SANDEN
Delivering Excellence

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Annual Report 2013

Year ended March 31, 2013



SANDEN CORPORATION

Who We Are

All of the Sanden Group's Business Operations Include Core Activities Related to the Environment.

Automotive Systems

Sanden has taken a long and careful look at the evolution of the automobile and is pursuing the development of next-generation, air-conditioning systems that are friendly to both human beings and the natural environment.

Sanden's compressors for use in car air-conditioning systems have been adopted by many automotive manufacturers around the world, and Sanden is continuing to contribute as a leader in this field.

Commercial Store Systems

Sanden develops, manufactures, and markets refrigerated and freezer showcases used in convenience and other kinds of stores as well as vending machines for products such as beverages and foods. The Company's global market share in the field of vending machines is approximately 30%. We offer vending machines and refrigerated showcases that employ environmentally friendly CO_2 refrigerant.

In 2011, we launched a non-fluoron, heat-pump vending machine with standard LED illumination, and this is the industry's top product with respect to energy conservation.

Sanden has also been an industry leader in providing equipment maintenance and renovation services that customers require in connection with their store network expansion and store rebuilding strategies.

Eco Systems and Other Products

Sanden develops, manufactures, and markets Eco Cute CO_2 refrigerant heat-pump hot-water-supply-system products as well as wireless communication modems and other IT-related products.

Since 2010, the Company has been providing the Eco Cute technologies it has accumulated in Japan, Australia, and European markets, and plans call for progressively expanding this business to encompass global markets for hot-water-supply-system products.

*"Eco Cute" is the nickname given to CO_2 natural refrigerant heat-pump hot water supply systems that have been promoted by electric power companies and by companies manufacturing and marketing these units.

Contents

Financial Highlights

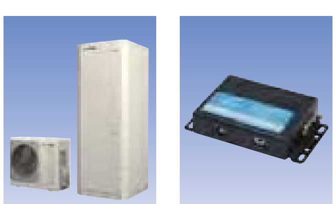
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	**2013**
For the Year:			
Net Sales	**¥241,780**	¥214,282	**$2,570,760**
Operating Income (Loss)	**(896)**	712	**(9,526)**
Net Income	**1,084**	1,204	**11,525**
Comprehensive Income	**5,331**	57	**56,682**
Capital Expenditures	**17,548**	13,905	**186,581**
Research and Development Expenses	**6,890**	7,431	**73,258**
At Year-End:			
Total Assets	**¥247,387**	¥212,300	**$2,630,377**
Total Net Assets	**52,961**	48,199	**563,115**
	Yen		U.S. dollars (Note)
Per Share:			
Net Income (Basic)	**¥ 7.96**	¥ 8.84	**$0.08**
Cash Dividends Applicable to the Year	**10.00**	7.50	**0.11**
Net Assets	**364.35**	331.08	**3.87**
Ratios:			
Return on Sales (%)	**0.4**	0.6	
Current Ratio (%)	**109.5**	100.6	
Fixed Ratio (%)	**206.3**	191.6	
Return on Equity (%)	**2.3**	2.7	
Number of Employees at Year-End	**10,194**	8,545	

Note: U.S. dollar figures are translated, for convenience only, at the rate of ¥94.05 to US$1.00, the effective rate of exchange prevailing on March 31, 2013.

Our Business

Eco Systems and Other Business Group



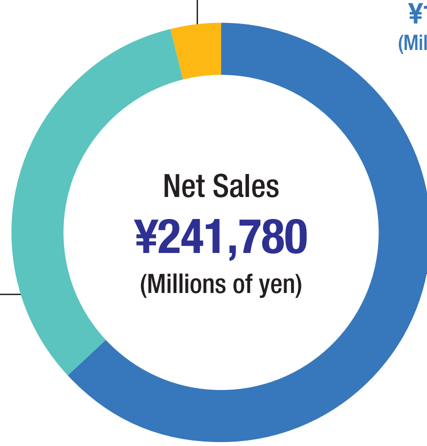
3.7%

¥9,002
(Millions of yen)

Automotive Systems Business Group

63.2%

¥152,697
(Millions of yen)



Commercial Store Systems Business Group

33.1%

¥80,080
(Millions of yen)

A Message from the President

I would like to take this opportunity to express my sincere appreciation to our shareholders and investors for your continuing support of Sanden Corporation.

While we are continuing to face a severe operating environment, all of us at Sanden have been concertedly striving to implement our medium-term plan covering the period through the fiscal year ending March 31, 2014 (fiscal 2014), during which Sanden will celebrate the 70th anniversary of its founding. In particular, we have been doing our utmost to implement our emphasized strategies of "Sales Growth Centered on Environmental Technologies," "Strengthening Business Competitiveness Based on Reform of the Corporate Constitution," and "Management Reforms Based on the Reform of Management Systems." We hope you will take a look at the contents of this report, which describe the results of our strategic initiatives and efforts.

Regarding cash dividends applicable to the fiscal year under review, ended March 31, 2013 (fiscal 2013), we have decided—based on a comprehensive assessment of our consolidated performance, our financial position, and our profitability outlook for the current and subsequent fiscal years—to increase cash dividends per share by ¥2.5, bringing total cash dividends applicable to the year under review to ¥10 per share.

The Sanden Group's management policy calls for leveraging the Group's current strengths—"quality power" and "global power"—to realize an additional surge in corporate growth centered on core business providing environment-friendly products.

In April 2013, Sanden received the Prime Minister's Award for Outstanding Merit concerning Greenification Campaigns in honor of the Company's past decade of environment-related efforts at the Sanden Forest/Akagi Plant. Sanden was the only corporation to receive a prize in the greenification merit award program this fiscal year, and we are extremely pleased to have earned recognition from society at large for the environment friendliness of the Sanden Forest/Akagi Plant—a prominent example of the environmental management measures we have been successfully promoting since 1993. In keeping with Sanden's "Create Corporate Value from Environmental Protection" management policy, we are committed to continually moving ahead with additional reforms to overcome environmental challenges going forward.

As we celebrate the 70th anniversary of Sanden's operations this fiscal year, all of us in the Sanden Group will be striving together to make further progress implementing our key strategies—such as our measures in the Automotive Systems Business Group to establish truly global manufacturing and procurement networks and strengthen capacity and competitiveness in response to the increasing scale of automobile manufacturing operations in Asia, our measures in the Commercial Store Systems Business Group to further expand global operations, and our measures to develop new products designed to broaden the scope of environmental business and promote its global progress. This fiscal year is one in which we intend to begin an additional surge of growth, and we are confident of reaching a record high level of net sales.

We hope for your continued encouragement and support.

Mitsuya Yamamoto,
President

Corporate Philosophy

The Sanden Group (G-SDC) will observe the following 10 principles in full compliance with laws, regulations, and rules.

Basic Principles (Universal Values Shared by the Global Community)

1. Good Corporate Citizenship and Harmony with Society
We will grow as good corporate citizens, trusted by society and in harmony with the international community.

2. Respect for Human Rights
We will build a corporate culture founded on respect for individuals and human rights.

3. The Environment
We will endeavor to preserve the environment in every aspect of our corporate activities to ensure that future generations will inherit our beautiful, irreplaceable earth.

4. Corporate Ethics
We will conduct our corporate activities in a spirit of sincerity and fairness based on a strong sense of ethics.

5. Safety and Health
We will enable our employees to achieve a healthy lifestyle by creating an environment that assures their health and safety.

Basic Stance toward Stakeholders

6. Customers
We will stand on the admired ability of engineering development and manufacturing, can offer products, systems and services, based on the QUALITY FIRST, that provide constant satisfaction to our customers around the world.

7. Employees
We will grow together with our employees by creating an organizational culture that encourages free and vigorous communication imbued with a spirit of respect for humanity in line with our corporate culture of challenge and innovation.

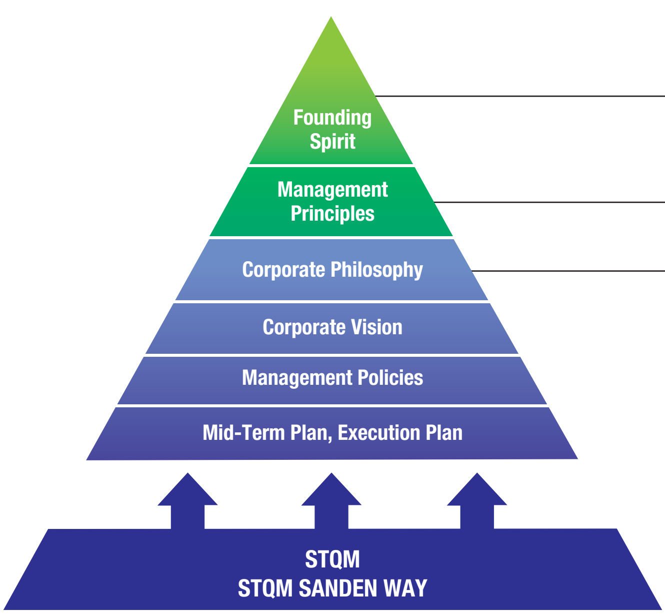
8. Shareholders and Investors
We will respond to the trust and expectations of our shareholders and investors by expanding the Sanden group, enhancing our corporate value and making our management more transparent.

9. Communities
We will respect regional customs and cultures around the world and contribute to the social and cultural development of the communities, which we are related with.

10. Suppliers
We will grow together with our suppliers as business partners who provide our customers with the best possible products, systems and services on the basis of fair and transparent relationships.

Structure of the Corporate Principles

Aiming to Create "Global Excellent Companies"



Founding Spirit

"Let Us Develop with Wisdom and Prosper in Harmony"
"Let us develop with wisdom and prosper in harmony" means that we should use our intelligence in combining our development and pioneering abilities to win prosperity for us all.

Management Principles

- **Satisfy our customers' needs with high-quality products**
- **Contribute to the social and cultural improvement of the community through business activity**
- **Build a company of which all are proud, through the efforts of self-motivated employees**

These principles have served as fundamental employee action guidelines since Sanden's founding.

Corporate Philosophy

Sanden's Corporate Philosophy comprises a preamble that serves as the starting point for all corporate activities of the "global excellent companies" of the revitalized Sanden Group and designates compliance as the basis for all operations, five universal values common to all peoples of all nations, and five general rules establishing the Company's basic stance toward its stakeholders.

Segment Review

Medium-Term Corporate Management Strategy, Tasks to Be Addressed, and Management Performance Indicator Targets

Diverse changes in corporate operating environments are generating strong demand for improved product performance with respect to energy efficiency, electric power conservation, and resource conservation, and the Sanden Group is accelerating its efforts to help protect the natural environment on a global level. Aiming to respond to these environment-related issues, the Sanden Group has instituted a medium-term plan covering the period through the fiscal year ending March 31, 2014 (fiscal 2014), and has been implementing activities designed to promote the attainment of in-house performance targets. Despite the challenges presented by rapidly changing market conditions, the Group is continuing to emphasize the fundamental strategies of "Sales Growth Centered on Environmental Technologies," "Strengthening Business Competitiveness Based on Reform of the Corporate Constitution," and "Management Reforms Based on the Reform of Management Systems." Based on those strategies and efforts to leverage its core technologies involving cooling, heating, and electronics to provide unique environment-friendly products, systems, and services, the Company is striving to meet the expectations of customers and communities throughout the world, contribute to those customers and communities, and realize sustained sales growth

Performance Overview

Looking at the global economy during the fiscal year under review, there were signs of improvement in U.S. employment and housing markets, and the U.S. economy sustained a gradual recovery, while Europe continued to experience recessionary conditions and problems such as a persistent debt crisis, negative GDP growth, and rising unemployment rates. Emerging economies centered on China and India recorded falling growth rates owing to the impact of economic deceleration in Europe and other factors.

The Japanese economy continued to face challenges stemming from the strong yen and an export decline associated with the slowdown in overseas economies, but the start of a new government at the end of 2012 spurred expectations regarding new economic policies that led to such trends as yen depreciation and rising stock prices, and signs of an economic bottoming out became increasingly evident. On the other hand, there was also a perception that the positive expectations were somewhat premature, as improvement in the real economy did not occur during the year.

Amid an operating environment dominated by continued severe conditions, all units of the Sanden Group strove concertedly to implement the Group's medium-term plan covering the period through the fiscal year ending March 31, 2014 (fiscal 2014), during which Sanden will celebrate the 70th anniversary of its founding. In particular, the Group emphasized strategies of "Sales Growth Centered on Environmental Technologies," "Strengthening Business Competitiveness Based on Reform of the Corporate Constitution," and "Management Reforms Based on the Reform of Management Systems."

As a result of the benefits of these key strategies, the Group was able to increase its net sales. This reflected achievements such as the Automotive Systems Business Group's acquisition of new customers and expansion of existing business through the launch of compact, lightweight compressors that leverage Sanden's outstanding environmental technologies as well as the moves by the Commercial Store Systems Business Group's moves to bolster its lineup of showcases

Automotive Systems Business Group

Commercial Store Systems Business Group

Eco Systems and Other Business Group

and vending machines incorporating CO_2 natural refrigerant compressors that reduce environmental impact and to propose offerings that appeal to customers' preference for environment-friendly products and systems.

To address the paramount challenges of strengthening business competitiveness and realize a profit structure minimally affected by the impact of currency exchange rate fluctuations, the Sanden Group proactively moved ahead with the establishment of local manufacturing and procurement systems in overseas markets. Local manufacturing capabilities were strengthened and expanded in Europe (Poland), the Americas (the United States and Mexico), and Asia (Thailand, India, Malaysia, and China). These and other concurrent measures enabled Sanden to make progress toward creating an optimal global manufacturing and supply system. In addition, Sanden started a reevaluation of its global component procurement system and the building of an optimal procurement system with additional capabilities for procurement in low-cost countries (LCCs). Sanden also moved ahead with a reorganization of Group companies aimed at increasing regional management efficiency. However, profitability was negatively affected by a delay in shifts to procurement in LCCs as well as an accumulation of expenses in Japan and overseas associated with the inauguration of new local manufacturing and component manufacturing internalization projects and with the shift to local manufacturing operations. Those factors along with proactive measures to augment investments designed to ensure business growth in subsequent fiscal years and investments in structural reforms caused a rise in expenses.

On a consolidated basis, the Company recorded ¥241,780 million in net sales, up 12.8% from the level in the previous fiscal year; ¥896 million in an operating loss, compared with ¥712 million in operating income in the previous year; ¥253 million in ordinary income, down 15.6% from the previous fiscal year; and ¥1,084 million in net income, down 9.9%.

Performance Outlook for the Current Fiscal Year

The trends of yen depreciation and rising stock prices are reflecting a rise in expectations regarding the prospect of an economic recovery in Japan. In the global economy, however, although a gradual economic recovery is projected in the United States, the protraction of the debt crisis in Europe and concerns about decelerating economic growth in China and slackening growth elsewhere in the world are obstacles to providing confident projections with respect to Sanden's operating environment.

Despite this operating environment, Sanden is forecasting that it will achieve increased sales in markets centered on Japanese and other Asian markets, enabling it to record ¥28.2 billion in consolidated net sales. Sanden is anticipating a large margin of improvement in its operating income, which the Company is forecasting to rise to ¥7.8 billion as a result beneficial impacts stemming from the implementation of various measures based on its medium-term management strategies, a rise in profits accompanying growth in sales, and currency exchange benefits associated with yen depreciation. These forecasts are based on the presumed currency exchange rates of US$1 = ¥95 and A1 = ¥125.

Performance by Business Segment

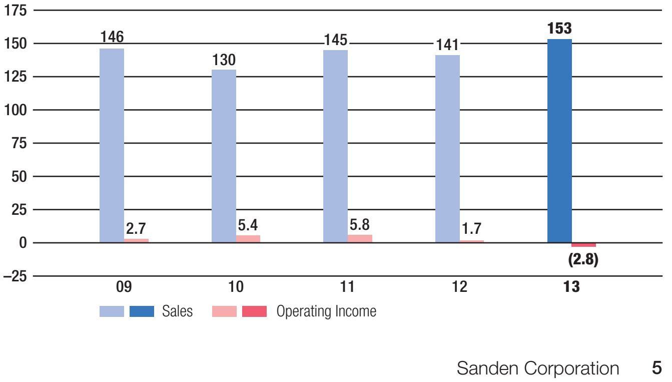
Automotive Systems Business Group

Despite the impact of a demand slump due to economic deceleration in Europe, the Automotive Systems Business Group was able to increase its sales for the fiscal year as a whole owing to the recovery of markets in the United States, the Asian region, and Japan as well as the success of measures taken to acquire new customers and expand existing business. However, the delay of benefits from increased procurement in LCCs, the implementation of measures to establish local manufacturing operations overseas, and manufacturing adjustments in response to demand fluctuations in Europe led to a year-over-year decline in profitability.

