

SANDEN HOLDINGS CORPORATION

Jun 30, 2020

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2020

Fiscal year ended March 31, 2020

SANDEN HOLDINGS CORPORATION

20 Kotobuki-cho, Isesaki-shi, Gunma, Japan 372-8502
(URL: <http://www.sanden.co.jp/english/index.html>)

Code No: 6444
Shares listed: Tokyo Stock Exchange
Representative Director & President: Katsuya Nishi
For further information, please contact
Toru Akima
Director & Corporate Officer
Finance & Accounting Division
Contact Number: +81-3-5209-3341

Date of general meeting of stockholders for the annual operation results: July 29, 2020

Date of registration of statutory accounts (Yukashokenhoukokusho): July 29, 2020

Planned date of dividend payment: -

Supplementary briefing materials created for the quarterly report: Yes

Briefing sessions held on quarterly results: No (for securities analysts and institutional investors)

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results for current fiscal year (April 1, 2019- March 31, 2020)

(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, 2020	204,880	(25.2)	(3,401)	-	(9,735)	-	2,287	-
Fiscal year ended March 31, 2019	273,934	(4.8)	889	(83.7)	564	(87.2)	(23,060)	-

Notes: Equity in Comprehensive Income: March 31, 2020 ¥335 million, (—)% March 31, 2019 (¥27,070 million), (-) %

	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, 2020	82.54	-	11.5	(4.5)	(1.7)
Fiscal year ended March 31, 2019	(833.58)	-	(71.9)	0.2	0.3

Notes: Equity in earnings (losses) of affiliates: March 31, 2020 ¥71 million March 31, 2019 ¥2,148 million

(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, 2020	187,559	22,699	11.1	747.92
Fiscal year ended March 31, 2019	246,401	23,538	7.7	685.04

Notes: Equity capital March 31, 2020 ¥20,750 million March 31, 2019 ¥18,959 million

(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, 2020	7,219	28,452	(24,677)	23,711
Fiscal year ended March 31, 2019	3,043	(11,362)	2,679	13,030

2. Dividends

	Dividend per share (¥)					Total annual dividends (Millions of ¥)	Dividend payout ratio (Consolidated) (%)	Ratio of dividend payout over net assets (Consolidated) (%)
	1Q	2Q	3Q	4Q	Total			
Fiscal year ended March 31, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2021 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Forecast of business results for the next fiscal year (April 1, 2020- March 31, 2021)

No forecast made for the consolidated business results for the fiscal year ending March 2021, as it is not possible to reasonably calculate the impact of the spread of new coronavirus at this time. These information will be disclosed promptly when it becomes possible to reasonably calculate the forecast of the consolidated business results.

***Notes**

(1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes

Companies excluded from the consolidation (3 companies): SANDEN INTERNATIONAL (EUROPE) LTD., SANDEN of AMERICA INC., SANDEN SHANGHAI REFRIGERATION CO., LTD.

(2) Changes in accounting principles and estimates, and retrospective restatement

- (a) Changes due to revision of accounting standards: Yes
- (b) Changes other than in (a): None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatement: None

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

(a) Outstanding shares (including treasury shares)	As of March 31, 2020:	28,066,313	As of March 31, 2019:	28,066,313
(b) Treasury shares	As of March 31, 2020:	322,538	As of March 31, 2019:	389,207
(c) Average number of shares outstanding during the second quarter (cumulative)	As of March 31, 2020:	27,719,909	As of March 31, 2019:	27,664,077

[Reference] Non-consolidated Financial Results**Non-consolidated financial results for the fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)**

(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, 2020	7,940	(39.1)	1,518	(69.1)	(926)	-	8,312	231.7
Fiscal year ended March 31, 2019	13,043	(16.3)	4,908	(28.0)	4,017	39.7	2,506	(32.1)

	Net income per share (Basic)		Net income per share (Diluted)	
	Yen		Yen	
Fiscal year ended March 31, 2020	298.78		-	
Fiscal year ended March 31, 2019	90.27		-	

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity Ratio	Net assets per share
	Million Yen	Million Yen	%	Yen
Fiscal year ended March 31, 2020	111,462	25,070	22.5	900.29
Fiscal year ended March 31, 2019	105,019	16,883	16.1	607.75

Reference: Shareholders' equity

As of March 31, 2020: 25,070 million yen As of March 31, 2019: 16,883 million yen

* 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 3.

