

# SANDEN HOLDINGS CORPORATION

Aug 8, 2018

## SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018

Fiscal year ending March 31, 2019

### 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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Scheduled filing date for quarterly report: August 9, 2018

Planned date of dividend payment: -

Supplementary briefing materials created for the quarterly report: None

Briefing sessions held on quarterly results: None

(Fractions less than ¥1 million omitted)

### 1. Consolidated Financial Results for the first quarter of current fiscal year (April 1, 2018- June 30, 2018)

#### (1) Results of operations

(%: percentage change from previous fiscal year)

	Net sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Income before extraordinary items (Millions of ¥, %)		Net income (Millions of ¥, %)	
1Q of Fiscal year ending March 31, 2019	70,894	(1.0)	1,189	12.7	2,263	33.8	1,641	27.8
1Q of Fiscal year ended March 31, 2018	71,631	2.8	1,055	-	1,691	-	1,284	-

Notes: Equity in Comprehensive Income: 1Q of Fiscal year ending March 31, 2019 ¥ 988million (42.7)%  
1Q of Fiscal year ended March 31, 2018 ¥ 1,727million (-%)

	Net income per share basic (¥)	Net income per share diluted (¥)
1Q of Fiscal year ending March 31, 2019	59.37	-
1Q of Fiscal year ended March 31, 2018	46.50	-

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 (¥)
1Q of Fiscal year ending March 31, 2019	281,073	51,953	16.5	1,673.78
Fiscal year ended March 31, 2018	275,649	50,957	16.4	1,633.99

Notes: Equity capital 1Q of Fiscal year ending March 31, 2019 ¥ 46,289million  
Fiscal year ended March 31, 2018 ¥ 45,185million

### 2. Dividends

	Dividend per share (¥)				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended March 31, 2018	-	0.00	-	0.00	-
Fiscal year ending March 31, 2019	-	-	-	-	-
Fiscal year ending March 31, 2019 (Forecast)	-	0.00	-	20.00	20.00

Note: Revisions made since the most recently published dividends forecast: None

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

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

	Net sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Income before extraordinary items (Millions of ¥, %)		Net income (Millions of ¥, %)		Net income per share basic (¥)
Fiscal year ending March 31, 2019	295,000	2.6	7,000	28.0	7,000	58.7	4,000	(6.0)	144.74

Note: Revisions made since the most recently published earnings forecast: None

**\*Notes**

(1) Changes in significant subsidiaries during the first quarter of the current fiscal year (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):  
None

(2) Specific accounting treatment used in the creation of the quarterly consolidated financial statements: Yes

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

(a) Changes due to revision of accounting standards: None

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

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

(a) Outstanding shares (including treasury shares)	As of June 30, 2018:	28,066,313	As of March 31, 2018:	28,066,313
(b) Treasury shares	As of June 30, 2018:	410,491	As of March 31, 2018:	413,024
(c) Average number of shares outstanding during the first quarter (cumulative)	As of June 30, 2018:	27,653,883	As of June 30, 2017:	27,627,501

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 is calculated on the assumption that this stock consolidation was implemented at the beginning of the previous fiscal year.

\*Summary of quarterly financial results is exempt from quarterly review of audit procedures of Certified Public Accountant or Audit Firm.

\*Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions which are regarded as legitimate. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. For information about the forecasts, please see "1. Qualitative Information on Quarterly Financial Results-(3) An explanation of future, predictive data, such as consolidated earnings forecasts" on page 3 of Supplementary Information

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## 1. Qualitative Information on Quarterly Financial Results

### (1) An explanation of Results of Operations

In the first quarter of the current fiscal year, the Japanese economy and the global economy continued to recover slowly despite the unclear outlook caused by uncertainty about U.S. policies and increasing concerns about geopolitical risk.

In consideration of the management environment, we have started the four-year Corporate Mid-Term Plan that will end in March 2021 to ensure revitalization of the Sanden Group. The plan establishes the following financial targets and has four key initiatives in order to reach these targets.

#### <Financial targets>

Net Sales: 320 billion yen

Ordinary Income Ratio: 5%

Equity ratio: 25%

#### <Four key initiatives>

- (1) Comprehensive cost transformation to improve profitability
- (2) Asset efficiency enhancement to strengthen the overall financial structure
- (3) Optimization of business portfolio to create corporate value
- (4) Management system reforms to achieve sustained growth

First quarter sales were down 1.0% from one year earlier to 70,894 million yen. Growth in the sales volume in the automotive systems business overseas was offset by lower sales in the commercial store systems business. Operating income increased 12.7% to 1,189 million yen due mainly to the benefits of reforms to the cost structure in order to improve profitability. Ordinary income was up 33.8% to 2,263 million yen and profit attributable to owners of parent increased 27.8% to 1,641 million yen.