Consequently, the Automotive Systems Business Group recorded ¥152,697 million in net sales, up 8.4% from the previous year, and ¥2,761 million in an operating loss, compared with ¥1,687 million in operating income in the previous year.

Sales and Operating Income (Loss) (Years ended March 31)

(Billions of yen)



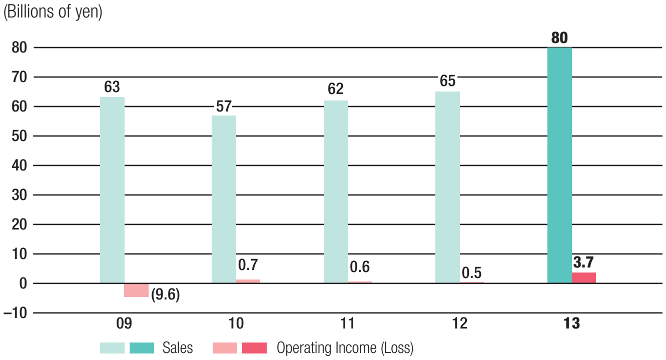
Commercial Store Systems Business Group

The Commercial Store Systems Business Group proactively expanded the applications of Sanden's unique CO_2 compressors; moved ahead with measures to strengthen global manufacturing and marketing systems; and responded to customers' growth strategies by proposing and providing comprehensive solutions encompassing environment-friendly products, systems, and services. By fostering customers' trust and confidence, these initiatives enabled the acquisition of new business orders and a market share increase in existing segments, which supported a large year-on-year increase in sales. In addition to this revenue rise, profitability was enhanced by sustained measures to elevate productivity and strengthen fundamental characteristics of business operations, and these factors supported a large year-over-year increase in profit.

As a result, the business group recorded ¥80,080 million in net sales, up 22.7% from the previous year, and ¥3,738 million in operating income, up 723.2%.

Sales and Operating Income (Loss) (Years ended March 31)

(Billions of yen)

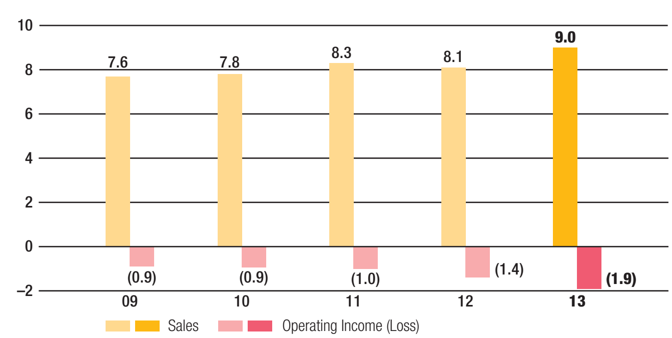


Eco Systems and Other Business Group

In accordance with Sanden's emphasized medium-term strategy of "Sales Growth Centered on Environmental Technologies," Sanden worked to develop such environment-friendly products such as the Eco Cute product series of highly efficient water heaters incorporating CO_2 compressors as well as room-heating systems incorporating CO_2 compressors and to expand its global sales of such products. The Eco Systems and Other Business Group made steady progress in fostering the development and promotion of the expansion of this business.

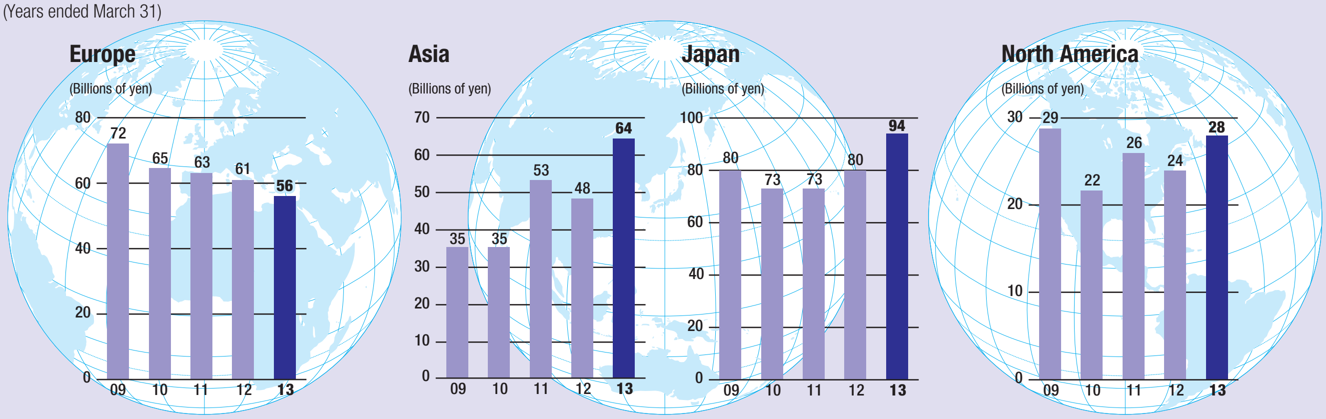
Sales and Operating Income (Loss) (Years ended March 31)

(Billions of yen)



Global Sales

(Years ended March 31)



CSR Policy

CSR Policy

Sanden's corporate slogan is "Delivering Excellence." By undertaking diverse corporate activities centered on the theme of environmental protection, the Sanden Group is endeavoring to provide excellent products, systems, and services in a manner that lives up to the expectations of the Group's stakeholders and also promotes the Group's development as an outstanding globally excellent company.

In 2003, Sanden marked the 60th anniversary of its founding by drafting a new version of its Corporate Philosophy (see page 3). The most-important objective of every Sanden employee is to ensure that he or she can apply and realize the benefits of this Corporate Philosophy in their day-to-day work activities. At Sanden, we believe that applying our Corporate Philosophy in practice is the best way to approach and achieve CSR objectives.

Relationships with Local Communities

The first item in Sanden's Corporate Philosophy is entitled "Good Corporate Citizenship and Harmony with Society." This reflects our awareness of our important roles in society—through the activities of each Sanden employee and the corporate activities of the Sanden Group, we are maintaining strong ties with local communities; providing products, systems, and services; paying taxes; creating jobs; and otherwise contributing to society. Based on our fundamental concept of emphasizing harmony between Sanden and society, we are moving forward with efforts to build strong ties with society.

• Annual Cleanup Campaign (Taiwan)

Sanden International Taiwan Corporation has designated December 8 as its "Environmental Enhancement Activity Day." Each year, a growing number of employees and employees' family members are participating in the company's environmental enhancement activities on this day. In 2012, 69 people participated in a cleanup of 402 meters of abandoned train track at the historic Shengsing Station, which was previously the highest point in Taiwan's railway system.

• Christmas Presents for Children in Orphanages (Poland)

Sanden Manufacturing Poland Sp.z.o.o. organized an in-house campaign to collect Christmas presents for distribution to children in orphanages. The presents supplied to the children included sporting goods, apparel, knapsacks, jigsaw puzzles, stationery goods, and board games.

• Earthquake Disaster Recovery—"Planting Trees in Your Heart" (Japan)

The Sanden Environmental Future Foundation is cooperating with the C.W. Nicol Afan Woodland Trust to implement the "Planting Trees in Your Heart" project for promoting recovery from the recent earthquake disaster. This project enables children impacted by the recent earthquake disaster to benefit from spending time in forest environments.

Aiming to Sustain Dynamic Corporate Development for a Full Century

Established as Sankyo Denki Co., Ltd., in 1943, Sanden began expanding its operations in Japan by initiating the production of bicycle lights equipped with small generators and subsequently advanced into such business fields as food retailing showcases, room heaters, and vending machines. After arranging a technical tie-up with U.S.-based John E. Mitchell, Inc., the Company undertook the development of global operations. The Company began using "Sanden" as a brand and corporate name from 1973.

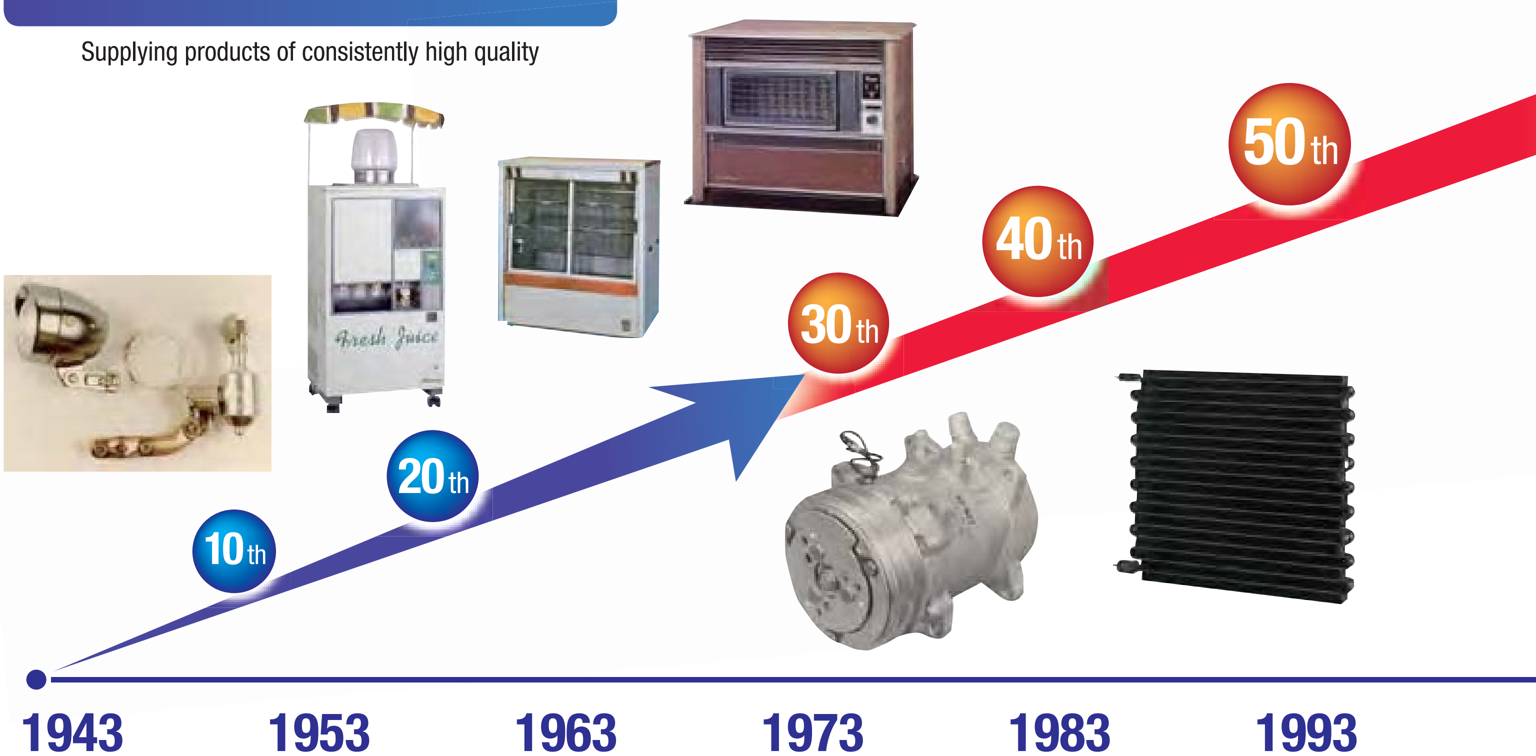
Currently, the Sanden Group is expanding its global operations by leveraging its core technologies involving cooling, heating, and electronics and moving ahead with the development of new technologies centered on environment-friendly technologies. In these ways, the Group is creating new corporate value and preparing for sustained business growth going forward.

The Second Growth Stage 'GLOBAL QUALITY'

Providing products in a growing number of markets around the world

The First Growth Stage 'DOMESTIC CORNERSTONE'

Supplying products of consistently high quality



The Third Growth Stage
‘SUSTAINABLE SOCIETY’

An additional surge of corporate development centered on environment-friendly offerings

60th

70th

100th Anniversary

2003

2013

Topics

Receipt of Development Bank of Japan's Highest Environmental Rating Rank

Sanden won special recognition in connection with the "Environment-Friendly Management Promotion Project" financing system of the Development Bank of Japan Inc. (DBJ). On September 21, 2012, Sanden received the program's highest ranking—"particularly advanced in environment-friendly efforts"—based on the DBJ's appraisal of Sanden's environment-friendly management activities. This is the second consecutive time that Sanden earned this highest ranking, which it also won in the previous round of evaluations, in March 2007.

DBJ 環境格付

New Swash-Plate Variable Compressors for German Automobile Makers

In September 2012, Sanden began supplying German automobile makers with new swash-plate variable compressors for use in car air-conditioning systems. In addition to offering high levels of safety and power performance, the compact and high-efficiency compressors were designed by Sanden to offer performance improvements of approximately 10% compared with previous models and thereby address the automobile makers' environment-friendliness objectives related to energy conservation.

The structure of the new swash-plate variable compressors reduces compressor oil outflows into system circuits, which allows the compressors to offer improved system heat exchange efficiency. As this makes it possible to use smaller-capacity compressors than before, the new compressors are contributing to efforts to reduce vehicle weights and power consumption by lowering engine loads and improving vehicular fuel efficiency.

Start of Compact Scroll Compressor Production in India

After setting up a new production line for scroll-type (TR) compressors, Sanden Vikas (India) Limited initiated the manufacture of those compressors on November 5, 2012. The company has been a pioneer of local production in India of compressors for car air-conditioning systems since the 1980s. Currently, it annually manufactures 400,000 sets of major components for HVAC systems along with 500,000 wobble plate type fixed displacement (SD) compressors and variable displacement (SDV) compressors. These products are supplied on an OEM basis, principally to Indian global car makers.

Quality Innovation Award in Fiscal 2012 Japan Quality Control Award Program

On November 14, 2012, Sanden's Development Division and Electric Engineering Center were presented with the Quality Innovation Award within the Fiscal 2012 Japan Quality Control Award Program. In addition, a member of the Sanden Group—Sanwa Altech Co., Ltd.—won the TQM Award within the same program.

Thai Plant Begins Operating New Die-Casting Plant

With the objective of upgrading the Sanden Group's cost-competitiveness in the automotive compressor business in ASEAN markets, Sanden (Thailand) Co., Ltd., constructed a new die-casting plant and began operating that plant from December 2, 2012.

Establishment of New Group Company in Mexico

On December 19, 2012, Sanden established Saltillo-based Sanden Manufacturing Mexico (SMM) to internalize and localize key component production operations in North America and reduce manufacturing costs as well as to strengthen assembly and supply capabilities for customers in South America. The Wylie, Texas plant of Sanden International (U.S.A.) Inc. (SIA) is currently producing automotive air-conditioner compressors for the North American market, and plans call for SMM to enhance SIA's competitiveness by supplying it with components.

Launch of Energy-Conserving "Eco Active" Vending Machines

In February 2013, Sanden launched its "Eco Active" line of energy- and electric power-conserving vending machines, which feature natural refrigerants, LED illumination, vacuum insulation, heat pumps, and invertor controls. With the aim of protecting the global environment, Sanden developed fiscal 2012 model natural refrigerant beverage vending machines that offer the industry's top level of energy-saving performance. Further improved with the addition of invertor controls, vacuum insulation, and other innovations, the 2013 model vending machines consume only about half the energy used by 2005 models.

Sanden Forest/Akagi Plant Wins Prime Minister's Award for Outstanding Merit concerning Greenification Campaigns

At the 7th Midori Prize ceremony presided over by Japan's prime minister on April 26, 2013, Sanden received the Prime Minister's Award for Outstanding Merit concerning Greenification Campaigns. Organized by the Cabinet Office with the cooperation of the Ministry of Education, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of the Environment, and the Ministry of Land, Infrastructure and Transport, this award is given to individuals, organizations, schools, local governments, and other entities that have outstanding records in promoting greenification activities. Sanden was the only private-sector company among the 13 recipients of this award at the most-recent ceremony. The decision to present Sanden with the Prime Minister's Award for Outstanding Merit concerning Greenification Campaigns was made based on appreciation of the Company's sustained efforts over more than a decade since 2003, when the Sanden Forest/Akagi Plant received the Japan Greenery Research and Development Center's President's Prize.