Index for Supplementary Information

1.	Results of Operations	2
(1)	Overview of Results of Operations	2
(2)	Overview of Financial Condition	3
(3)	Overview of Cash Flows	3
(4)	Outlook	3
(5)	Fundamental policy for allocation of earnings and dividends for the current fiscal year and next fiscal year	4
2.	Basic Position concerning Selection of Accounting Standards	4
3.	Consolidated Financial Statements and Important Notes	5
(1)	Consolidated balance sheets	5
(2)	Statements of consolidated income and consolidated comprehensive income	7
	Consolidated statement of income	7
	Consolidated statement of comprehensive income	8
(3)	Consolidated statement of changes in equity	9
(4)	Consolidated statement of cash flows	11
(5)	Notes to the consolidated financial statements	13
	(Notes to going concern assumptions)	13
	(Change in significant subsidiary during the fiscal year)	14
	(Change in accounting policy)	14
	(Segment information, etc.)	15
	(Per-share information)	16
	(Significant subsequent event)	16

1. Results of Operations

(1) Overview of Results of Operations

The Sanden Group is focusing resources on activities for accomplishing the five reform plans of SCOPE2023, a five-year medium-term management plan that will end in March 2024; (1) comprehensive reorganization of production system, (2) enhancement of basic earning power, (3) growth by actively promoting 'collaborative creation', (4) cash flow creation through capital reinforcement and reform of asset structure, and (5) systems innovation for implementation.

As was announced on August 7, 2019, Sanden Holdings sold all of the shares of former consolidated subsidiary Sanden Retail Systems Corp. (SDRS), along with loans extended by Sanden Holdings to SDRS to SDRS Holdings Corp., which is operated by Integral Corp., on October 1, 2019. Selling SDRS allows Sanden Holdings to focus all of its resources for the automotive systems business. Due to this sale, the commercial store systems business is no longer included in the consolidated financial statements beginning with the third quarter of the fiscal year that ended in March 2020.

In the automotive systems business, there were signs during the current fiscal year that the global economy and Japanese economy had stopped declining and started to recover. For example, there was a temporary lull in U.S.-China trade friction due to agreements on some points and indications of an economic recovery in India. However, the COVID-19 pandemic sparked a steep economic downturn in the final months of the fiscal year.

In China, where the COVID-19 outbreak started before the Chinese New Year, the Sanden Group's operations were shut down until the middle of February. Although operations were then restarted, there was no recovery in demand, which had an effect on shipments from Japan and other business activities. As the pandemic continued to spread to Europe and then worldwide in March, the Sanden Group suspended operations from the middle of March at two factories in Europe and four factories in Asia. Sales decreased rapidly as a result. Although group companies were operating normally in other regions, sales decreased in these areas too because of declining demand at companies that use the group's products. For these reasons, sales decreased 25.2% to 204,880 million yen.

In this challenging business environment, the Sanden Group conducted a thorough reexamination of manufacturing activities and other operations as part of the group's ongoing structural reforms. Specifically, this reexamination process resulted in the most productive deployment of personnel at every factory worldwide as well as a stronger infrastructure for manufacturing. There was also progress with variable expense improvements and cutting fixed expenses to position the Sanden Group for a recovery in sales and earnings. However, actions by the group were unable to offset the rapid decline in demand caused by COVID-19. The result was an operating loss of 3,401 million yen compared with operating income of 889 million yen in the previous fiscal year. The ordinary loss was 9,735 million yen compared with ordinary income of 564 million yen in the previous fiscal year because of the operating loss as well as foreign exchange losses and a decline in equity-method income. After extra payments for early retirement, an impairment loss on non-current assets and a gain on sales of SDRS and other items, profit attributable to owners of parent improved from a 23,060 million yen loss to a profit of 2,287 million yen.