Results for business segments are as follows.

#### A. Automotive Systems Business

The Sanden Group continued to focus on developing highly advanced products that deliver value in the form of smaller size, lighter weight and the use of electrical systems in order to accurately meet the needs of customers. Due to an increase in sales in Europe, favorable foreign exchange rates and other reasons, segment sales increased 1.8% to 52,760 million yen and operating income was up 47.2% to 1,669 million yen.

#### B. Commercial Store Systems Business

In the retail store systems sector, the goal is to be a comprehensive source of ideas and solutions encompassing products, systems and services that support customers' growth strategies and are environmentally responsible. First quarter sales were lower than one year earlier in part because of the end of the upturn in convenience store renovations in Japan associated with the mergers of convenience store companies.

In the vending systems sector, sales increased even as Japan's vending machine market continues to shrink. Sales growth was attributable to the development of many environmentally responsible products and the launch of new products.

There was a loss in this segment in the first quarter as the negative impact of lower sales more than offset the benefits of numerous ongoing initiatives to improve operations, chiefly in order to raise productivity.

As a result, segment sales decreased 9.2% to 15,924 million yen and there was an operating loss of 294 million yen compared with operating income of 393 million yen one year earlier.

(2) An explanation of Financial Condition

Beginning with the first quarter of the current fiscal year, Sanden Holdings is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Balance sheet figures in the prior fiscal year have been revised retroactively based on this accounting standard to facilitate comparisons and analysis.

Total assets were 281,073 million yen at the end of the first quarter, 5,424 million yen higher than at the end of the previous fiscal year. This was mainly the result of increases in notes and accounts receivable-trade and inventories.

Liabilities increased 4,428 million yen to 229,120 million yen mainly because of increases in interest-bearing liabilities and notes and accounts payable-trade.

Net assets increased 996 million yen to 51,953 million yen mainly because of the first quarter profit attributable to owners of parent.

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

There are no revisions to the outlook of consolidated business results for the current fiscal year announced on May 9, 2018

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheets

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	First quarter ended June 2018 (As of June 30, 2018)
<b>ASSETS</b>		
Current assets		
Cash and deposits	18,776	19,866
Notes and accounts receivable-trade	74,204	77,124
Merchandise and furnished goods	21,895	24,872
Work in process	12,089	11,579
Raw materials	10,065	10,111
Other inventories	3,438	3,379
Accounts receivable-other	5,876	5,293
Consumption taxes receivable	4,527	5,124
Other	9,167	9,050
Allowance for doubtful accounts	(678)	(732)
Total current assets	159,363	165,669
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,351	21,033
Machinery, equipment and vehicles, net	23,642	24,296
Tools, furniture and fixtures, net	5,019	4,897
Land	16,883	16,818
Lease assets, net	8,144	7,987
Construction in progress	6,699	5,166
Total property, plant and equipment	81,741	80,199
Intangible assets		
Goodwill	73	59
Lease assets	177	199
Other	3,618	3,559
Total intangible assets	3,869	3,818
Investments and other assets		
Investment securities	22,960	23,748
Net defined benefit asset	118	118
Deferred tax assets	4,641	4,540
Other	6,018	6,160
Allowance for doubtful accounts	(3,064)	(3,183)
Total investments and other assets	30,674	31,385
Total noncurrent assets	116,285	115,404
Total assets	275,649	281,073

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	First quarter ended June 2018 (As of June 30, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	53,483	54,617
Short-term loans payable	45,011	48,891
Current portion of bonds	712	712
Current portion of long-term loans payable	18,299	18,106
Accounts payable-other	11,039	8,338
Lease obligations	2,018	2,003
Income taxes payable	699	637
Provision for bonuses	3,759	4,728
Provision for sales rebates	935	1,011
Provision for product warranties	3,253	3,348
Provision for loss on compensation for damage	986	1,002
Other	10,027	12,386
Total current liabilities	150,227	155,785
Noncurrent liabilities		
Bonds payable	5,987	5,987
Long-term loans payable	56,134	55,258
Lease obligations	6,113	5,879
Deferred tax liabilities	205	206
Net defined benefit liability	3,376	3,428
Provision for environmental measures	273	265
Provision for share-based compensation	187	201
Other	2,185	2,107
Total noncurrent liabilities	74,464	73,334
Total liabilities	224,691	229,120
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	11,037	11,037
Capital surplus	3,731	3,731
Retained earnings	33,703	35,345
Treasury shares	(1,126)	(1,119)
Total shareholders' equity	47,346	48,995
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	292	307
Deferred gains or losses on hedges	(16)	(78)
Foreign currency translation adjustment	(1,484)	(1,948)
Remeasurements of defined benefit plans	(954)	(985)
Total accumulated other comprehensive income	(2,161)	(2,705)
Non-controlling interests	5,772	5,663
Total net assets	50,957	51,953
Total liabilities and net assets	275,649	281,073