Corporate Governance

Fundamental Corporate Governance Policies

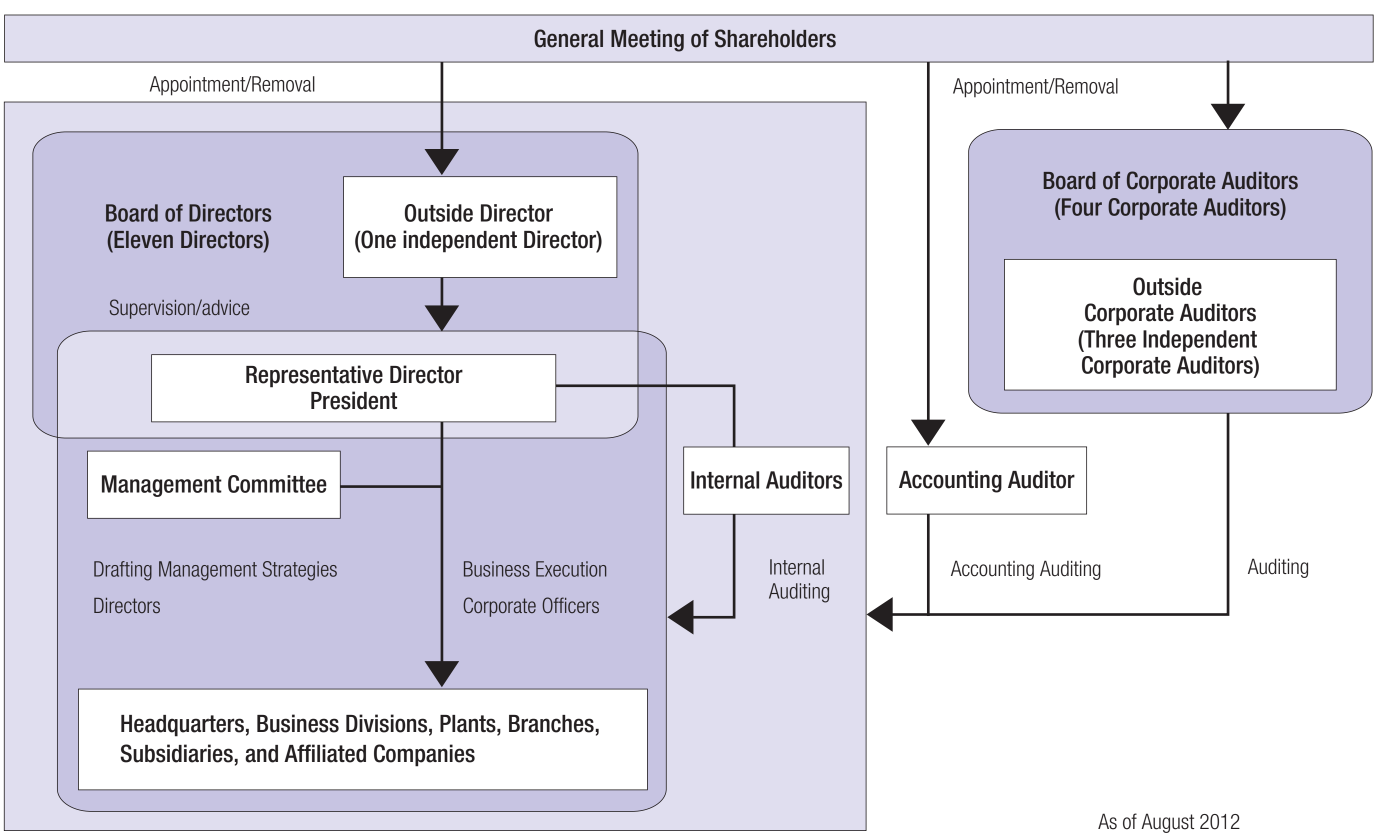
Sanden's Founding Spirit, "Let Us Develop with Wisdom and Prosper in Harmony," is still alive today and is as vibrant as when the Company was established in 1943. In 2003, we reestablished our Corporate Philosophy—which includes "Basic Principles (Universal Values Shared by the Global Community)" and "Basic Stance toward Stakeholders." In keeping with this Corporate Philosophy and based on rigorous legal compliance performance, we are striving to strengthen our corporate governance systems with emphasis on realizing improvements regarding efficiency, transparency, and other aspects of management quality. In this way, both in Japan and overseas, we are relentlessly and proactively striving to increase our corporate value.

Sanden has adopted the corporate auditor ("company with auditors") governance system. We have also adopted the executive officer system to strengthen business execution functions and to increase management efficiency, while strengthening our management oversight functions through the appointment of fully independent outside directors and outside corporate auditors.

In 2008, intending to ensure management transparency and further strengthen management oversight and supervision functions, we amended our Articles of Incorporation to shorten the terms of directors to one year. With the goals of establishing and strengthening ethical and legal compliance systems and risk management systems, we have taken additional initiatives to establish a compliance/risk committee and other specialized committees and an internal compliance reporting system. Currently, Sanden's one outside director and three outside corporate auditors were all qualified and designated as an "independent director" and "independent corporate auditors" under the Securities Listing Regulations of the Tokyo Stock Exchange.

Through the implementation of these policies, the Sanden Group is maintaining a strong emphasis on increasing management quality, particularly with regard to management efficiency and transparency. Going forward, the Group intends to make additional efforts to fortify its corporate governance and will strive to increase its corporate value.

Sanden's Corporate Governance and Internal Control Organization Units and Their Interrelationships



As of August 2012

Summary of Selected Financial Data

Years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note)
	2013	2012	2011	2010	2009	2008	**2013**
Net sales	**¥241,780**	¥214,282	¥216,539	¥194,696	¥216,690	¥263,728	**$2,570,760**
Net income (loss)	**1,084**	1,204	6,087	4,410	(30,838)	5,019	**11,525**
Comprehensive income	**5,331**	57	2,340	—	—	—	**56,682**
Total net assets	**¥ 52,961**	¥ 48,199	¥ 49,329	¥ 47,232	¥ 42,985	¥ 83,656	**$ 563,115**
Total assets	**247,387**	212,300	207,925	205,140	208,692	237,815	**2,630,377**
Net assets per share (yen and U.S. dollars)	**¥ 364.35**	¥ 331.08	¥ 335.11	¥ 323.92	¥ 296.35	¥ 581.58	**$ 3.87**
Net income (loss) per share (yen and U.S. dollars)	**7.96**	8.84	44.66	32.36	(226.20)	36.82	**0.08**
Capital adequacy ratio (%)	**20.1%**	21.3%	22.0%	21.5%	19.4%	33.3%	
Return on equity (%)	**2.3**	2.7	13.6	10.4	(51.5)	6.3	
Price earnings ratio (%)	**47.1**	30.6	7.8	10.6	—	11.1	
Cash flows from operating activities	**¥ 3,148**	¥ (5,227)	¥ 7,820	¥ 18,772	¥ 832	¥ 21,774	**$ 33,471**
Cash flows from investing activities	**(16,794)**	(7,588)	(6,038)	(5,327)	(12,388)	(9,033)	**(178,564)**
Cash flows from financing activities	**17,740**	9,432	(6,551)	(11,312)	24,618	(15,062)	**188,623**
Cash and cash equivalents at end of the year	**19,961**	14,842	18,526	24,100	22,148	9,598	**212,238**
Number of employees	**10,194**	8,545	8,281	7,880	8,064	8,494	
Gross profit	**¥ 36,731**	¥ 35,928	¥ 40,613	¥ 37,201	¥ 37,095	¥ 54,476	**$ 390,547**
Gross profit ratio (%)	**15.2%**	16.8%	18.8%	19.1%	17.1%	20.7%	
Ratio of SG&A (%)	**15.6**	16.4	16.3	16.4	20.0	16.6	
Total net assets ratio (%)	**20.1**	21.3	22.0	21.5	19.4	35.2	

Note: U.S. dollar figures are translated, for convenience only, at the rate of ¥94.05 to US$1.00, the effective rate of exchange prevailing on March 31, 2013.

Financial Section
Management's Discussion & Analysis

Net Sales

On a consolidated basis, net sales for fiscal 2013, ended March 31, 2013, increased 12.8%, or ¥27.4 billion, compared with the previous fiscal year, to ¥241.7 billion ($2,570.7 million).

First, in the Automotive Systems Business, although affected by lower demand due to the economic slowdown in Europe, Sanden recorded increased income from sales through the year because of sales recovery in the United States, Asia, and Japan, and it succeeded in attaining new business and expanding existing business.

The segment's operating income decreased due to the delay of the effect of LCC (low-cost countries) procurement, support for local production, and production adjustment to demand fluctuations in Europe.

As a result of the above factors, segment sales were ¥152.6 billion ($1,623.5 million), up 8.4% from the previous fiscal year. The operating loss was ¥2.7 billion ($29.3 million), compared with operating income of ¥1.6 billion in the previous fiscal year.

Second, in the Commercial Store Systems Business, we made efforts to expand sales of original CO_2 compressors aggressively and strengthen production and sales systems globally. We attained new business and increased market share in existing business by winning customers' trust through proposing and providing environmentally friendly products, systems, and services to respond to the customers' growth strategies. As a result, we achieved significant increased income.

Operating income increased substantially compared to the previous fiscal year, not only due to the sales effect mentioned above, but also due to our ongoing efforts to improve productivity and strengthen our business condition.

As a result, the Commercial Store Systems Business segment sales were ¥80.0 billion ($851.4 million), up 22.7% from the previous fiscal year, and operating income was ¥3.7 billion ($39.7 million), up 723.2% from the previous fiscal year.

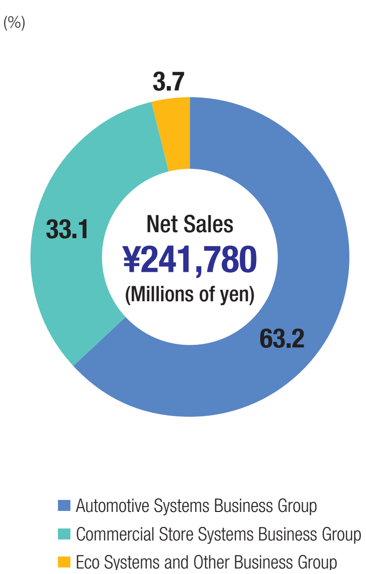
In Others, in accordance with the emphasized medium-term strategies of Sales Growth Centered on Environmental Technologies, we continued to invest in the development of "Eco Cute," a high-efficiency boiler, and residential water heating systems and bring other new products and models to market to expand sales.

Costs, Expenses, and Earnings

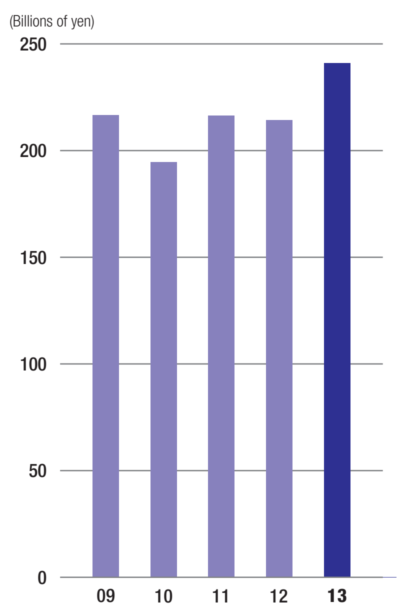
Net sales increased 12.8%, or ¥27.4 billion, as previously mentioned. The cost of sales increased 14.9%, or ¥26.6 billion, compared with the previous fiscal year, to ¥205.0 billion ($2,180.2 million). Consequently, gross profit amounted to ¥36.7 billion ($390.5 million), up 2.2%, or ¥0.8 billion, and the gross profit ratio dropped from 16.8% to 15.2%.

SG&A expenses increased 6.8%, or ¥2.4 billion, to ¥37.6 billion ($400.0 million), and the ratio of SG&A expenses to net sales dropped 0.8 percentage point, to 15.6%, compared with the previous fiscal year. Research and development (R&D) expenses, which are charged to the cost of sales and SG&A expenses, dropped 7.3%, or ¥0.5 billion, to ¥6.8 billion ($73.2 million). The

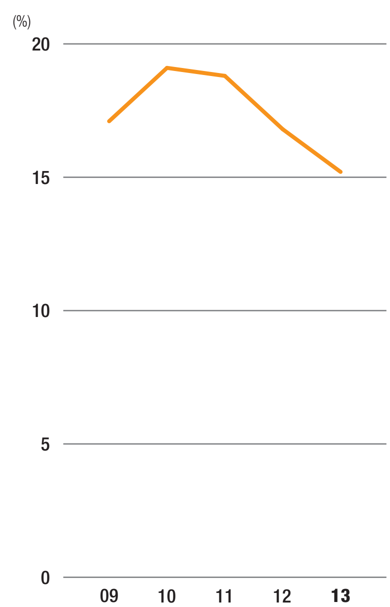
Breakdown of Net Sales



Net Sales
(Years ended March 31)



Gross Profit Ratio
(Years ended March 31)



ratio of R&D expenses to net sales dropped 0.7 percentage point, to 2.8%, compared with the previous fiscal year.

The Company established local production and supply systems in eight overseas units, continued implementing its "Radical Structural Reform" policies, and promoted the construction of an optimal locations procurement system, including LCC procurement. However, costs increased in Japan and overseas due to the start-up of local production, self-manufacture, and the switch to local production. Additionally, as a result of the delay of the LCC procurement and the investment for promoting its growth from the next fiscal year and structural reforms, costs have increased.

As a result, operating loss amounted to ¥0.8 billion ($9.5 million), compared with ¥0.7 billion in operating income in the previous fiscal year.

Other income, net, amounted to ¥1.7 billion ($18.1 million), compared with ¥0.6 billion in other income, net, in the previous fiscal year. This mainly resulted from ¥0.9 billion ($10.2 million) in exchange gains, net.

Sanden received compensation since earthquake damage was recorded in extraordinary income in the previous year; this year, Sanden recorded insurance income due to floods in Thailand and a social insurance refund in previous years in Europe as extraordinary income.

As a result of the above factors, income before income taxes and minority interests totaled ¥0.8 billion ($8.6 million), compared with ¥1.3 billion in the previous fiscal year. Net income amounted to ¥1.0 billion ($11.5 million), compared with ¥1.2 billion in the previous fiscal year. Return on equity was down from 2.7% to 2.3%.

Income Taxes

Total income taxes decreased ¥0.5 billion, to ¥0.0 billion ($0.0 million). In the previous fiscal year, Sanden and its domestic subsidiaries introduced a consolidated taxation system and recorded deferred tax assets by assessing the realizability of deferred tax assets in the tax consolidation group as a whole.

Financial Position

Total assets at fiscal year-end increased ¥35.0 billion, to ¥247.3 billion ($2,630.3 million). Total current assets amounted to ¥144.9 billion ($1,541.2 million), an increase of ¥19.1 billion from the previous fiscal year-end, mainly reflecting a ¥5.1 billion increase in cash and time deposits, a ¥6.0 billion increase in receivables, and a ¥4.9 billion increase in inventories.

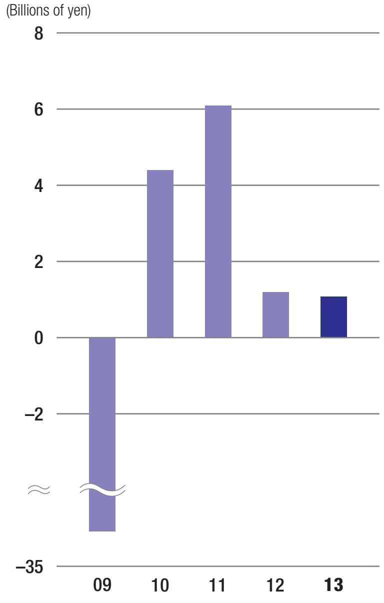
Total investments and other assets increased ¥3.2 billion, to ¥23.1 billion ($246.4 million). Contributing factors were a ¥2.5 billion increase in investment securities and a ¥0.9 billion increase in intangible assets.

Property, plant and equipment, at cost, less accumulated depreciation, increased ¥12.7 billion from the previous fiscal year-end, to ¥79.2 billion ($842.7 million), mainly reflecting an ¥11.9 billion increase in machinery and equipment.

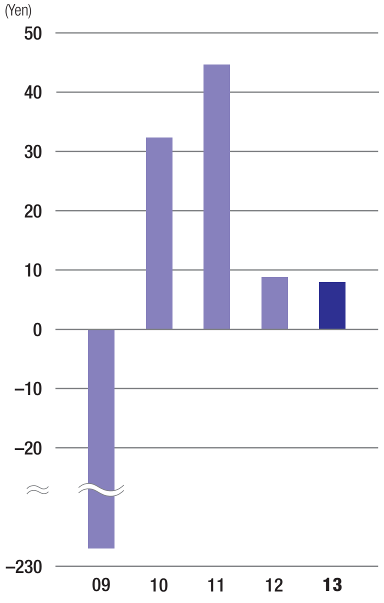
In liabilities, total current liabilities increased ¥7.2 billion, to ¥132.3 billion ($1,407.4 million), mainly reflecting a ¥12.9 billion increase in short-term bank loans, a ¥2.9 billion increase in payables, and a ¥9.5 billion decrease in long-term debt due within one year.