Results for business segments are as follows.

A. Automotive Systems Business

The Sanden Group develops highly advanced products that meet customers' demands for environmental responsibility and supplies products with value primarily due to compact dimensions, light weight and energy efficiency. Based on the five reform plans of SCOPE2023, there were measures to optimize the use of human resources worldwide and strengthened activities for vehicle integrated thermal management systems. In addition, as was announced on October 30, 2019, the speed of joint development activities involving electric vehicles has been increased.

Although sales of products for electric vehicles increased, sales in this business decreased because of lower demand at major customers as global automobile sales slowed because of COVID-19 and other reasons. Earnings benefited from structural reforms and cost cutting measures, but there was a loss because of the downturn in sales. As a result, sales in this business decreased 20.5% to 153,776 million yen and there was an operating loss of 5,303 million yen compared with a 560 million yen profit in the previous fiscal year.

B. Commercial Store Systems Business

Sales were lower because all shares of SDRS were sold on October 1, 2019. Earnings were higher than in the previous fiscal year because of an increase in earnings during the first half. As a result, sales were down 37.7% to 43,275 million yen and operating income was up 197.1% to 2,297 million yen.

(2) Overview of Financial Condition

Total assets were 187,559 million yen at the end of the fiscal year, 58,841 million yen less than one year earlier. There was an increase in cash and deposits and decreases in trade receivables, inventories and non-current assets. The sale of SDRS reduced assets by 43,388 million yen.

Liabilities decreased 58,002 million yen to 164,859 million yen, including decreases in interest-bearing liabilities, notes and accounts payable - trade, and other accounts payable. The sale of SDRS reduced liabilities by 31,043 million yen.

Net assets decreased 839 million yen to 22,699 million yen despite there was an increase in the profit attributable to owners of parent.

(3) Overview of Cash Flows

Cash and cash equivalents increased 10,681 million yen during the fiscal year to 23,711 million yen at the end of March 2020.

Net cash provided by operating activities increased 4,175 million yen to 7,219 million yen mainly because of profit before income taxes and a decrease in trade receivables.

Net cash provided by investing activities was 28,452 million yen compared with a negative cash flow of 11,362 million yen in the previous fiscal year. This difference was primarily the result of proceeds of 35,604 million yen from sale of shares of subsidiaries and associates.

Net cash used in financing activities was 24,677 million yen compared with a positive cash flow of 2,679 million yen in the previous fiscal year. The main reason was payments of 24,923 million yen for repayments of long-term borrowings and the redemption of bonds.

Cash flow indicators are as follows.

Fiscal years ended March 31	FY3/2019	FY3/2020
Equity ratio (%)	7.7	11.1
Market cap equity ratio (%)	8.5	5.4
Cash flow/interest-bearing debt ratio (X)	45.6	15.3
Interest coverage ratio (X)	1.3	2.9

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 COVID-19 pandemic is expected to continue to have a severe economic impact worldwide. The Sanden Group will continue its business operations while positioning activities for the health and safety of employees, customers and all other stakeholders and for preventing the spread of infections as the highest priorities. All activities are in compliance with the directives and other policies of national and local governments. Due to the uncertain outlook for markets and labor environment in countries worldwide, it is not possible at this time to determine a reliable forecast for the fiscal year ending in March 2021. An announcement will be made promptly when it becomes possible to determine a forecast.

In the first quarter of the fiscal year ending in March 2021, factories in Europe were temporarily shut down in April and factories in Asia (excluding Japan) suspended operations from April to May or June. Factories temporarily stopped operations in Japan and the United States too. Overall, these events have had an enormous impact on business operations. As of the end of June, all factories in Europe and Asia (excluding Japan) had restarted operations.

