (158) | 484 | 301 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (127) | | | (127) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | (151) | (23,218) | 249 | (23,121) |
| Balance at end of current period | 11,037 | 3,579 | 10,484 | (877) | 24,225 |

| | 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 beginning of current period | 292 | (16) | (1,484) | (954) | (2,161) | 5,772 | 50,957 |
| Changes of items during period | | | | | | | |
| Profit (loss) attributable to owners of parent | | | | | | | (23,060) |
| Purchase of treasury shares | | | | | | | (235) |
| Disposal of treasury shares | | | | | | | 301 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | (127) |
| Net changes of items other than shareholders' equity | (35) | (68) | (2,813) | (186) | (3,104) | (1,192) | (4,297) |
| Total changes of items during period | (35) | (68) | (2,813) | (186) | (3,104) | (1,192) | (27,418) |
| Balance at end of current period | 257 | (84) | (4,297) | (1,140) | (5,265) | 4,579 | 23,538 |

(4) Consolidated statement of cash flows

(Million yen)

| | Fiscal year ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018) | Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019) |
|---|--|--|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 5,867 | (20,568) |
| Depreciation | 11,079 | 10,914 |
| Amortization of goodwill | 71 | 46 |
| Increase (decrease) in provision for bonuses | (34) | (396) |
| Increase (decrease) in net defined benefit liability | 226 | 280 |
| Increase (decrease) in allowance for doubtful accounts | (221) | 16,177 |
| Increase (decrease) in provision for product warranties | (1,516) | (447) |
| Increase (decrease) in provision for environmental measures | (71) | (42) |
| Increase (decrease) in provision for loss on compensation for damage | 986 | (553) |
| Interest and dividends income | (246) | (96) |
| Insurance income | (106) | - |
| Interest expenses | 2,180 | 2,482 |
| Share of (profit) loss of entities accounted for using equity method | (2,667) | (2,148) |
| Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries | - | 109 |
| Gain on sales of noncurrent assets | (690) | (337) |
| Loss on disposal of noncurrent assets | 557 | 257 |
| Loss (gain) on sales of investment securities | (5,478) | (63) |
| Loss (gain) on sales of investments in capital of subsidiaries and associates | (572) | - |
| Restructuring expenses | 2,884 | 4,461 |
| Decrease (increase) in notes and accounts receivable-trade | 6,092 | 200 |
| Decrease (increase) in inventories | (213) | (2,635) |
| Decrease (increase) in accounts receivable-other | (558) | (558) |
| Decrease (increase) in consumption taxes refund receivable | (1,556) | (123) |
| Increase (decrease) in other noncurrent liabilities | (729) | (154) |
| Increase (decrease) in notes and accounts payable-trade | (1) | (2,603) |
| Increase (decrease) in accounts payable-other | (5,674) | (1,357) |
| Increase (decrease) in accrued expenses | (618) | 841 |
| Decrease (increase) in other current assets | (311) | (100) |
| Increase (decrease) in other current liabilities | 1,449 | 1,547 |
| Other, net | 847 | (64) |
| Subtotal | <u>10,974</u> | <u>5,066</u> |
| Interest and dividends income received | 1,187 | 1,418 |
| Interest expenses paid | (2,187) | (2,428) |
| Income taxes paid | (2,833) | (1,013) |
| Net cash provided by (used in) operating activities | <u>7,140</u> | <u>3,043</u> |

(Million yen)