Total net assets increased ¥4.7 billion from the previous fiscal year-end, to ¥52.9 billion ($563.1 million). As a result, the total net assets ratio was 20.1%, compared with 21.3% at the end of the previous fiscal year.

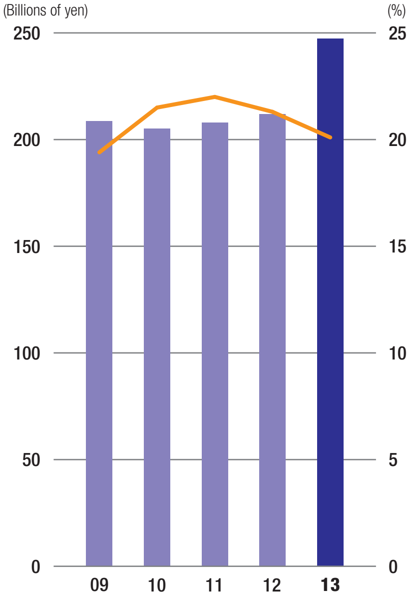
Net Income (Loss)
(Years ended March 31)



Net Income (Loss) per Share
(Years ended March 31)



Total Assets/Equity Ratio
(March 31)



Liquidity

(1) Cash Flows

Net cash provided in operating activities amounted to ¥3.1 billion ($33.4 million), compared with a cash outflow of ¥5.2 billion in the previous fiscal year, mainly reflecting ¥0.8 billion ($8.6 million) in income before income taxes and minority interests and an increase of ¥9.3 billion ($99.1 million) in depreciation and amortization expenses. On the other hand, the cash outflow mainly resulted from ¥4.0 billion ($43.2 million) in increased trade accounts and notes receivable, and ¥1.7 billion ($18.3 million) in decreased trade accounts and notes payable.

Net cash used in investing activities amounted to ¥16.7 billion ($178.5 million), up ¥9.2 billion from ¥7.5 billion in the previous fiscal year, mainly reflecting ¥15.5 billion ($165.5 million) in purchases of property, plant and equipment due to overseas capital investments related to local production and self-manufacture.

Net cash provided by financing activities amounted to ¥17.7 billion ($188.6 million), up ¥8.3 billion from ¥9.4 billion in the previous fiscal year. This mainly resulted from a cash outflow of ¥22.7 billion ($242.2 million) in repayment of long-term debt, a net cash inflow of ¥9.0 billion ($96.1 million) in a net increase in short-term bank loans, and ¥33.7 billion ($358.7 million) in new long-term debt.

Cash and cash equivalents at the end of the year increased from ¥14.8 billion at the end of the previous fiscal year to ¥19.9 billion ($212.2 million), as a result of the aforementioned activities and the impact of exchange rate fluctuations on the translation of overseas subsidiaries' cash and cash equivalents into Japanese yen.

(2) Capital Demands

The Sanden Group requires working capital primarily for the purchase of materials and parts for products manufactured by the Group, manufacturing costs, and such operating expenses as SG&A expenses.

Moreover, funds for capital investment are mainly required for enhancing both local production and self-manufacture for strengthening production system and development facilities, maintaining and renewing facilities related to streamlining, and acquiring molds for production. In the fiscal year under review, capital investments principally comprised investments related to the Group's Automotive Systems Business in Japan and overseas.

(3) Financing

With regard to financing, the Sanden Group makes decisions according to the intended use of funds as well as the timing, duration, and region in which the funds are required.

Group companies principally secure the required working capital by short-term bank loans. As of March 31, 2013, short-term bank loans amounted to ¥52.7 billion ($560.8 million) and were denominated primarily in Japanese yen, U.S. dollars, and Euros.

Funds for production facilities are obtained through long-term loans. As of March 31, 2013, long-term bank loans amounted to ¥65.8 billion ($699.6 million). A large part of the long-term bank loans was borrowed with fixed interest rates from financial institutions. It included ¥33.7 billion ($358.7 million) mainly in Japan for payment for facility investment.

We consider interest rates, the market environment, the ratio of direct and indirect fund-raising, bond ratings, and the business situation between financial institutions and the Company when deciding on appropriate long-term fund-raising.

The Sanden Group aims to maintain a firm financial position and believes that net cash provided by operating activities, such indirect financing as the funding of loans and issuance of bonds, and such direct financing as the issuance of stock provide possible sources of funds for future growth.

Business and Other Risks

The following is an overview of major business and other risks faced by the Sanden Group that may significantly affect investors' decisions. The Sanden Group examines risks and takes appropriate measures to control risks.

(1) Economic Conditions

The Sanden Group sells products—automotive air-conditioning systems, air-conditioner compressors, vending machines, and refrigerated showcases—throughout the world. Demand for these products is affected by economic conditions in the various countries and regions in which these products are sold. In particular, automobile market trends in North America, Europe, and Asia—the Automotive Systems Business's primary areas of operation—may affect the Group's business results and financial position.

(2) Fluctuations in Exchange Rates

The Sanden Group's global operations, including its Automotive Systems Business, involve currency transactions. In particular, exchange rate fluctuations in the Group's major transaction currencies—the U.S. dollar and the Euro—and currency fluctuations in China and other parts of Asia may affect the Group's business results and financial position.

In addition, the currencies stated in the financial statements of foreign consolidated subsidiaries and companies accounted for by the equity method have been translated into Japanese yen and incorporated into Sanden's consolidated financial statements. Therefore, the foreign exchange rate at the time of these translations may affect net income and stockholders' equity as accounted for in the consolidated financial statements.

(3) Changes in Raw Material Market Conditions

Operations of the Automotive Systems Business and the Commercial Store Systems Business primarily involve the manufacture and supply of products and systems. As these operations involve the procurement of raw materials and parts, upswings in these markets resulting in higher manufacturing costs may affect the Group's business results and financial position.

(4) Natural Disaster

There is a possibility of an influence on our business results and financial position by the halting of our production activities and a delay of materials and parts deliveries, if the manufacturing base and the business base of our Group suffer serious damage as a result of a natural disaster, such as earthquakes.

(5) New Product Development

The operations of the Automotive Systems Business and the Commercial Store Systems Business extend throughout the world and encompass the development of cutting-edge technologies and the application of those technologies to products. At times, the Group may not be able to fully predict or respond to market trends and changes, including in the areas of product development and market introduction, and this may affect the Group's business results and financial position.

(6) Potential Risks Associated with International Operations and Entry into Overseas Markets

The operations of the Automotive Systems Business and the Commercial Store Systems Business encompass development, manufacturing, and sales bases located in 23 countries and regions in North America, Europe, and Asia. Business activities in these countries and regions are subject to the following risks:

1. Changes in and revisions to laws and regulations in countries in which the Group operates
2. Changes in the economic and political climate
3. Unstable political situations
4. Labor disputes and marine transport related strikes

Any of the aforementioned events may affect the Group's business results and financial position.

(7) Price Competition

The Sanden Group's operating conditions are marked by increasingly fierce price competition in the automobile and vending machine industries, and demands from automobile and beverage manufacturers to lower prices intensify every year. Furthermore, the Group expects competition from rivals to increase significantly in the future.

The Group believes that its products possess a competitive advantage in terms of quality, cost, and technology. However, in the aforementioned difficult business environment, there is no guarantee of maintaining such advantages, including in regard to the supply of materials and parts, and this may affect the Group's business results and financial position.

(8) Reliance on Customer Performance

The Sanden Group provides products to automobile and beverage manufacturers around the world. Therefore, customer performance and other factors that are beyond the control of the management may affect the Group's business results and financial position.

(9) Limitations on Intellectual Property Protection

The Sanden Group has accumulated a wide range of proprietary technologies, know-how, and other intellectual property through its development activities over a long period. Legal restrictions in certain regions may prevent the Group from completely protecting its intellectual property or restrain the Group from fundamentally restricting third parties to manufacture imitations of the Group's products through the use of its intellectual property.

(10) Product Defects

The Sanden Group manufactures an array of high-quality products in conformance with strict quality standards employed around the world. However, product liability claims related to items manufactured by the Group may arise in the future and could substantially affect the Group's business results and financial position.

(11) Legal and Regulatory Risks

The Sanden Group is subject to various government regulations in the countries and regions in which it operates, including business investment related to licensing, import and export restrictions, and the imposition of customs duties. In the event that the Group cannot comply with trade and commerce, antitrust, patent infringement, corporate income and value-added tax, currency trading, environmental management, and other regulations, the Group's business activities may be restricted, and this could affect the Group's business results and financial position.

In addition, the Sanden Group's operations are subject to a wide range of environmental legislation, including air pollution, water contamination, hazardous substance use, waste disposal, product recycling, and soil pollution regulations.

(12) Financial Covenants of Fund Procurement

The Sanden Group has entered syndicated-loan contracts with several financial institutions for stable funding procurement, the contracts including some financial covenants; in cases when the Company runs afoul of these provisions, full redemption may be appealed, and this may affect our financial condition.

As described in Note 9 to consolidated financial statements, at the end of March 2013, the Company did not run afoul of these provisions during the fiscal year ended March 31, 2013. Therefore, there are no particular concerns about our cash flow.

Consolidated Balance Sheets

Sanden Corporation and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and time deposits (Notes 6, 9 and 15)	**¥ 19,970**	¥ 14,851	**$ 212,333**
Receivables (Notes 6 and 9):			
Trade notes and accounts	**51,060**	42,494	**542,902**
Unconsolidated subsidiaries and affiliates	**16,134**	16,048	**171,547**
Other	**2,484**	4,731	**26,411**
Allowance for doubtful accounts	**(1,025)**	(693)	**(10,898)**
Inventories (Notes 3 and 9)	**44,629**	39,654	**474,524**
Deferred income taxes (Note 5)	**3,588**	2,199	**38,149**
Prepaid expenses and other current assets	**8,107**	6,556	**86,198**
Total current assets	**144,950**	125,842	**1,541,201**
Investments and other assets:			
Investment securities (Notes 4 and 6):			
Unconsolidated subsidiaries and affiliates	**9,748**	9,382	**103,646**
Other	**8,224**	6,065	**87,442**
Deferred income taxes (Note 5)	**890**	810	**9,463**
Intangible assets	**3,233**	2,302	**34,375**
Other	**1,075**	1,386	**11,430**
Total investments and other assets	**23,174**	19,947	**246,400**
Property, plant and equipment, at cost (Note 9)**:**			
Land	**20,004**	18,727	**212,695**
Buildings and structures	**52,057**	48,888	**553,503**
Machinery and equipment	**94,976**	83,048	**1,009,845**
Furniture and fixtures	**29,593**	26,168	**314,651**
Lease assets	**21,169**	20,422	**225,082**
Construction in progress	**6,821**	3,955	**72,525**
Total	**224,623**	201,210	**2,388,335**
Accumulated depreciation	**(145,360)**	(134,700)	**(1,545,560)**
Net property, plant and equipment	**79,262**	66,510	**842,764**
Total assets	**¥247,387**	¥212,300	**$2,630,377**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Short-term bank loans (Notes 6 and 9)	**¥ 52,747**	¥ 39,807	**$ 560,839**
Long-term debt due within one year (Notes 6 and 9)	**12,651**	22,197	**134,513**
Payables (Note 6):			
Trade notes and accounts	**43,980**	42,869	**467,623**
Unconsolidated subsidiaries and affiliates	**722**	492	**7,676**
Other	**7,857**	6,244	**83,540**
Income taxes payable (Notes 5 and 6)	**1,106**	482	**11,759**
Accrued employees' bonuses	**2,890**	2,541	**30,728**
Accrued liabilities	**1,744**	1,690	**18,543**
Lease obligations due within one year (Notes 6 and 9)	**1,115**	1,222	**11,855**
Deferred income taxes (Note 5)	**—**	58	**—**
Other current liabilities	**7,558**	7,493	**80,361**
Total current liabilities	**132,373**	125,100	**1,407,474**
Long-term liabilities:			
Long-term debt due after one year (Notes 6 and 9)	**53,149**	30,294	**565,114**
Employees' retirement benefits (Note 8)	**3,063**	2,894	**32,567**
Officers' retirement benefits	**179**	181	**1,903**
Deferred income taxes (Note 5)	**1,018**	827	**10,824**
Lease obligations due after one year (Notes 6 and 9)	**3,505**	3,606	**37,267**
Other noncurrent liabilities (Note 13)	**1,136**	1,196	**12,078**
Total long-term liabilities	**62,052**	39,000	**659,776**
Contingent liabilities (Note 12)			
Net assets (Note 10)			
Stockholders' equity:			
Common stock:			
Authorized: 396,000,000 shares			
Issued: 140,331,565 shares	**11,037**	11,037	**117,352**
Capital surplus	**4,453**	4,453	**47,347**
Retained earnings	**39,855**	39,565	**423,763**
Treasury stock, at cost: 4,057,097 and 4,048,159 shares in 2013 and 2012, respectively	**(2,197)**	(2,195)	**(23,359)**
Total stockholders' equity	**53,149**	52,861	**565,114**
Accumulated other comprehensive income:			
Net unrealized gains (losses) on securities, net of taxes	**1,821**	718	**19,362**
Unrealized gains (losses) on hedging derivatives, net of taxes	**113**	33	**1,201**
Foreign currency translation adjustments	**(5,433)**	(8,492)	**(57,767)**
Total accumulated other comprehensive income	**(3,498)**	(7,740)	**(37,192)**
Minority interests in consolidated subsidiaries	**3,309**	3,078	**35,183**
Total net assets	**52,961**	48,199	**563,115**
Total liabilities and net assets	**¥247,387**	¥212,300	**$2,630,377**

Consolidated Statements of Income

Sanden Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales (Note 18)	**¥241,780**	¥214,282	**$2,570,760**
Cost of sales (Note 18)	**205,048**	178,353	**2,180,202**
Gross profit	**36,731**	35,928	**390,547**
Selling, general and administrative expenses (Notes 18 and 19)	**37,627**	35,215	**400,074**
Operating income (loss) (Note 18)	**(896)**	712	**(9,526)**
Other income (expenses):			
Interest and dividend income	**239**	224	**2,541**
Exchange gains (losses), net	**968**	(298)	**10,292**
Equity in net income of unconsolidated subsidiaries and affiliates	**1,665**	990	**17,703**
Interest expense	**(2,272)**	(2,015)	**(24,157)**
Insurance income	**340**	1,124	**3,615**
Gain (loss) on sales and disposals of property, plant and equipment, net	**(139)**	(165)	**(1,477)**
Other than temporary loss on securities	**—**	(365)	**—**
Impairment loss on long-lived assets (Notes 18 and 20)	**(38)**	—	**(404)**
Reversal of impairment loss (Note 20)	**—**	605	**—**
Loss on disaster	**—**	(112)	**—**
Other, net	**944**	690	**10,037**
Other income (expenses), net	**1,709**	677	**18,171**
Income before income taxes and minority interests	**812**	1,390	**8,633**
Income taxes (Note 5)**:**			
Current	**1,551**	867	**16,491**
Deferred	**(1,546)**	(280)	**(16,438)**
Total income taxes	**5**	587	**53**
Income before minority interests	**807**	803	**8,580**
Minority interests	**(277)**	(401)	**(2,945)**
Net income	**¥ 1,084**	¥ 1,204	**$ 11,525**

	Yen		U.S. dollars (Note 1)
	2013	2012	**2013**
Amounts per share of common stock:			
Net income:			
Basic	**¥ 7.96**	¥ 8.84	**$ 0.08**
Diluted	**—**	—	**—**
Cash dividends applicable to the year	**10.00**	7.50	**0.11**