- (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.

In the fiscal year that ended in March 2020, there was a profit attributable to owners of parent of 2,287 million yen partly due to a gain on sales of SDRS. However, there is no year-end dividend for the fiscal year because the Sanden Group's financial condition remains weak and retained earnings must be used to improve financial soundness.

For the fiscal year ending in March 2021, there is no plan to pay a dividend because of the outlook for a continuation of very challenging market conditions due to COVID-19.

To overcome these challenges, the Sanden Group will remain focused on the SCOPE2023 medium-term management plan centered on structural reforms to rebuild the foundation for business operations and on collaborative creation to achieve sustained growth. All group companies are dedicated to continuing to strengthen financial soundness and increase corporate value while doing everything possible in order to resume dividend payments soon.

2. Basic Position concerning Selection of Accounting Standards

A study is under way 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 sheets

(Million yen)

	Fiscal year ended March 2019 As of March 31, 2019	Fiscal year ended March 2020 As of March 31, 2020
ASSETS		
Current assets		
Cash and deposits	13,030	26,440
Notes and accounts receivable - trade	73,591	45,344
Merchandise and finished goods	24,142	16,193
Work in process	11,685	8,699
Raw materials	9,249	7,514
Other inventories	3,194	2,932
Accounts receivable - other	5,975	4,570
Consumption taxes receivable	4,575	3,780
Other	9,531	8,153
Allowance for doubtful accounts	(16,562)	(17,842)
Total current assets	138,412	105,787
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,767	16,144
Machinery, equipment and vehicles, net	20,873	16,671
Tools, furniture and fixtures, net	5,217	3,359
Land	16,776	10,610
Leased assets, net	7,615	6,764
Construction in progress	6,187	4,971
Total property, plant and equipment	77,436	58,522
Intangible assets		
Goodwill	27	13
Leased assets	351	141
Other	3,699	3,956
Total intangible assets	4,078	4,111
Investments and other assets		
Investment securities	21,873	15,903
Retirement benefit asset	110	99
Deferred tax assets	2,240	1,743
Other	5,856	3,165
Allowance for doubtful accounts	(3,606)	(1,774)
Total investments and other assets	26,473	19,138
Total non-current assets	107,988	81,772
Total assets	246,401	187,559

(Million yen)

	Fiscal year ended March 2019 As of March 31, 2019	Fiscal year ended March 2020 As of March 31, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	50,000	29,983
Short-term borrowings	51,513	47,497
Current portion of bonds payable	1,505	1,985
Current portion of long-term borrowings	23,704	20,984
Accounts payable - other	7,553	6,341
Lease obligations	2,175	2,627
Income taxes payable	478	238
Provision for bonuses	3,347	1,475
Provision for sales rebates	426	169
Provision for product warranties	2,782	1,736
Provision for loss on compensation for damage	432	-
Other	12,789	8,131
Total current liabilities	156,710	121,170
Non-current liabilities		
Bonds payable	5,832	3,847
Long-term borrowings	47,939	25,938
Lease obligations	5,974	7,610
Deferred tax liabilities	245	476
Retirement benefit liability	3,653	3,491
Provision for environmental measures	243	198
Provision for share-based compensation	255	153
Other	2,005	1,972
Total noncurrent liabilities	66,151	43,689
Total liabilities	222,862	164,859
NET ASSETS		
Shareholders' equity		
Share capital	11,037	11,037
Capital surplus	3,579	3,377
Retained earnings	10,484	12,772
Treasury shares	(877)	(704)
Total shareholders' equity	24,225	26,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	257	(46)
Deferred gains or losses on hedges	(84)	(50)
Foreign currency translation adjustment	(4,297)	(3,986)
Remeasurements of defined benefit plans	(1,140)	(1,648)
Total accumulated other comprehensive income	(5,265)	(5,732)
Non-controlling interests	4,579	1,949
Total net assets	23,538	22,699
Total liabilities and net assets	246,401	187,559