| | Fiscal year ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018) | Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019) |
|--|--|--|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (8,859) | (14,196) |
| Proceeds from sales of property, plant and equipment | 4,028 | 2,948 |
| Purchase of intangible assets | (374) | (683) |
| Purchase of investment securities | (22) | (146) |
| Proceeds from sales of investment securities | 8,725 | 807 |
| Purchase of shares of subsidiaries | (99) | (23) |
| Proceeds from sales of investments in capital of subsidiaries and associates | 1,054 | - |
| Other | (359) | (68) |
| Net cash provided by (used in) investing activities | 4,093 | (11,362) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (10,294) | 7,055 |
| Proceeds from long-term loans payable | 29,814 | 17,368 |
| Repayment of long-term loans payable | (30,382) | (19,590) |
| Proceeds from issuance of bonds | 6,554 | 1,466 |
| Redemption of bonds | - | (862) |
| Repayments of lease obligations | (2,065) | (2,537) |
| Purchase of treasury shares | (6) | (235) |
| Proceeds from sales of treasury shares | 48 | 301 |
| Dividends paid to non-controlling interests | (210) | (286) |
| Proceeds from share issuance to non-controlling shareholders | 6 | - |
| Net cash provided by (used in) financing activities | (6,536) | 2,679 |
| Effect of exchange rate change on cash and cash equivalents | 37 | (107) |
| Net increase (decrease) in cash and cash equivalents | 4,736 | (5,746) |
| Cash and cash equivalents at beginning of period | 14,040 | 18,776 |
| Cash and cash equivalents at end of period | 18,776 | 13,030 |

- (5) Notes to the consolidated financial statements
(Notes to going concern assumptions)
None

(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. Information concerning sales and earnings/losses for reportable segments

Previous fiscal year (April 1, 2017 - March 31, 2018)

(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) | 208,855 | 68,147 | 277,003 | 10,605 | 287,609 | - | 287,609 |
| (of which inter-segment and transfers) | - | - | - | - | - | - | - |
| Total | 208,855 | 68,147 | 277,003 | 10,605 | 287,609 | - | 287,609 |
| Segment income (loss) | 6,610 | 285 | 6,895 | (1,426) | 5,469 | - | 5,469 |

Notes: 1. Others includes vehicle sales, living & 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, 2018 - March 31, 2019)

(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) | 193,465 | 69,423 | 262,888 | 11,045 | 273,934 | - | 273,934 |
| (of which inter-segment and transfers) | - | - | - | - | - | - | - |
| Total | 193,465 | 69,423 | 262,888 | 11,045 | 273,934 | - | 273,934 |
| Segment income (loss) | 560 | 773 | 1,334 | (445) | 889 | - | 889 |

Notes: 1. Others includes vehicle sales, living & 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, 2018) | Current fiscal year (For the year ended March 31, 2019) |
|-----------------------------------|---|--|
| Net assets per share | 1,633.99 | 685.04 |
| Earnings (loss) per share (basic) | 154.00 | (833.58) |

- Notes: 1. Diluted earnings per share for previous fiscal year is not presented since the company has no potential shares. Diluted earnings per share for current fiscal year is not presented since earnings per share for current fiscal year is a negative figure and the company has no potential shares.
2. Stock held by the Executive Compensation Board Incentive Plan (BIP) Trust is included in treasury stock which is excluded from the average number of shares in each fiscal year used to calculate the earnings or loss per share, and is included in treasury stock which is excluded from the number of shares at the end of the each fiscal year used to calculate the net assets per share. The average number of shares held by this trust was 149,662 shares in the previous fiscal year and 227,189 shares in the current fiscal year. This trust held 142,695 shares on March 31, 2018 and 273,961 shares on March 31, 2019.
3. There was a five-to-one common stock consolidation on October 1, 2017. Net assets per share and the earnings or loss per share are calculated as if this consolidation had taken place at the beginning of the previous fiscal year.
4. The basis for calculating earnings (loss) per share is as follows.

| | Previous fiscal year (For the year ended March 31, 2018) | Current fiscal year (For the year ended March 31, 2019) |
|---|---|--|
| Profit (loss) attributable to owners of parent (million yen) | 4,255 | (23,060) |
| Profit not attributable to common shareholders (million yen) | - | - |
| Profit (loss) attributable to owners of parent of common shareholders (million yen) | 4,255 | (23,060) |
| Average number of shares outstanding (shares) | 27,635,774 | 27,664,077 |

(Significant subsequent events)

In accordance with an absorption-type divestiture contract dated February 7, 2019, the stock and other assets of subsidiaries involved in the Automotive Systems Business and Commercial Store Systems Business as well as some of the rights and obligations of the associated administrative activities were divested and transferred on April 1, 2019 to wholly owned subsidiaries Sanden Automotive Components Corporation, Sanden Automotive Climate Systems Corporation and Sanden Retail Systems Corporation respectively.