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sanden Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Income before minority interests	**¥ 807**	¥ 803	**$ 8,580**
Other comprehensive income (Note 11):			
Net unrealized gains (losses) on securities, net of taxes	**1,101**	605	**11,706**
Unrealized gains (losses) on hedging derivatives, net of taxes	**80**	183	**850**
Foreign currency translation adjustments	**3,440**	(1,341)	**36,576**
Share of other comprehensive income of affiliates accounted for using equity method	**(97)**	(194)	**(1,031)**
Total other comprehensive income	**4,524**	(746)	**48,102**
Comprehensive income (Note 11)	**¥5,331**	¥ 57	**$56,682**
Total comprehensive income attributable to (Note 11):			
Owners of the parent	**¥5,326**	¥ 472	**$56,629**
Minority interests	**5**	(415)	**53**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sanden Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen										
	Stockholders' equity					Accumulated other comprehensive income					
As of March 31, 2012	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	¥11,037	¥4,453	¥39,381	¥(2,191)	¥52,681	¥ 112	¥(149)	¥(6,971)	¥(7,008)	¥3,655	¥49,329
Net income	—	—	1,204	—	1,204	—	—	—	—	—	1,204
Cash dividends paid (¥7.50 per share)	—	—	(1,021)	—	(1,021)	—	—	—	—	—	(1,021)
Net increase in net unrealized gains on securities, net of taxes	—	—	—	—	—	606	—	—	606	—	606
Net increase due to changes in fair value of hedging derivatives	—	—	—	—	—	—	183	—	183	—	183
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	—	(1,521)	(1,521)	—	(1,521)
Net increase in minority interests	—	—	—	—	—	—	—	—	—	(577)	(577)
Disposal of treasury stock	—	—	—	—	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	(3)	(3)	—	—	—	—	—	(3)
Balance at end of year	¥11,037	¥4,453	¥39,565	¥(2,195)	¥52,861	¥ 718	¥ 33	¥(8,492)	¥(7,740)	¥3,078	¥48,199

As of March 31, 2013											
Balance at beginning of year	¥11,037	¥4,453	¥39,565	¥(2,195)	¥52,861	¥ 718	¥ 33	¥(8,492)	¥(7,740)	¥3,078	¥48,199
Net income	**—**	**—**	**1,084**	**—**	**1,084**	**—**	**—**	**—**	**—**	**—**	**1,084**
Change in scope of consolidation	**—**	**—**	**227**	**—**	**227**	**—**	**—**	**—**	**—**	**—**	**227**
Cash dividends paid (¥10.00 per share)	**—**	**—**	**(1,021)**	**—**	**(1,021)**	**—**	**—**	**—**	**—**	**—**	**(1,021)**
Net increase in net unrealized gains on securities, net of taxes	**—**	**—**	**—**	**—**	**—**	**1,102**	**—**	**—**	**1,102**	**—**	**1,102**
Net increase due to changes in fair value of hedging derivatives	**—**	**—**	**—**	**—**	**—**	**—**	**80**	**—**	**80**	**—**	**80**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,059**	**3,059**	**—**	**3,059**
Net increase in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**230**	**230**
Disposal of treasury stock	**—**	**—**	**(0)**	**2**	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Acquisition of treasury stock	**—**	**—**	**—**	**(4)**	**(4)**	**—**	**—**	**—**	**—**	**—**	**(4)**
Balance at end of year	**¥11,037**	**¥4,453**	**¥39,855**	**¥(2,197)**	**¥53,149**	**¥1,821**	**¥113**	**¥(5,433)**	**¥(3,498)**	**¥3,309**	**¥52,961**

	Thousands of U.S. dollars (Note 1)										
	Stockholders' equity					Accumulated other comprehensive income					
As of March 31, 2013	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at beginning of year	$117,352	$47,347	$420,680	$(23,338)	$562,052	$ 7,634	$ 350	$(90,292)	$(82,296)	$32,727	$512,482
Net income	**—**	**—**	**11,525**	**—**	**11,525**	**—**	**—**	**—**	**—**	**—**	**11,525**
Change in scope of consolidation	**—**	**—**	**2,413**	**—**	**2,413**	**—**	**—**	**—**	**—**	**—**	**2,413**
Cash dividends paid ($0.11 per share)	**—**	**—**	**(10,855)**	**—**	**(10,855)**	**—**	**—**	**—**	**—**	**—**	**(10,855)**
Net increase in net unrealized gains on securities, net of taxes	**—**	**—**	**—**	**—**	**—**	**11,717**	**—**	**—**	**11,717**	**—**	**11,717**
Net increase due to changes in fair value of hedging derivatives	**—**	**—**	**—**	**—**	**—**	**—**	**850**	**—**	**850**	**—**	**850**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**32,525**	**32,525**	**—**	**32,525**
Net increase in minority interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,445**	**2,445**
Disposal of treasury stock	**—**	**—**	**(0)**	**21**	**10**	**—**	**—**	**—**	**—**	**—**	**10**
Acquisition of treasury stock	**—**	**—**	**—**	**(42)**	**(42)**	**—**	**—**	**—**	**—**	**—**	**(42)**
Balance at end of year	**$117,352**	**$47,347**	**$423,763**	**$(23,359)**	**$565,114**	**$19,362**	**$1,201**	**$(57,767)**	**$(37,192)**	**$35,183**	**$563,115**

See accompanying notes.

Consolidated Statements of Cash Flows

Sanden Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 812**	¥ 1,390	**$ 8,633**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**9,324**	9,279	**99,138**
Amortization of goodwill	**(130)**	(108)	**(1,382)**
Contribution to retirement benefit trust	**—**	(3,655)	**—**
Insurance income	**(340)**	(1,124)	**(3,615)**
Equity in net income of unconsolidated subsidiaries and affiliates	**(1,665)**	(990)	**(17,703)**
Gain (loss) on sales and disposals of property, plant and equipment, net	**139**	165	**1,477**
Other than temporary loss on securities	**—**	365	**—**
Impairment loss on long-lived assets	**38**	—	**404**
Reversal of impairment loss	**—**	(605)	**—**
Decrease (increase) in assets:			
Trade accounts and notes receivable	**(4,071)**	(2,519)	**(43,285)**
Inventories	**145**	(7,453)	**1,541**
Accounts receivable—other	**670**	(1,212)	**7,123**
Provision for doubtful accounts	**264**	(64)	**2,807**
Other current assets	**139**	792	**1,477**
Increase (decrease) in liabilities:			
Trade accounts and notes payable	**(1,724)**	(157)	**(18,330)**
Accrued employees' bonuses	**287**	(637)	**3,051**
Accounts payable—other	**1,003**	(226)	**10,664**
Other current liabilities	**(459)**	(532)	**(4,880)**
Income taxes paid	**(808)**	(1,225)	**(8,591)**
Other, net	**(478)**	3,292	**(5,082)**
Net cash flows from operating activities	**3,148**	(5,227)	**33,471**
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(15,567)**	(9,956)	**(165,518)**
Proceeds from sale of property, plant and equipment	**349**	423	**3,710**
Purchases of intangible assets	**(846)**	(1,325)	**(8,995)**
Proceeds from refunds of post-retirement pension fund	**—**	3,655	**—**
Other, net	**(729)**	(386)	**(7,751)**
Net cash flows from investing activities	**(16,794)**	(7,588)	**(178,564)**
Cash flows from financing activities:			
Net (decrease) increase in short-term bank loans	**9,047**	17,682	**96,193**
Payment for redemption of bonds	**—**	(8,600)	**—**
Proceeds from long-term debt	**33,738**	12,433	**358,724**
Repayment of long-term debt	**(22,784)**	(9,775)	**(242,254)**
Repayment of lease obligations	**(1,236)**	(1,238)	**(13,141)**
Cash dividends paid	**(1,021)**	(1,021)	**(10,855)**
Other, net	**(3)**	(48)	**(31)**
Net cash flows from financing activities	**17,740**	9,432	**188,623**
Effect of exchange rate changes on cash and cash equivalents	**1,012**	(215)	**10,760**
Net increase (decrease) in cash and cash equivalents	**5,107**	(3,598)	**54,300**
Cash and cash equivalents at beginning of year	**14,842**	18,526	**157,809**
Increase (decrease) in cash and cash equivalents from new consolidation/ de-consolidation of subsidiaries	**11**	(84)	**116**
Cash and cash equivalents at end of year (Note 15)	**¥19,961**	¥14,842	**$212,238**

See accompanying notes.

Notes to Consolidated Financial Statements

Sanden Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Sanden Corporation (the "Company"), a Japanese corporation, and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five items as applicable. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

Consolidation**—**The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (51 subsidiaries in 2013 and 2012). For the purposes of preparing the consolidated financial statements, all significant intercompany balances, transactions and unrealized profits have been eliminated.

In accordance with the Accounting Principles for Consolidated Financial Statements (the "Accounting Principles"), all companies are required to consolidate all significant investees, which are controlled through substantial ownership of majority voting rights or the existence of certain conditions.

The changes in the scope of consolidation are as follows:

Sanden Vikas (India) Ltd. was changed into a consolidated subsidiary from an unconsolidated subsidiary accounted for by the equity method due to an increase in the Company's influence over Sanden Vikas (India) Ltd. in 2013.

Sanden Vikas Precision Parts Private Limited, Sanden Manufacturing Mexico S.A. de C.V. and Sanden Recursos Mexico SRL de C.V. were included in the scope of consolidation in 2013 due to new establishment.

SandenVendo France S.A.S. was excluded from the scope of consolidation in 2013 due to its liquidation.

Sanden Technical Center (Europe) GmbH. and two other companies which had been included in the scope of consolidation were merged into Sanden International (Europe) Ltd. in 2013.

Sanwa Coatex Co., Ltd. was excluded from the scope of consolidation and is accounted for by the equity method in 2012 due to a decrease in the Company's influence over Sanwa Coatex Co., Ltd.

Although Tianjin Sanden Automotive Air-Conditioning Co., Ltd., Sanden Shanghai Refrigeration Co., Ltd., Sanden (Suzhou) Precision Parts Co., Ltd., Kunshan Zhenhua Refrigerating Machine Co., Ltd., Sanden Chongqing Automotive Air Conditioning Co., Ltd., Sanden Shanghai Environment Thermal Systems Corp., Sanden Mexicana, S.A. de C.V., Consorcio Teksan, S.A. de C.V., Sanden Manufacturing Mexico S.A. de C.V. and Sanden Recursos Mexico SRL de C.V. are included based on their fiscal year ended December 31, significant transactions that occurred in the period between December 31 and March 31 were reflected in the consolidated financial statements.

Equity method**—**The equity method was applied to the investments in 8 affiliates in 2013, an unconsolidated subsidiary and 8 affiliates in 2012. Investments in all other unconsolidated subsidiaries and affiliated companies are stated at acquisition cost. These companies are not accounted for by the equity method, due to their impact being not significant to consolidated net income or loss, consolidated retained earnings or other. Earnings of such companies are recorded in the Company's books only to the extent that cash dividends are received.

The Company has unconsolidated subsidiaries and affiliated companies, which are not accounted for by the equity method. The principal company is Sanpak Engineering Industries PVT. Ltd. Although we excluded the influence of it from consolidated financial statements, we determined the influence was immaterial to total assets, net profit or loss, and retained earnings.

Allowance for doubtful accounts**—**Under Japanese accounting standards for financial instruments, the allowance for doubtful accounts provided by the Company and its domestic subsidiaries consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated using an experienced rate with respect to the remaining receivables.

Consolidated overseas subsidiaries have provided an allowance for doubtful accounts at the estimated amounts of possible losses.

Inventories**—**In the case of the Company and its consolidated domestic subsidiaries, inventories are principally stated at the weighted-average cost, unless the market value of inventories declines significantly and is not expected to recover to cost, In such cases, cost is reduced to net realizable value. In the case of consolidated overseas subsidiaries, inventories are stated at the lower of weighted-average cost or market value.

Investment securities**—**Securities of the Company and its consolidated subsidiaries are classified as: a) equity securities issued by unconsolidated subsidiaries and affiliated companies and b) available-for-sale securities. The Company and its consolidated subsidiaries do not own trading securities or held-to-maturity debt securities.

Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for by the equity method are stated at acquisition cost and written down to a suitable value if the securities have been significantly impaired.

Available-for-sale securities for which fair value is readily determinable are reported at market value. Unrealized gains or losses, net of taxes are posted in a separate component of net assets.

Available-for-sale securities for which fair value is not readily determinable are stated at cost determined by the moving-average cost.

Those available-for-sale securities for which fair value is either readily determinable or not are written down to an estimated realizable value if the securities have been significantly impaired.

Derivatives and hedges—Derivatives financial instruments are principally stated at fair value and changes in the fair value are recognized as gains and losses in the consolidated statements of income.

If derivatives financial instruments are used as hedges and meet certain hedging criteria, the gains or losses resulting from changes in the fair value of derivatives are reported in accumulated comprehensive income in the consolidated balance sheets until the related gains and losses on the hedged items are recognized.

If interest swaps of the Company and its consolidated domestic subsidiaries are used as hedges and meet certain hedge criteria, the net settlement of interest under such an interest rate swap is reported as a component of interest on related hedged assets or liabilities. ("Exceptional method")

The Company and its consolidated subsidiaries use forward exchange contracts, currency swaps, interest swaps and commodity swaps mainly for the purpose of mitigating (i) fluctuation risk of foreign currency exchange rates with respect to receivables in foreign currency and future transactions in foreign currency, (ii) fluctuation risk of interest rates with respect to long-term debt, and (iii) fluctuation risk of commodity prices of raw materials.

The Company and its consolidated subsidiaries evaluate hedging effectiveness annually by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging derivatives.

Property, plant and equipment—Property, plant and equipment are stated at cost. Depreciation for the Company and its consolidated domestic subsidiaries is computed primarily using the declining-balance method, except for buildings acquired after March 31, 1998, which are depreciated using the straight-line method. Depreciation of assets whose acquisition costs are between ¥100 thousand and ¥200 thousand is provided using the straight-line method over three years.

Depreciation for the consolidated overseas subsidiaries is computed using the straight-line method.

Depreciation calculations are based upon the following estimated useful lives:

Buildings and structures	8 to 50 years
Machinery and equipment	3 to 13 years

Goodwill and intangible assets—Amortization of goodwill is determined on a case-by-case basis and is generally amortized over a period of five years using the straight-line method. Intangible assets are amortized using the straight-line method over the estimated useful lives.

Long-lived assets impairment—Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group or the net selling price at disposition.

The impairment of assets for certain overseas subsidiaries is accounted for in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, which requires long-lived assets and certain identifiable intangibles to be held and used by an entity to be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Accounting for lease transactions as lessee—For the finance leases without ownership transfer, the Company and its consolidated subsidiaries account for them in the same manner as usual sales transactions. Additionally, depreciation of lease assets is computed using the straight-line method over the lease period with zero salvage value.

Income taxes—The provision for income taxes is computed based on pre-tax income included in the consolidated statements of income. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement earning amounts and tax basis of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Retirement benefits—The Company and its consolidated subsidiaries provided for employees' severance and retirement benefits by basing calculations on the estimated present value of retirement benefit obligations and the estimated fair value of the pension plan assets as of the balance sheet date.

The net transition obligation as of the adopting date of the new standards is amortized mainly over 15 years using the straight-line method. Unrecognized previous service costs are amortized within the remaining service years of active employees, and unrecognized net actuarial gains or losses are amortized within the remaining service years of active employees commencing with the following fiscal years using the straight-line method.

Retirement benefits to directors, officers and corporate auditors of the Company are provided in accordance with the internal rules.

In June 2005, the Company terminated the retirement benefits plan to directors, officers and corporate auditors. The retirement benefits amounts for each director, officer and corporate auditor at the termination date are settled and no additional benefits are granted. The balance sheet amount of the officers' retirement benefits at March 31, 2013 and 2012 consists of the benefits granted to directors, officers and corporate auditors previous to the termination.

(Additional information in the fiscal year ended March 31, 2012)
The Company contributed ¥3,655 million to the employee retirement benefit trust in order to improve the financial condition of the retirement benefits in the fiscal year ended March 31, 2012. As a result, the balance of the allowances for retirement benefits decreases the same amount.

***Foreign currency translation*—**Under Japanese accounting standards, all receivables and payables denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date, and differences arising from translation are included in the consolidated statements of income.

***Translation of financial statements of foreign subsidiaries and affiliated companies*—**The balance sheet accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the year-end rates. Annual revenue and expense accounts are accumulated amounts of quarterly figures that are translated at the quarterly average rates of exchange.

The increase and decrease in net assets resulting from this translation procedure were reported as foreign currency translation adjustments in the net assets.

***Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*—**The Company adopted Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18" revised on February 19, 2010).

PITF No. 18 describes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidated process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) Amortization of goodwill
(2) Actuarial gain and loss of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties and the revaluation model for property, plant and equipment, and intangible assets
(5) Accounting for net income attributable to a minority interest

***Consolidated statements of cash flows*—**In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

***Amounts per share*—**Basic net income per share of common stock is computed using the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share of common stock is computed using the weighted-average number of shares of common stock outstanding during the year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of warrants. Cash dividends per share represent actual amounts declared as applicable to the respective years.