(2) Statements of consolidated income and consolidated comprehensive income

Consolidated statement of income

(Million yen)

	Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	273,934	204,880
Cost of sales	227,011	173,052
Gross profit	46,922	31,827
Selling, general and administrative expenses	46,033	35,229
Operating income (loss)	889	(3,401)
Non-operating income		
Interest income	54	587
Dividend income	41	19
Share of profit of entities accounted for using equity method	2,148	71
Foreign exchange gains	397	-
Other	666	1,067
Total non-operating income	3,308	1,745
Non-operating expenses		
Interest expenses	2,482	2,400
Foreign exchange losses	-	2,997
Commission expenses	50	775
Other	1,100	1,905
Total non-operating expenses	3,633	8,079
Ordinary income (loss)	564	(9,735)
Extraordinary income		
Gain on sales of non-current assets	337	1,364
Gain on sales of shares of subsidiaries and associates	-	25,403
Gain on sales of investment securities	63	9
Other	137	30
Total extraordinary income	538	26,808
Extraordinary losses		
Loss on disposal of non-current assets	257	733
Provision of allowance for doubtful accounts	16,244	-
Restructuring expenses	4,461	13,395
Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries	109	96
Provision for loss on compensation for damage	432	-
Other	165	521
Total extraordinary loss	21,672	14,746
Profit (loss) before income taxes	(20,568)	2,326
Income taxes - current	686	1,031
Income taxes - deferred	2,384	328
Total income taxes	3,071	1,360
Profit (loss)	(23,639)	966
Loss attributable to non-controlling interests	(579)	(1,321)
Profit (loss) attributable to owners of parent	(23,060)	2,287

Consolidated statement of comprehensive income

(Million yen)

	Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)
Profit (loss)	(23,639)	966
Other comprehensive income		
Valuation difference on available-for-sale securities	(26)	(301)
Deferred gains or losses on hedges	(68)	34
Foreign currency translation adjustment	(1,014)	622
Remeasurements of defined benefit plans, net of tax	(186)	(507)
Share of other comprehensive income of entities accounted for using equity method	(2,134)	(479)
Total other comprehensive income	(3,430)	(631)
Comprehensive income	(27,070)	335
Comprehensive income attributable to owners of parent	(26,164)	1,821
Comprehensive income attributable to non- controlling interests	(906)	(1,485)

(3) Consolidated statement of changes in equity

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

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,037	3,731	33,703	(1,126)	47,346
Changes 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 in items other than shareholders' equity					
Total changes during period	-	(151)	(23,218)	249	(23,121)
Balance at end of 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 period	292	(16)	(1,484)	(954)	(2,161)	5,772	50,957
Changes 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 in items other than shareholders' equity	(35)	(68)	(2,813)	(186)	(3,104)	(1,192)	(4,297)
Total changes during period	(35)	(68)	(2,813)	(186)	(3,104)	(1,192)	(27,418)
Balance at end of period	257	(84)	(4,297)	(1,140)	(5,265)	4,579	23,538

Current fiscal year (Apr. 1, 2019 –Mar. 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,037	3,579	10,484	△877	24,225
Changes during period					
Profit (loss) attributable to owners of parent			2,287		2,287
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	172	172
Change in ownership interest of parent due to transactions with non-controlling interests		(202)			(202)
Net changes in items other than shareholders' equity					
Total changes during period	-	(202)	2,287	172	2,257
Balance at end of period	11,037	3,377	12,772	(704)	26,482

	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 period	257	(84)	(4,297)	(1,140)	(5,265)	4,579	23,538
Changes during period							
Profit (loss) attributable to owners of parent							2,287
Purchase of treasury shares							(0)
Disposal of treasury shares							172
Change in ownership interest of parent due to transactions with non-controlling interests							(202)
Net changes in items other than shareholders' equity	(304)	34	311	(507)	(466)	(2,629)	(3,096)
Total changes during period	(304)	34	311	(507)	(466)	(2,629)	(839)
Balance at end of period	(46)	(50)	(3,986)	(1,648)	(5,732)	1,949	22,699