(2) Statements of quarterly consolidated income and consolidated comprehensive income  
 Statements quarterly consolidated of income  
 First quarter of the fiscal year

(Million yen)

	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)	First quarter ended June 2018 (April 1, 2018 – June 30, 2018)
Net sales	71,631	70,894
Cost of sales	58,603	58,125
Gross profit	13,028	12,768
Selling, general and administrative expenses	11,973	11,579
Operating income (loss)	1,055	1,189
Non-operating income		
Interest income	15	13
Dividend income	83	15
Foreign exchange gains	-	562
Share of profit of entities accounted for using equity method	1,239	1,223
Other	326	279
Total non-operating income	1,664	2,095
Non-operating expenses		
Interest expenses	643	653
Foreign exchange losses	123	-
Other	261	368
Total non-operating expenses	1,028	1,021
Ordinary income (loss)	1,691	2,263
Extraordinary income		
Gain on sales of non-current assets	64	152
Gain on sales of investment securities	0	63
Other	5	7
Total extraordinary income	70	223
Extraordinary losses		
Loss on disposal of non-current assets	8	91
Loss on reversal of foreign currency translation adjustment from liquidation of foreign subsidiaries	-	109
Other	25	-
Total extraordinary losses	33	201
Profit (loss) before income taxes	1,728	2,285
Income taxes	258	625
Profit (loss)	1,469	1,659
Profit attributable to non-controlling interests	185	17
Profit (loss) attributable to owners of parent	1,284	1,641

Quarterly consolidated statements of comprehensive income  
 First quarter of the fiscal year

(Million yen)

	First quarter ended June 2017 (April 1, 2017 – June 30, 2017)	First quarter ended June 2018 (April 1, 2018 – June 30, 2018)
Profit (loss)	1,469	1,659
Other comprehensive income		
Valuation difference on available-for-sale securities	434	15
Deferred gains or losses on hedges	(80)	(62)
Foreign currency translation adjustment	523	(280)
Remeasurements of defined benefit plans	29	(31)
Share of other comprehensive income of entities accounted for using equity method	(649)	(311)
Total other comprehensive income	257	(670)
Comprehensive income	1,727	988
Comprehensive income attributable to owners of parent	1,676	1,097
Comprehensive income attributable to non-controlling interests	50	(108)

(3) Notes to the quarterly consolidated financial statements

(Notes to going concern assumptions)

None

(Notes on any significant change in amount of shareholders' equity)

None

(Application of accounting methods specifically for consolidated quarterly financial statements)

	First quarter of the fiscal year ending March 31, 2019 (April 1 to June 30, 2018)
Calculation of taxes	<p>Taxes are calculated by determining a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for income before income taxes in the current fiscal year (including the first quarter). Quarterly income before income taxes is then multiplied by this estimated effective tax rate to calculate taxes.</p> <p>However, when the tax calculated by using the estimated effective tax rate is believed to be significantly erroneous, taxes are calculated by using Paragraph 12 (method for using the statutory effective tax rate) in Practical Guidelines for Tax Effects on Interim Financial Statements, Etc.</p> <p>Income taxes - deferred are included in income taxes.</p>

(Additional information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Beginning with the first quarter of the current fiscal year, Sanden Holdings is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Due to this change, deferred tax assets are included in investments and other assets and deferred tax liabilities are included in noncurrent liabilities.

## (Segment information)

## I First quarter of the previous fiscal year (April 1, 2017 – June 30, 2017)

Information concerning sales, profit &amp; loss for reporting segments

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustments	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	51,832	17,546	69,378	2,253	71,631	-	71,631
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	51,832	17,546	69,378	2,253	71,631	-	71,631
Segment income (loss)	1,134	393	1,528	(472)	1,055	-	1,055

Notes: 1. Others includes vehicle sales, living &amp; environment systems, electronics and other activities.

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

## II First quarter of the current fiscal year (April 1, 2018 – June 30, 2018)

Information concerning sales, profit &amp; loss for reporting segments

(Million yen)

	Reportable segments			Others (Note 1)	Total	Adjustments	Amount on consolidated financial statements (Note 2)
	Automotive systems	Commercial store systems	Total				
Net sales							
Sales to external customers	52,760	15,924	68,684	2,209	70,894	-	70,894
Inter-segment sales or transfer balances	-	-	-	-	-	-	-
Total	52,760	15,924	68,684	2,209	70,894	-	70,894
Segment income (loss)	1,669	(294)	1,375	(186)	1,189	-	1,189

Notes: 1. Others includes vehicle sales, living &amp; environment systems, electronics and other activities.

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