***Revenue recognition*—**The Company and its consolidated domestic subsidiaries generate revenue principally through the sales of finished products. In the Automotive Systems Business and the Other Business, sales revenue is recognized when products are shipped and the customer takes ownership. In the Commercial Store Systems Business, sales revenue is principally recognized when products are shipped. However, certain products require installation by the Company and its consolidated domestic subsidiaries and, in such cases, sales revenue is recognized at the time of installation at the customer location.

***Reclassifications*—**Certain previous year amounts have been reclassified to conform to the 2013 presentation effecting the changes of importance on some accounts. This reclassification had no impact on previously reported results of operations or retained earnings

Change in accounting policies

(Change in accounting policy with the amendment of respective law or regulation in the fiscal year ended March 31, 2013)
In accordance with the amendment in corporate tax law, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the method prescribed in the amended corporate tax law. Due to this change, operating loss decreased by ¥168 million, and income before income taxes and minority interests increased by the same amount, respectively.

(Change in accounting policy in the fiscal year ended March 31, 2012)
The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

Change in accounting estimate

(Change in accounting estimate in the fiscal year ended March 31, 2013)

Sanden International (U.S.A.) Inc., a subsidiary of the Company, has changed the useful lives of certain property, plant and equipment from the current fiscal year. Due to this change in the accounting estimate, for the fiscal year ended March 31, 2013, depreciation expense and operating loss each decreased by ¥93 million, and income before income taxes and minority interests increased by the same amount.

Accounting standards issued but not yet applied

Accounting standard for retirement benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits and related guidance that had been issued by the Business Accounting Council in 1998.

Under the revised accounting standard, actuarial gains and losses and past service costs are recognized within net assets in the consolidated balance sheets, after adjusting for tax effects, and funding deficit or surplus is recognized as a liability or an asset. In addition, in determining the method of attributing expected benefits to periods, the revised accounting standard allows a choice between either the straight-line method or the benefit formula method. The revised accounting standard also amends the method for determining the discount rate.

The Company expects to apply the revised accounting standard from the end of the fiscal year ending March 31, 2014. However, the Company plans to adopt the amendment to the calculation method for present value of defined benefit obligations and current service costs from the beginning of the fiscal year ending March 31, 2015.

The Company is currently evaluating the potential effects on the consolidated financial statements arising from the adoption of this revised accounting standard.

3. Inventories

The following is a summary of inventories at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Merchandise and finished goods	**¥20,179**	¥20,640	**$214,556**
Work in process	**8,160**	7,745	**86,762**
Raw materials	**13,197**	8,510	**140,318**
Other inventories	**3,091**	2,757	**32,865**
Total	**¥44,629**	¥39,654	**$474,524**

4. Investment in Securities

The following is a summary of the acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2013 and 2012.

	Millions of yen		
	2013		
Securities with book value exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**¥4,227**	**¥6,871**	**¥2,643**
Bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Total	**¥4,227**	**¥6,871**	**¥2,643**
Securities with book value not exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**¥ 168**	**¥ 147**	**¥(20)**
Bonds	**1,000**	**974**	**(25)**
Others	**—**	**—**	**—**
Total	**¥1,168**	**¥1,121**	**¥(46)**

	Millions of yen		
	2012		
Securities with book value exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	¥2,404	¥3,672	¥1,267
Bonds	—	—	—
Others	—	—	—
Total	¥2,404	¥3,672	¥1,267
Securities with book value not exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	¥2,037	¥1,878	¥(159)
Bonds	—	—	—
Others	299	283	(16)
Total	¥2,337	¥2,161	¥(175)

	Thousands of U.S. dollars (Note 1)		
	2013		
Securities with book value exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**$44,944**	**$73,056**	**$28,102**
Bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Total	**$44,944**	**$73,056**	**$28,102**
Securities with book value not exceeding acquisition cost	Acquisition cost	Book value	Difference
Equity securities	**$ 1,786**	**$ 1,562**	**$(212)**
Bonds	**10,632**	**10,356**	**(265)**
Others	**—**	**—**	**—**
Total	**$12,418**	**$11,919**	**$(489)**

The following is a summary of the book values of available-for-sale securities for which fair value was not readily determinable at March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Unlisted stock	**¥231**	¥231	**$2,456**

Total sales of available-for-sale securities for the years ended March 31, 2013 and 2012 amounted to ¥889 million ($9,452 thousand) and ¥43 million, and the related gains amounted to ¥19 million ($202 thousand) and ¥43 million, respectively.

5. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to corporation, inhabitants' and enterprise taxes, which, in the aggregate, indicate the statutory rate in Japan of approximately 37.8% and 40.5% for the years ended March 31, 2013 and 2012, respectively.

The following table summarizes the significant difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2013 and 2012:

	2013	2012
Statutory tax rate:	**37.8%**	40.5%
Nondeductible expense	**17.3**	4.7
Net foreign tax credit	**—**	3.9
Different rates applied to non-Japanese taxes	**(20.4)**	(29.3)
Valuation allowance	**(4.0)**	56.6
Tax effect for unrealized profits on inventories	**81.3**	(12.6)
Equity in net income of unconsolidated subsidiaries and affiliates	**(80.0)**	(28.4)
Amortization of goodwill	**(6.0)**	(3.2)
Amount of impact by the tax rate changes	**—**	12.0
Tax credit	**(29.5)**	(6.5)
Other	**4.2**	4.5
Effective tax rate	**0.7%**	42.2%

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Deferred tax assets:			
Unrealized profits on inventories from intercompany sales	**¥ 228**	¥ 504	**$ 2,424**
Accrued expenses	**96**	308	**1,020**
Excess warranty liabilities for tax purposes	**288**	379	**3,062**
Excess allowance for doubtful accounts for tax purposes	**82**	69	**871**
Doubtful accounts written off	**761**	761	**8,091**
Loss on devaluation for slow-moving inventory	**462**	480	**4,912**
Excess accrued employees' bonuses for tax purposes	**911**	744	**9,686**
Unrealized profits on fixed assets from intercompany sales	**314**	375	**3,338**
Excess depreciation for tax purposes	**398**	392	**4,231**
Excess employees' retirement benefits for tax purposes	**2,890**	2,888	**30,728**
Excess allowance for doubtful accounts for tax purposes	**12**	35	**127**
Net operating loss carryforward	**10,854**	10,533	**115,406**
Environmental liability	**223**	238	**2,371**
Impairment loss on long-lived assets	**1,100**	1,129	**11,695**
Other	**2,990**	2,281	**31,791**
Gross deferred tax assets	**21,616**	21,124	**229,835**
Less: Valuation allowance	**(15,689)**	(16,873)	**(166,815)**
Total deferred tax assets	**5,927**	4,251	**63,019**
Deferred tax liabilities:			
Retained earnings of overseas consolidated subsidiaries and affiliates	**(224)**	(257)	**(2,381)**
Depreciation	**(781)**	(924)	**(8,304)**
Net unrealized holding gain on securities	**(778)**	(376)	**(8,272)**
Effect on retained earnings at foreign affiliates	**(347)**	(280)	**(3,689)**
Other	**(334)**	(288)	**(3,551)**
Gross deferred tax liabilities	**(2,466)**	(2,127)	**(26,220)**
Net deferred tax assets	**¥ 3,460**	¥ 2,123	**$ 36,788**

Net deferred tax assets are included in the accompanying consolidated balance sheets as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Assets:			
Deferred income taxes	**¥ 3,588**	¥2,199	**$ 38,149**
Deferred income taxes, non-current	**890**	810	**9,463**
Liabilities:			
Deferred income taxes	**—**	(58)	**—**
Deferred income taxes, non-current	**(1,018)**	(827)	**(10,824)**
Net deferred tax assets	**¥ 3,460**	¥2,123	**$ 36,788**

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 37.8% for years beginning on or after April 1, 2012 and 35.4% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 37.8% and 35.4%, respectively.

6. Financial Instruments

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Sanden Group raises funds according to its medium-term financial plan, and it utilizes diversified financing methods of raising funds through bank loans or issuance of bonds. If surplus funds arise, the Sanden Group uses highly liquid instruments for the management of funds. The Sanden Group also enters into financial derivative transactions to hedge various risks, as described in detail below and does not use derivatives for speculative purposes.

(2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to the credit risks of customers. Receivables denominated in foreign currencies are exposed to foreign currency exchange risk. In principle, foreign exchange forward contracts are used to hedge this risk.

Marketable and investment securities are mostly shares of our related business partners, and are exposed to stock market fluctuation risk.

Maturities of trade notes and accounts payable are mostly within four months. Payables denominated in foreign currencies are exposed to foreign currency exchange risk. In principle, foreign exchange forward contracts are used to hedge this risk.

Principally, the purposes of long-term debt and lease obligations are for financing capital investment, and maturities are mostly within the next 15 years. A large part of them are borrowed or issued with fixed interest rates; therefore, there is no interest rate risk. The Sanden Group entered into interest swap agreements to reduce exposure to losses resulting from adverse fluctuations in interest rates on the part of obligations with floating interest rates.

In the fiscal year ended March 31, 2013, the Sanden Group entered into financial derivative transactions such as forward exchange contracts, to hedge exchange rate risk associated with foreign currency denominated trade receivables and payables, interest swap agreements to reduce exposure to losses resulting from adverse fluctuations in interest rates on bank loans and currency and interest swap agreements to hedge exchange rate risk and interest rate risk associated with foreign currency denominated bank loans, and commodity derivatives to hedge raw material price movement risk.

(3) Supplemental information on fair values

Fair values of financial instruments are measured based on the quoted market prices, if available, or reasonably assessed values if quoted market prices are not available. Fair values of financial instruments for which quoted market prices are not available are calculated based on certain assumptions, and the fair values might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in "7. Derivatives" does not represent the market risk of the derivative transactions.

2. Fair values of financial instruments (at March 31, 2013)

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2013 are as follows.

In addition, financial instruments, of which it is extremely difficult to measure the fair values, are not included. (Please see "Note 2. Financial instruments for which the fair values are extremely difficult to be measured")

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash and time deposits	**¥ 19,970**	**¥ 19,970**	**¥ —**
(2) Receivables*1	**68,654**	**68,654**	**—**
(3) Consumption taxes receivable*2	**3,728**	**3,728**	**—**
(4) Investment securities	**7,993**	**7,993**	**—**
Total assets	**¥100,347**	**¥100,347**	**¥ —**
(1) Payables	**¥ 52,559**	**¥ 52,559**	**¥ —**
(2) Short-term bank loans	**52,747**	**52,747**	**—**
(3) Lease obligations due within one year	**1,115**	**1,141**	**26**
(4) Income taxes payable	**1,106**	**1,106**	**—**
(5) Long-term debt	**65,801**	**66,066**	**265**
(6) Lease obligations due after one year	**3,505**	**3,608**	**103**
Total liabilities	**¥176,835**	**¥177,230**	**¥394**
Derivatives*3	**¥ (869)**	**¥ (869)**	**¥ —**

	Thousands of U.S. dollars (Note 1)		
	2013		
	Book value	Fair value	Difference
(1) Cash and time deposits	**$ 212,333**	**$ 212,333**	**$ —**
(2) Receivables*1	**729,973**	**729,973**	**—**
(3) Consumption taxes receivable*2	**39,638**	**39,638**	**—**
(4) Investment securities	**84,986**	**84,986**	**—**
Total assets	**$1,066,953**	**$1,066,953**	**$ —**
(1) Payables	**$ 558,841**	**$ 558,841**	**$ —**
(2) Short-term bank loans	**560,839**	**560,839**	**—**
(3) Lease obligations due within one year	**11,855**	**12,131**	**276**
(4) Income taxes payable	**11,759**	**11,759**	**—**
(5) Long-term debt	**699,638**	**702,456**	**2,817**
(6) Lease obligations due after one year	**37,267**	**38,362**	**1,095**
Total liabilities	**$1,880,223**	**$1,884,423**	**$4,189**
Derivatives*3	**$ (9,239)**	**$ (9,239)**	**$ —**

*1: Allowance for doubtful accounts associated with trade notes and accounts receivable is deducted.

*2: Consumption taxes receivable are included as part of prepaid expenses and other current assets.

*3: Derivative assets and liabilities are on a net basis.

Note 1: Fair value measurement of financial instruments

Assets

1. (1) Cash and time deposits, (2) Receivables and (3) Consumption taxes receivable

   The book value of these assets approximates fair value because of the short maturity of these instruments.

2. (4) Investment securities

   The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals the quoted market price or provided price by financial institutions. Investment securities based on holding purposes are described in “4. Investment in Securities”.

Liabilities

1. (1) Payables, (2) Short-term bank loans and (4) Income taxes payable

   The book value of these liabilities approximates fair value because of the short maturity of these instruments.

2. (3) Lease obligations due within one year, (5) Long-term debt and (6) Lease obligations due after one year

   Fair value equals to the present value of future cash flows discounted using the current interest rate for similar debt and lease contracts of comparable maturities and contract conditions.

Note 2: Financial instruments for which the fair values are extremely difficult to be measured were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2013	2013
Investment securities:		
Unlisted	**¥ 231**	**$ 2,456**
Unconsolidated subsidiaries and affiliates	**9,748**	**103,646**

The above are not included in “(4) Investment securities” because there is no market value and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for money claims and marketable securities with maturities at March 31, 2013 was as follows:

	Millions of yen	
	2013	
	Within 1 year	More than 1 year
Cash and time deposits	**¥19,970**	**¥ —**
Trade notes and accounts receivable	**65,893**	**—**
Other accounts receivable	**2,761**	**—**
Consumption taxes receivable	**3,728**	**—**
Marketable securities		
(1) Bonds	**—**	**1,000**
(2) Others	**—**	**—**
Total	**¥92,352**	**¥1,000**

	Thousands of U.S. dollars (Note 1)	
	2013	
	Within 1 year	More than 1 year
Cash and time deposits	**$212,333**	**$ —**
Trade notes and accounts receivable	**700,616**	**—**
Other accounts receivable	**29,356**	**—**
Consumption taxes receivable	**39,638**	**—**
Marketable securities		
(1) Bonds	**—**	**10,632**
(2) Others	**—**	**—**
Total	**$981,945**	**$10,632**

3. Fair values of financial instruments (at March 31, 2012)

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2012 are as follows.

In addition, financial instruments, of which it is extremely difficult to measure the fair values, are not included. (Please see "Note 2. Financial instruments for which the fair values are extremely difficult to be measured")

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 14,851	¥ 14,851	¥ —
(2) Receivables[*1]	62,579	62,579	—
(3) Consumption taxes receivable[*2]	3,256	3,256	—
(4) Investment securities	5,833	5,833	—
Total assets	¥ 86,523	¥ 86,523	¥ —
(1) Payables	¥ 49,606	¥ 49,606	¥ —
(2) Short-term bank loans	39,807	39,807	—
(3) Lease obligations due within one year	1,222	1,234	12
(4) Income taxes payable	482	482	—
(5) Long-term debt	52,491	52,977	486
(6) Lease obligations due after one year	3,606	3,684	77
Total liabilities	¥147,216	¥147,793	¥576
Derivatives[*3]	¥ (374)	¥ (374)	¥ —

*1: Allowance for doubtful accounts associated with trade notes and accounts receivable is deducted.
*2: Consumption taxes receivable are included as part of prepaid expenses and other current assets.
*3: Derivative assets and liabilities are on a net basis.

Note 1: Fair value measurement of financial instruments

Assets

1. (1) Cash and time deposits, (2) Receivables and (3) Consumption taxes receivable
The book value of these assets approximates fair value because of the short maturity of these instruments.
2. (4) Investment securities
The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals the quoted market price or provided price by financial institutions. Investment securities based on holding purposes are described in "4. Investment in Securities".

Liabilities

1. (1) Payables, (2) Short-term bank loans and (4) Income taxes payable
The book value of these liabilities approximates fair value because of the short maturity of these instruments.
2. (3) Lease obligations due within one year, (5) Long-term debt and (6) Lease obligations due after one year
Fair value equals to the present value of future cash flows discounted using the current interest rate for similar debt and lease contracts of comparable maturities and contract conditions.

Note 2: Financial instruments for which the fair values are extremely difficult to be measured were as follows:

	Millions of yen
	2012
Investment securities:	
Unlisted	¥ 231
Unconsolidated subsidiaries and affiliates	9,382

The above are not included in "(4) Investment securities" because there is no market value and it is extremely difficult to measure the fair value.