(4) Consolidated statement of cash flows

(Million yen)

	Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	(20,568)	2,326
Depreciation	10,914	10,088
Amortization of goodwill	46	13
Increase (decrease) in provision for bonuses	(396)	(892)
Increase (decrease) in retirement benefit liability	280	422
Increase (decrease) in allowance for doubtful accounts	16,177	170
Increase (decrease) in provision for product warranties	(447)	(451)
Increase (decrease) in provision for environmental measures	(42)	(40)
Increase (decrease) in provision for loss on compensation for damage	(553)	(432)
Interest and dividend income	(96)	(606)
Interest expenses	2,482	2,400
Share of loss (profit) of entities accounted for using equity method	(2,148)	(71)
Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries	109	96
Gain on sales of non-current assets	(337)	(1,364)
Loss on disposal of non-current assets	257	733
Loss (gain) on sales of shares of subsidiaries and associates	–	(25,403)
Loss (gain) on sales of investment securities	(63)	(9)
Restructuring expenses	4,461	13,395
Decrease (increase) in trade receivables	200	13,187
Decrease (increase) in inventories	(2,635)	(1,231)
Decrease (increase) in accounts receivable - other	(558)	861
Decrease (increase) in consumption taxes refund receivable	(123)	334
Increase (decrease) in other non-current liabilities	(154)	85
Increase (decrease) in trade payables	(2,603)	(3,839)
Increase (decrease) in accounts payable - other	(1,357)	(435)
Increase (decrease) in accrued expenses	841	372
Decrease (increase) in other current assets	(100)	98
Increase (decrease) in other current liabilities	1,547	(575)
Other, net	(64)	(34)
Subtotal	5,066	9,197
Interest and dividends received	1,418	2,308
Interest paid	(2,428)	(2,451)
Income taxes (paid) refund	(1,013)	14
Extra retirement payments	–	(1,849)
Net cash provided by (used in) operating activities	3,043	7,219

(Million yen)

	Fiscal year ended March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from investing activities		
Collection of short-term loans receivable	3	2,300
Purchase of property, plant and equipment	(14,196)	(9,821)
Proceeds from sales of property, plant and equipment	2,948	5,395
Purchase of intangible assets	(683)	(1,633)
Purchase of investment securities	(146)	(115)
Proceeds from sales of investment securities	807	19
Payments into time deposits	-	(3,480)
Purchase of shares of subsidiaries	(23)	-
Proceeds from sales of shares of subsidiaries and associates	-	35,604
Other, net	(71)	183
Net cash provided by (used in) investing activities	(11,362)	28,452
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,055	2,697
Proceeds from long-term borrowings	17,368	840
Repayments of long-term borrowings	(19,590)	(23,418)
Proceeds from issuance of bonds	1,466	-
Redemption of bonds	(862)	(1,505)
Repayments of lease obligations	(2,537)	(2,397)
Purchase of treasury shares	(235)	(0)
Proceeds from sales of treasury shares	301	172
Dividends paid to non-controlling interests	(286)	(183)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(882)
Net cash provided by (used in) financing activities	2,679	(24,677)
Effect of exchange rate change on cash and cash equivalents	(107)	(312)
Net increase (decrease) in cash and cash equivalents	(5,746)	10,681
Cash and cash equivalents at beginning of period	18,776	13,030
Cash and cash equivalents at end of period	13,030	23,711

(5) Notes to the consolidated financial statements

(Notes to going concern assumptions)

In the fiscal year that ended in March 2020, profit attributable to owners of parent was 2,287 million yen because of extraordinary income of 25,403 million yen resulting from the sale of all shares of Sanden Retail Systems Corp., the primary subsidiary in the commercial store systems business. Due in part to the sale of this company, fiscal year sales decreased 25% to 204,880 million yen. Furthermore, there was an operating loss of 3,401 million yen (operating income of 889 million yen one year earlier) and an ordinary loss of 9,735 million yen (ordinary income of 564 million yen one year earlier).