Note 3: The redemption schedule for money claims and marketable securities with maturities at March 31, 2012 was as follows:

	Millions of yen	
	2012	
	Within 1 year	More than 1 year
Cash and time deposits	¥14,851	¥ —
Trade notes and accounts receivable	57,483	—
Other accounts receivable	5,096	—
Consumption taxes receivable	3,256	—
Marketable securities		
(1) Bonds	—	—
(2) Others	—	283
Total	¥80,689	¥283

7. Derivatives

Forward exchange contracts and currency swaps which are stated at fair value and to which hedge accounting is not applied at March 31, 2013 and 2012 were as follows:

(Forward exchange contracts and currency swaps)

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2013			2012			**2013**		
Transaction	Contract amount	Fair value*1	Unrealized gains (losses)	Contract amount	Fair value*1	Unrealized gains (losses)	Contract amount	Fair value*1	Unrealized gains (losses)
Forward exchange contracts	**¥12,359**	**¥(975)**	**¥(975)**	¥11,834	¥(431)	¥(431)	**$131,408**	**$(10,366)**	**$(10,366)**
Currency swaps	**586**	**(7)**	**(7)**	—	—	—	**6,230**	**(74)**	**(74)**
Total	**¥12,946**	**¥(983)**	**¥(983)**	¥11,834	¥(431)	¥(431)	**$137,650**	**$(10,451)**	**$(10,451)**

*1: The valuation method of fair value has been changed since the year ended March 31, 2013 that excludes the contract value for the calculation, in which the contract amounts had been taken into consideration in the previous years. The retrospective revaluation of fair value as of March 31, 2012 has been performed accordingly.

Derivative transactions to which hedging accounting is applied at March 31, 2013 and 2012 are as follows:

(Forward exchange contracts and currency swaps)

			Millions of yen		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value*1
2013					
Deferral hedge accounting	Forward exchange contracts	Accounts receivable	**¥3,971**	**¥—**	**¥130**
Total			**¥3,971**	**¥—**	**¥130**

			Thousands of U.S. dollars (Note 1)		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value*1
2013					
Deferral hedge accounting	Forward exchange contracts	Accounts receivable	**$42,222**	**$—**	**$1,382**
Total			**$42,222**	**$—**	**$1,382**

			Millions of yen		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value*1
2012					
Deferral hedge accounting	Forward exchange contracts	Accounts receivable	¥6,541	¥—	¥95
Deferral hedge accounting	Currency swaps	Long-term debt	1,498	—	(5)
Total			¥8,039	¥—	¥90

*1: The valuation method of fair value has been changed since the year ended March 31, 2013 that excludes the contract value for the calculation, in which the contract amounts had been taken into consideration in the previous years. The retrospective revaluation of fair value as of March 31, 2012 has been performed accordingly.

(Interest swaps)

			Millions of yen		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value
2013					
Exceptional method	Receiving floating rate and paying fixed rate	Long-term debt	**¥31,590**	**¥29,389**	**¥—** *1
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Long-term debt	**2,776**	**2,776**	**(9)**
Total			**¥34,366**	**¥32,165**	**¥ (9)**

			Thousands of U.S. dollars (Note 1)		
			Contract amount		
Hedging accounting method	Transaction	Hedged items		More than 1 year	Fair value
2013					
Exceptional method	Receiving floating rate and paying fixed rate	Long-term debt	**$335,885**	**$312,482**	**$ —** *1
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Long-term debt	**29,516**	**29,516**	**(95)**
Total			**$365,401**	**$341,998**	**$(95)**

*1: For certain long-term debt due after one year for which interest swaps with exceptional methods are used to reduce exposure to losses resulting from adverse fluctuations in interest rates, the fair values of such swaps were included in the fair value of such long-term debt, which is the hedged item.

Hedging accounting method	Transaction	Hedged items	Millions of yen Contract amount	More than 1 year	Fair value
2012					
Exceptional method	Receiving floating rate and paying fixed rate	Long-term debt	¥29,450	¥15,590	¥ —*1
Deferral hedge accounting	Receiving floating rate and paying fixed rate	Long-term debt	1,961	—	(31)
Total			¥31,411	¥15,590	¥(31)

*1: For certain long-term debt due after one year for which interest swaps with exceptional methods are used to reduce exposure to losses resulting from adverse fluctuations in interest rates, the fair values of such swaps were included in the fair value of such long-term debt, which is the hedged item.

(Commodity swaps)

Hedging accounting method	Transaction	Hedged items	Millions of yen Contract amount	More than 1 year	Fair value*1
2013					
Deferral hedge accounting	Commodity swaps	Forecasted transaction			
	Receiving floating rate and paying fixed rate		**¥258**	**¥—**	**¥(6)**
Total			**¥258**	**¥—**	**¥(6)**

Hedging accounting method	Transaction	Hedged items	Thousands of U.S. dollars (Note 1) Contract amount	More than 1 year	Fair value*1
2013					
Deferral hedge accounting	Commodity swaps	Forecasted transaction			
	Receiving floating rate and paying fixed rate		**$2,743**	**$—**	**$(63)**
Total			**$2,743**	**$—**	**$(63)**

Hedging accounting method	Transaction	Hedged items	Millions of yen Contract amount	More than 1 year	Fair value*1
2012					
Deferral hedge accounting	Commodity swaps	Forecasted transaction			
	Receiving floating rate and paying fixed rate		¥33	¥—	¥(1)
Total			¥33	¥—	¥(1)

*1: The valuation method of fair value has been changed since the year ended March 31, 2013 that excludes the contract value for the calculation, in which the contract amounts had been taken into consideration in the previous years. The retrospective revaluation of fair value as of March 31, 2012 has been performed accordingly.

8. Retirement Benefits

The Company provides a defined contribution pension plan and post-retirement pension fund plan.

Retirement and severance benefits of the Company are determined based on the total of “ability-based grade points” determined according to each employee’s ability and “service points” determined according to the number of service years, multiplied by the base amount. Sixty percent of such benefits are contributed to the defined contribution plan and the remaining 40% may be credited to the Company’s post-retirement pension fund or alternatively may be added to the employees’ monthly payroll at the option of the employees. If the 40% is credited to the post-retirement pension fund, such portion will earn deemed interest, and retiring employees will receive the total of accumulated benefits and deemed interest thereon.

Commencing from July 1, 2005, the employees have been entitled to have an option to increase the defined contribution pension plan portion from 60% to 80% or 100%. The applicants also have been entitled to have an option to contribute the amount already credited to the post-retirement pension fund to the defined contribution pension plan.

Consolidated domestic subsidiaries also have their own retirement benefit plans for employees terminating their employment. Certain consolidated domestic subsidiaries have funded defined benefit plans or utilize the governmental mutual aid institution to cover a portion of the benefits. The remaining portion is unfunded and covered by severance payments by the companies.

Consolidated overseas subsidiaries have various retirement and post-retirement benefits plans. Such plans consist of defined benefit severance payment or pension plans, defined contribution pension plans, post-retirement medical plans and defined contribution plans based on government regulations. Certain such plans are funded.

The following table reconciles the funded status of defined benefit plans to the amounts recognized in the balance sheet as at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Projected benefit obligation	**¥(12,175)**	¥(11,393)	**$(129,452)**
Fair value of plan assets	**9,351**	7,896	**99,425**
Funded status	**(2,823)**	(3,497)	**(30,015)**
Unrecognized transition obligation	**4**	7	**42**
Unrecognized actuarial losses	**(268)**	574	**(2,849)**
Unrecognized previous service costs	**24**	21	**255**
Net liability recognized in the balance sheet	**¥ (3,063)**	¥ (2,894)	**$ (32,567)**

Severance and retirement benefit expenses for the years ended March 31, 2013 and 2012 comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Current service cost	**¥ 586**	¥ 609	**$ 6,230**
Interest expense	**269**	266	**2,860**
Expected return on plan assets	**(206)**	(196)	**(2,190)**
Amortization of transition obligation	**2**	2	**21**
Net actuarial losses recognized	**119**	32	**1,265**
Previous service costs recognized	**0**	(0)	**0**
Contributions to the defined contribution plans	**669**	678	**7,113**
Extra severance payments	**89**	126	**946**
	¥1,530	¥1,518	**$16,267**

The principal actuarial assumptions used to determine pension obligations at March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	**1.7–4.3%**	1.7–4.8%
Expected return on plan assets	**1.0–7.5%**	0.6–7.5%
Amortization periods for unrecognized actuarial gains or losses	**14 years**	14 years
Amortization periods for previous service costs	**14 years**	14 years
Amortization periods for transition obligation	**15 years**	15 years

9. Short-Term Borrowings, Long-Term Debt and Lease Obligations

Short-term bank loans bore weighted-average interest rates of 1.42% and 1.40% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Loans from banks, life insurance companies and agricultural cooperatives, bearing weighted-average rates of 2.01% and 2.11% at March 31, 2013 and 2012, respectively	**¥65,800**	¥52,491	**$699,627**
	65,800	52,491	**699,627**
Less: Amount due within one year	**12,651**	22,197	**134,513**
Amount due after one year	**¥53,149**	¥30,294	**$565,114**

The aggregate annual maturities of long-term debt at March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2014	¥12,651	$134,513
2015	10,203	108,484
2016	4,545	48,325
2017	13,139	139,702
2018	23,287	247,602
2019 and thereafter	1,973	20,978

The Sanden Group has entered syndicated-loan contracts with several financial institutions. Financial covenants included in the contracts are as follows:

Contracts at September 16, 2011 (¥10.0 billion of long-term debt)

(1) The amount of total net assets (excluding transaction adjustments) on the consolidated balance sheet at the end of each fiscal year and the interim period should be over ¥39.5 billion and 70% compared with the latest period and

(2) The ordinary losses on the consolidated statements of income for each fiscal year (after fiscal 2012) should not be recorded for three consecutive years.

The Company was in compliance with these provisions at March 31, 2013.

The following assets were pledged as collateral for short-term bank loans of ¥1,578 million ($16,778 thousand) and long-term debt of ¥3,939 million ($41,881 thousand) at March 31, 2013 and short-term bank loans of ¥605 million and long-term debt of ¥475 million at March 31, 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash and time deposits and other	**¥5,953**	¥ 899	**$63,296**
Land and Buildings and structures, net	**2,863**	1,562	**30,441**

The aggregate annual maturities of lease obligations at March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2014	¥1,115	$11,855
2015	961	10,217
2016	731	7,772
2017	636	6,762
2018	574	6,103
2019 and thereafter	601	6,390

10. Net Assets

Under the Japanese Corporate Law (the “Law”), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the amount paid of the new shares as additional paid-in capital, which is included in capital surplus.

The Law provides that a 10% dividend shall be appropriated as additional paid-in capital or the legal earnings reserve until an aggregate amount of additional paid-in capital and the legal earnings reserve equals 25% of common stock. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the stockholders’ meeting. Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and the entire legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law. At the annual stockholders' meeting held on June 21, 2013, the stockholders approved the distribution of dividends amounting to ¥1,366 million ($14,524 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013. Such appropriations are recognized in the period in which they are approved by the stockholders.

11. Comprehensive Income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net unrealized holding gains on securities, net of taxes:			
Increase (decrease) during the year	**¥1,524**	¥ 256	**$16,204**
Reclassification adjustments	**(19)**	322	**(202)**
Sub-total, before tax	**1,504**	578	**15,991**
Tax (expense) or benefit	**(403)**	27	**(4,284)**
Sub-total, net of tax	**1,101**	605	**11,706**
Unrealized gains on hedging derivatives, net of taxes:			
Increase (decrease) during the year	**226**	659	**2,402**
Reclassification adjustments	**(173)**	(444)	**(1,839)**
Sub-total, before tax	**52**	215	**552**
Tax (expense) or benefit	**27**	(31)	**287**
Sub-total, net of tax	**80**	183	**850**
Foreign currency translation adjustments	**3,440**	(1,341)	**36,576**
Share of other comprehensive income of affiliates accounted for using equity method:			
Increase (decrease) during the year	**(97)**	(194)	**(1,031)**
Total other comprehensive income	**¥4,524**	¥ (746)	**$48,102**

12. Contingent Liabilities

At March 31, 2013 and 2012, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Notes discounted	**¥ 31**	¥ 72	**$ 329**
Guarantees or reservation of guarantees for loans of affiliated companies from banks and other	**1,421**	2,780	**15,108**

13. Environmental Matters

The Vendo Company, a consolidated subsidiary located in the United States of America, was notified of the contamination of groundwater discovered in areas close to its manufacturing facility by the California State Regional Water Quality Control Board, and it entered into an agreement to contribute to the cost for remedial activities. The Vendo Company also entered into a settlement agreement with neighboring landowners to pay a part of the remediation costs related to the contamination described above.

The Company provided for the liability based on the estimated obligation relating to the costs for the remediation, which amounted to ¥558 million ($5,933 thousand) and ¥595 million at March 31, 2013 and 2012, respectively, and were included in other noncurrent liabilities.

14. Leases

The Company and its consolidated subsidiaries account for the finance lease without ownership transfer in the same manner as usual sales transactions.

The lease assets consist of structures, machinery and equipment, and furniture and fixtures. Besides that, leased software is included as part of "Intangible assets". These lease assets are mainly for Automotive Systems Business and Commercial Store Systems Business.

15. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash and time deposits	**¥19,970**	¥14,851	**$212,333**
Less: Time deposits over three months	**(9)**	(9)	**(95)**
Cash and cash equivalents	**¥19,961**	¥14,842	**$212,238**

16. Earning per Share

Basic or diluted net income per share of common stock for the years ended March 31, 2013 and 2012 is computed based on the following.

	Number of shares	
	2013	2012
Weighted-average number of shares of common stock	**136,280,558**	136,288,402

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net income	**¥1,084**	¥1,204	**$11,525**
Net income relating to common stock	**1,084**	1,204	**11,525**

	Yen		U.S. dollars (Note 1)
	2013	2012	**2013**
Basic net income per share of common stock	**¥7.96**	¥8.84	**$0.08**

There was no diluted net income per common share in the years ended March 31, 2013 and 2012 due to no dilutive potential common stock.

17. Related Party Transactions

Major transactions between the Company and certain companies owned by the Company directors or affiliates are as follows:

Company Name	Type of business	Ownership of the Company (%)	Nature of transaction	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
SANKYO DENKI SYOUJI Corporation	Real estate management	0.00	Rent of building	**¥ 73**	¥ 74	**$ 776**
			Rent of land	**4**	4	**42**
			Acquisition of land and other	**537**	—	**5,709**
Sanden Al Salam LLC.	Sales of automotive air-conditioning	43.00	Debt guarantee	**¥ 569**	¥ 2,026	**$ 6,057**
			Sales	**7,640**	10,929	**81,233**

Rent of building—The Company rents a building from an enterprise owned by a director of the Company and his relatives. The rent is determined with reference to comparable rent fees in neighboring areas.

Rent of land—The Company rents land from an enterprise owned by a director of the Company and his relatives. The rent was also determined in reference to comparable rent fees in neighboring areas.

Acquisition of land and other—The Company acquired land and other fixed assets from an enterprise owned by a director of the Company and his relatives. The acquisition cost was determined by reference to the appraisal report.

Debt guarantee—The Company provided a debt guarantee to a significant affiliate located in Dubai, the United Arab Emirates.

Sales—The terms and conditions applicable to the above material transactions have been determined on the basis of arm's length and by reference to the normal market price.

Under the accounting standard, in addition to the conventional disclosure subject, two material affiliates, Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd. and Sanden Al Salam LLC. were included in the disclosure. The summaries of financial statements to the two affiliates for the fiscal years ended March 31, 2013 and 2012 are as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2013		2012		**2013**	
	Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Sanden Al Salam LLC.	Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Sanden Al Salam LLC.	Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Sanden Al Salam LLC.
Total current assets	**¥25,932**	**¥22,777**	¥20,055	¥21,790	**$275,725**	**$242,179**
Total fixed assets	**8,720**	**616**	7,146	1,616	**92,716**	**6,549**
Total current liabilities	**20,253**	**18,724**	16,042	16,857	**215,342**	**199,085**
Total long-term liabilities	**225**	**110**	172	215	**2,392**	**1,169**
Total net assets	**14,173**	**4,560**	10,987	6,333	**150,696**	**48,484**
Sales	**49,580**	**15,926**	44,293	24,319	**527,166**	**169,335**
Income before income taxes and minority interests	**3,982**	**591**	3,460	1,333	**42,339**	**6,283**
Net income	**¥ 3,348**	**¥ 567**	¥ 2,910	¥ 1,321	**$ 35,598**	**$ 6,028**

18. Segment Information

1. Summary of reporting segment

(1) Reporting segments of the Company

Our reporting segments are constituent units where segregated financial information is available and reviewed by the Board of Directors for making decisions of the allocation of operating resources and evaluating the operating performance regularly.

The Company plans the comprehensive strategies and extends business activities for each product, system and service domestically.

Therefore, the Company has designated these reporting segments: "Automotive Systems Business" and "Commercial Store Systems Business".