In the business environment for the group's core automotive systems business, vehicle sales have been decreasing since the second half of 2019, mainly in Europe and China. Furthermore, major factories of the Sanden Group, chiefly in China, Europe and Asia (excluding Japan) were forced to suspend operations for a while in 2020 because of the COVID-19 pandemic. As a result, sales in the automotive systems segment decreased 21% to 153,776 million yen and there was a segment loss of 5,303 million yen compared with a 560 million yen profit in the previous fiscal year.

As of March 31, 2020, loans and bonds totaled 100,252 million yen, down from 130,495 million yen one year earlier, cash and cash equivalents were 23,711 million yen, up from 13,030 million yen one year earlier, and operating cash flow was 7,219 million yen, up from 3,043 million yen one year earlier. In addition, current liabilities were more than current assets.

For these reasons, the current status of the Sanden Group raises doubts about the going concern assumption.

In response to this difficult situation, Sanden has made the decision to take actions for building a powerful profit structure capable of achieving renewed growth and for making a big improvement in financial soundness. These activities will utilize the specified certified dispute resolution procedures under the Act on Strengthening Industrial Competitiveness (also called the business revitalization alternative dispute resolution procedures, hereafter the "turnaround ADR procedures") and be based on agreements with financial institutions, which are classified as related parties.

On June 30, 2020, Sanden and some of its subsidiaries submitted an official application to the Japanese Association of Turnaround Professionals (the association is certified by the Minister of Justice as a certified dispute resolution organization and approved by the Minister of Economy, Trade and Industry as a specified certified dispute resolution organization) for the use of the turnaround ADR procedures. The association accepted the application on the same day. Also on June 30, 2020, a notice of temporary suspension was sent jointly by Sanden and the participating subsidiaries and the Japanese Association of Turnaround Professionals to financial institutions and other businesses that have business relationships with Sanden. The application for the use of the turnaround ADR procedures was submitted after holding discussions with major financial institutions used by Sanden. To maintain sufficient liquidity during the turnaround ADR procedures, Sanden has received a basic agreement from its major financial institutions to provide bridge loans. Sanden and these financial institutions are currently holding discussions to determine the terms for these loans.

The turnaround ADR procedures are used for relationships with financial institutions. Consequently, these procedures have no effect on others (customers, suppliers, etc.) who have business relationships with Sanden and the subsidiaries participating in these procedures.

While holding discussions with all financial institutions involved, Sanden and participating subsidiaries will establish a business revitalization plan as the Japanese Association of Turnaround Professionals performs surveys and provides guidance and advice from a fair and neutral standpoint.

Discussions are to take place with financial institutions within the framework of the turnaround ADR procedures concerning management improvement measures, the continuation of support from financial institutions, the schedule for implementing the plan and other items concerning the business revitalization plan. Management improvement measures will include actions by Sanden and participating subsidiaries as well as capital and business alliances with several sponsors, which is under diligent consideration, aimed at building a stronger profit structure, significantly improving financial soundness and achieving sustained growth. More information about the business revitalization plan will be announced as individual items are finalized.

However, measures concerning these actions have just started and even if these actions are taken, the actions may have a significant impact on liquidity depending on the status of the Sanden Group's business operations and progress with the turnaround ADR procedures. Consequently, Sanden believes that there are currently significant uncertainties about the going concern assumption.

The going concern assumption was used as the basis for preparing the consolidated financial statements and these statements do not reflect the significant uncertainties regarding this assumption.

(Change in significant subsidiary during the fiscal year)

During the fiscal year that ended in March 2020, consolidated subsidiary Sanden International (Europe) Ltd. was dissolved following an absorption-type merger with our consolidated subsidiary Sanden International (Europe) GmbH, with the latter as the surviving company. Accordingly, Sanden International (Europe) Ltd. was excluded from the scope of consolidation.

Consolidated subsidiary Sanden Shanghai Refrigeration Co., Ltd. was removed from the consolidated financial statements in association with the sale of all of the shares held by Sanden Holdings in Sanden Retail Systems Corporation, the parent company of Sanden Shanghai Refrigeration.

In addition, Sanden of America Inc. is no longer included in the consolidated financial statements because the liquidation of this company has been completed.

(Change in accounting policy)

Starting with the fiscal year that ended in March 2020, subsidiaries that use the International Financial Reporting Standards (IFRS) are applying IFRS 16 Leases. As a result, in principle, lessees are required to include all leases in balance sheet assets and liabilities. For the application of IFRS 16, in accordance with the associated transitional measures, the cumulative effect of this accounting policy change has been included in retained earnings at the beginning of the fiscal year that ended in March 2020.

The application of IFRS 16 increased property, plant and equipment by 1,434 million yen, lease obligations in current liabilities by 476 million yen and lease obligations in non-current liabilities by 1,088 million yen in the fiscal year that ended in March 2020. The effect on the consolidated statement of income and per share information for this fiscal year is negligible. For cash flows, the application of IFRS 16 reduced net cash used in operating activities by 294 million yen and increased net cash used in financing activities by the same amount.

(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 establishes comprehensive strategies for operations in Japan and overseas based on its products, systems and services and conducts 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, 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.

Current fiscal year (April 1, 2019 - March 31, 2020)

(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)	153,776	43,275	197,052	7,827	204,880	-	204,880
(of which inter-segment and transfers)	-	-	-	-	-	-	-
Total	153,776	43,275	197,052	7,827	204,880	-	204,880
Segment income (loss)	(5,303)	2,297	(3,006)	(395)	(3,401)	-	(3,401)

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, 2019)	Current fiscal year (For the year ended March 31, 2020)
Net assets per share	685.04	747.92
Earnings (loss) per share (basic)	(833.58)	82.54

- Notes: 1. Diluted earnings per share for previous fiscal year is not presented since earnings per share for current fiscal year is a negative figure and the company has no potential shares. Diluted earnings per share for current fiscal year is not presented since the company has no potential shares.
2. Shares held by the Executive Compensation Board Incentive Plan (BIP) Trust is included in treasury shares 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 shares 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 227,189 shares in the previous fiscal year and 230,747 shares in the current fiscal year. This trust held 273,961 shares on March 31, 2019 and 206,494 shares on March 31, 2020.
3. The basis for calculating earnings (loss) per share is as follows.

	Previous fiscal year (For the year ended March 31, 2019)	Current fiscal year (For the year ended March 31, 2020)
Profit (loss) attributable to owners of parent (million yen)	(23,060)	2,287
Profit not attributable to common shareholders (million yen)	-	-
Profit (loss) attributable to owners of parent of common shareholders (million yen)	(23,060)	2,287
Average number of shares outstanding (shares)	27,664,077	27,719,909

(Significant subsequent event)

On June 30, 2020, Sanden and some of its subsidiaries submitted an official application to the Japanese Association of Turnaround Professionals (the association is certified by the Minister of Justice as a certified dispute resolution organization and approved by the Minister of Economy, Trade and Industry as a specified certified dispute resolution organization) for the use of the turnaround ADR procedures. The association accepted the application on the same day. Also, on June 30, 2020, a notice of temporary suspension was sent jointly by Sanden and the participating subsidiaries and the Japanese Association of Turnaround Professionals to financial institutions and other businesses that have business relationships with Sanden. Information about the turnaround ADR procedures and other subjects is in “3. Consolidated Financial Statements and Important Notes (5) Notes to the consolidated financial statements (Notes to going concern assumptions).”