Segment division	Main product, system, service
Automotive Systems Business	Automotive air-conditioning systems and air-conditioner compressors
Commercial Store Systems Business	Automatic vending machines, commercial freezers and refrigerated showcases

(2) Method of measurement of sales, profit (loss), assets, and other items for each reporting segment

The accounting policies of the reportable segment are consistent to the description of the accounting policies.

(Change in accounting policy with the amendment of respective law or regulation in the fiscal year ended March 31, 2013)

In accordance with the amendment in corporate tax law, the Company and its domestic subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the method prescribed in the amended corporate tax law. Due to this change, operating loss in the Automotive Systems Business decreased by ¥122 million, and operating income in the Commercial Store Systems Business and Other increased by ¥36 million and ¥9 million, respectively.

Information by reporting segment for the years ended March 31, 2013 and 2012 is summarized as follows:

	Millions of yen				
	2013				
	Reporting segment				
	Automotive Systems Business	Commercial Store Systems Business	Total	Other	Total consolidated
Net sales:					
Outside customers	**¥152,697**	**¥80,080**	**¥232,777**	**¥ 9,002**	**¥241,780**
Operating income (loss)	**¥ (2,761)**	**¥ 3,738**	**¥ 977**	**¥ (1,873)**	**¥ (896)**
Identifiable assets	**¥176,991**	**¥56,991**	**¥233,983**	**¥13,404**	**¥247,387**
Depreciation and amortization	**7,376**	**1,551**	**8,928**	**395**	**9,324**
Amortization of goodwill	**61**	**—**	**61**	**12**	**73**
Equity in earnings of affiliates	**1,388**	**277**	**1,665**	**—**	**1,665**
Investments in equity-method companies	**6,572**	**3,003**	**9,576**	**—**	**9,576**
Increase in property, plant and equipment and intangible assets	**13,127**	**2,359**	**15,486**	**2,061**	**17,548**

	Millions of yen				
	2012				
	Reporting segment				
	Automotive Systems Business	Commercial Store Systems Business	Total	Other	Total consolidated
Net sales:					
Outside customers	¥140,901	¥65,241	¥206,143	¥ 8,138	¥214,282
Operating income (loss)	¥ 1,687	¥ 454	¥ 2,141	¥ (1,428)	¥ 712
Identifiable assets	¥147,462	¥52,781	¥200,244	¥12,056	¥212,300
Depreciation and amortization	7,302	1,620	8,922	356	9,279
Amortization of goodwill	39	—	39	12	52
Equity in earnings of affiliates	780	209	990	—	990
Investments in equity-method companies	6,364	2,860	9,224	—	9,224
Increase in property, plant and equipment and intangible assets	10,978	1,534	12,513	1,391	13,905

Note: "Other" includes household equipment, car sales and bicycle accessories, etc.

	Thousands of U.S. dollars (Note 1)				
	2013				
	Reporting segment				
	Automotive Systems Business	Commercial Store Systems Business	Total	Other	Total consolidated
Net sales:					
Outside customers	**$1,623,572**	**$851,461**	**$2,475,034**	**$ 95,715**	**$2,570,760**
Operating income (loss)	**$ (29,356)**	**$ 39,744**	**$ 10,388**	**$ (19,914)**	**$ (9,526)**
Identifiable assets	**$1,881,881**	**$605,964**	**$2,487,857**	**$142,519**	**$2,630,377**
Depreciation and amortization	**78,426**	**16,491**	**94,928**	**4,199**	**99,138**
Amortization of goodwill	**648**	**—**	**648**	**127**	**776**
Equity in earnings of affiliates	**14,758**	**2,945**	**17,703**	**—**	**17,703**
Investments in equity-method companies	**69,877**	**31,929**	**101,818**	**—**	**101,818**
Increase in property, plant and equipment and intangible assets	**139,574**	**25,082**	**164,657**	**21,913**	**186,581**

2. Geographic information

Information about geographical areas for the year ended March 31, 2013

(1) Sales

	Millions of yen				
	2013				
	Japan	Asia	Europe	North America	Total consolidated
Net sales:					
Outside customers	**¥94,237**	**¥63,502**	**¥55,923**	**¥28,116**	**¥241,780**

	Thousands of U.S. dollars (Note 1)				
	2013				
	Japan	Asia	Europe	North America	Total consolidated
Net sales:					
Outside customers	**$1,001,988**	**$675,194**	**$594,609**	**$298,947**	**$2,570,760**

(2) Property, plant and equipment

	Millions of yen					
	2013					
			Europe			
	Japan	Asia		Poland	North America	Total consolidated
Property, plant and equipment	**¥44,818**	**¥13,232**	**¥15,908**	**¥7,889**	**¥5,303**	**¥79,262**

	Thousands of U.S. dollars (Note 1)					
	2013					
			Europe			
	Japan	Asia		Poland	North America	Total consolidated
Property, plant and equipment	**$476,533**	**$140,691**	**$169,144**	**$83,880**	**$56,384**	**$842,764**

Information about geographical areas for the year ended March 31, 2012

(1) Sales

	Millions of yen					
	2012					
			Europe			
	Japan	Asia		France	North America	Total consolidated
Net sales:						
Outside customers	¥80,547	¥48,197	¥61,206	¥23,015	¥24,331	¥214,282

(2) Property, plant and equipment

	Millions of yen				
	2012				
	Japan	Asia	Europe	North America	Total consolidated
Property, plant and equipment	¥45,215	¥5,918	¥11,842	¥3,535	¥66,510

3. Information about segment impairment loss on long-lived assets

For the fiscal year ended March 31, 2013

	Purpose of use	Millions of yen	Thousands of U.S. dollars
Impairment loss on long-lived assets	Automotive Systems Business	¥38	$404

19. Supplementary Information

The main items of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 in the accompanying consolidated statements of operations were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Employees' salaries and bonuses	**¥13,598**	¥12,641	**$144,582**
Freight	**4,368**	4,154	**46,443**
Depreciation	**1,993**	1,975	**21,190**
Provision for:			
Employees' bonuses	**1,220**	868	**12,971**
Estimated warranty liabilities	**681**	452	**7,240**
Retirement benefits	**690**	759	**7,336**
Miscellaneous, which consists mainly of legal welfare expenses, advertising, rentals and traveling	**15,075**	14,363	**160,287**
	¥37,627	¥35,215	**$400,074**

Research and development expenses are recognized as incurred. Research and development expenses charged to the cost of selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were ¥6,890 million ($73,258 thousand) and ¥7,431 million, respectively.

20. Impairment Loss on Long-Lived Assets

The Company and its consolidated subsidiaries classify property, plant and equipment and intangible assets into groups based on the components whose operating results are regularly reviewed by management to make investment decisions and assess its performance. The real estate for rental use and idle properties are each considered to constitute an individual group. The headquarters and welfare facilities are classified as corporate assets because they do not generate cash flows independently.

In the year ended March 31, 2013, impairment losses for the following asset groups were recognized.

Location	Purpose of use	Type of assets
Bashingstoke Hants, U.K.	Assets used for Automotive Systems Business	Land

The carrying amount of the land for business use was devalued to its recoverable amount because the Company made a decision to sell off the land in the near future. The recoverable amount of the land was estimated based on the net selling price (fair value less costs to sell). The net selling price was assessed by an independent real estate appraiser.

As a result, the Company recognized an impairment loss of ¥38 million ($404 thousand) for the year ended March 31, 2013.

In the year ended March 31, 2012, a reversal of impairment loss of ¥605 million for machinery and equipment, and furniture and fixtures which had been impaired in the past in a consolidated foreign subsidiary was recognized in accordance with International Financial Reporting Standards.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of Sanden Corporation:

We have audited the accompanying consolidated financial statements of Sanden Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sanden Corporation and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 9, 2013
Tokyo, Japan

Board of Directors/Auditors/Corporate Officers

BOARD OF DIRECTORS

Masayoshi Ushikubo
Director & Chairman

Yoshimasa Hayakawa
Director & Vice Chairman

Mitsuya Yamamoto
Director & President

Mitsugi Takahashi
Executive Director

Mark Ulfig
Executive Director

Katsuya Nishi
Senior Director

Hisao Nakajima
Senior Director

Takashi Kageyama
Senior Director

Katsumi Yamanaka
Senior Director

Isao Tada
Director

Hideto Ozaki
Director (Outside)

AUDITORS

Takashi Oya
Audit & Supervisory Board Member

Takuji Tsuchikane
Audit & Supervisory Board Member (Outside)

Yoshiaki Sugita
Audit & Supervisory Board Member (Outside)

Kimihide Emae
Audit & Supervisory Board Member (Outside)

CORPORATE OFFICERS

Masami Yamaguchi
Executive Corporate Officer

Shinji Ichikawa
Executive Corporate Officer

Seiichi Sakamoto
Senior Corporate Officer

Yasuhiro Minami
Senior Corporate Officer

Robert Kheng
Senior Corporate Officer

Hiroshi Kamiya
Corporate Officer

Mitsunori Kodaka
Corporate Officer

Tetsuo Yoshida
Corporate Officer

Yoshikazu Komuro
Corporate Officer

Katsuyuki Kanai
Corporate Officer

Tetsuo Shimizu
Corporate Officer

Patrick Poon
Corporate Officer

Tsutomu Sakakibara
Corporate Officer

Tatsuo Satou
Corporate Officer

As of June 21, 2013

Sanden's World Network

(As of March 31, 2013)

Sanden Corporation

Headquarters

	Address	Tel/Fax
Gunma Headquarters	20 Kotobuki-cho, Isesaki-shi, Gunma 372-8502, Japan	Tel: +81-270-24-1211 Fax: +81-270-24-5338
Tokyo Headquarters	1-31-7, Taito, Taito-ku, Tokyo 110-8555, Japan	Tel: +81-3-3833-1211 Fax: +81-3-3833-7095

Plants

	Main Products	Location
Akagi Plant	Vending machines, freezer and refrigerated showcases, Eco Cute, and electronic telecommunications equipment	Gunma, Japan
Yattajima Plant	Compressors for car air conditioners, heat exchangers for car air conditioners	Gunma, Japan
Toyohashi Plant	Heat exchangers for car air conditioners	Aichi, Japan

Branches

Location
Hokkaido, Iwate, Miyagi, Niigata, Gunma, Nagano, Chiba, Saitama, Tokyo, Kanagawa, Shizuoka, Ishikawa, Aichi, Osaka, Kagawa, Hiroshima, Fukuoka, Kumamoto

Affiliated Companies

Consolidated Subsidiaries

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
Japan				
Sanwa Tech Co., Ltd.[*1]	Gunma	¥10 million	Manufacture of automobile components	100% subsidiary of Sanwa Co., Ltd.
Sanwa Precision Co., Ltd.[*1]	Gunma	¥10 million	Manufacture of automobile components	100%
Mitsukura Tex Co., Ltd.	Gunma	¥10 million	Manufacture of automobile components	100%
Sanwa Altech Co., Ltd.	Gunma	¥480 million	Manufacture of automobile components	31.2% by the Company & 68.8% by Sankyo Kosan Co., Ltd.
Sanwa Co., Ltd.[*2*3]	Gunma	¥10 million	Manufacture of automobile components	49.5% (50.5%)
Sanwa Thermotech Co., Ltd.	Gunma	¥30 million	Manufacture of Commercial Store Systems Business equipment components	100%
Sanwa Fabtech Co., Ltd.	Gunma	¥10 million	Manufacture of Commercial Store Systems Business equipment components	100%
SD Maintenance Co., Ltd.	Tokyo	¥100 million	Installation and maintenance of Commercial Store Systems Business equipment	100%
Sanden Denso Co., Ltd.	Gunma	¥200 million	Marketing of dynamo bicycle lamps and manufacture of Commercial Store Systems Business equipment components and automobile component parts	100%
Sanden System Engineering Co., Ltd.	Gunma	¥30 million	Development and operation of computer systems	100%
Sanden Logistics Co., Ltd.	Gunma	¥10 million	Warehousing and shipping	100%
Sanden Facility Co., Ltd.	Gunma	¥10 million	Administration of plant facilities, supply of energy, and operation of welfare & training facilities	100%
Sanden Fudosan Co., Ltd.	Gunma	¥50 million	Real estate business	100%
Honda Cars Takasaki Co., Ltd.	Gunma	¥60 million	Marketing of automobiles	33.3% by the Company & 66.7% by Sankyo Kosan Co., Ltd.
Sankyo Kosan Co., Ltd.	Gunma	¥20 million	Provision of agency services for real estate insurance, automobile insurance, etc.	100%

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
Europe				
Sanden Manufacturing Europe S.A.S.[*1]	Tinteniac, France	€33,184,000	Manufacture and marketing of automobile components	100% subsidiary of Sanden International (Europe) Ltd.
Sanden Manufacturing Poland Sp.z.o.o.[*1]	Polkowice, Poland	zl102,000,000	Manufacture and marketing of automobile components	100% subsidiary of Sanden International (Europe) Ltd.
Sanden International (Europe) Ltd.[*1*5]	Basingstoke, Hampshire, U.K.	€26,285,000	Manufacture and marketing of automobile components	100%
SandenVendo Europe S.p.A.	Casale Monferrato, Italy	€1,449,000	Provision of management administration and fund procurement and management services to subsidiaries of Vendo (Europe) Inc. and manufacturing and marketing of Commercial Store Systems Business equipment	100% subsidiary of Sanden International (Europe) Ltd.
SandenVendo GmbH	Dusseldorf, Germany	€869,000	Marketing of Commercial Store Systems Business equipment	100% subsidiary of Sanden International (Europe) Ltd.
SandenVendo (UK) Ltd.	Basingstoke, Hampshire, U.K.	£50,000	Marketing of Commercial Store Systems Business equipment	100% subsidiary of Sanden International (Europe) Ltd.
SandenVendo Iberia S.A.	Barcelona, Spain	€60,000	Marketing of Commercial Store Systems Business equipment	100% subsidiary of Sanden International (Europe) Ltd.
SandenVendo Benelux S.A.	Brussels, Belgium	€2,575,000	Marketing of Commercial Store Systems Business equipment	100% subsidiary of Sanden International (Europe) Ltd.
North America				
Sanden International (U.S.A.) Inc.[*1]	Wylie, Texas, U.S.A.	$18,000,000	Manufacturing and marketing of automobile components	100% subsidiary of Sanden of America Inc.
Sanden Mexicana, S.A. de C.V.	Saltillo Coahuila, Mexico	MP 14,749,000	Manufacturing and marketing of automobile components	20% by the Company & 80% by Sanden International (U.S.A.) Inc.
Consorcio Teksan S.A. de C.V.	Saltillo Coahuila, Mexico	MP 551,000	Provision of human resource agency services	20% by the Company & 80% by Sanden International (U.S.A.) Inc.
SandenVendo America Inc.	Dallas, Texas, U.S.A.	$10,000,000	Manufacturing and marketing of Commercial Store Systems Business equipment	100%
The Vendo Company[*1]	Fresno, California, U.S.A.	$3,445,000	Manufacturing and marketing of Commercial Store Systems Business equipment	100% subsidiary of Sanden of America Inc.
Vendo (Europe) Inc.[*1]	Dover, Delaware, U.S.A.	$10,010,000	Provision of management administration and fund procurement and management services to Europe-based Commercial Store Systems Business subsidiaries of the Company	100% subsidiary of Sanden of America Inc.
Sanden of America Inc.[*1]	Wylie, Texas, U.S.A.	$78,000,000	Provision of management administration and fund procurement and management services to U.S.-based subsidiaries of the Company	100%
SANDEN MANUFACTURING MEXICO S.A DE C.V.	Saltillo Coahuila, Mexico	$14,000,000	Manufacturing and marketing of automotive components	100%
Asia and Oceania				
Sanden International (Singapore) Pte. Ltd.[*1]	Singapore	S$6,000,000	Manufacturing and marketing of automobile components	100%
Sanden Air Conditioning (Malaysia) Sdn. Bhd.	Shah Alam, Selangor Darul Ehsan, Malaysia	MYR5,600,000	Manufacture of automobile components	41.5% by the Company & 58.5% by Sanden International (Singapore) Pte. Ltd.
Tianjin Sanden Automotive Air-Conditioning Co., Ltd.[*1]	Tianjin, People's Republic of China	CYN143,629,000	Manufacture and marketing of automobile components	51.46%
Sanden (Suzhou) Precision Parts Co., Ltd.[*1]	Suzhou, People's Republic of China	CYN74,942,000	Manufacture of automobile components	65% by the Company & 35% by Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.
Sanden International Taiwan Corporation[*1]	Tao Yuan Hsien, Taiwan, Republic of China	NT$275,000,000	Marketing of automobile and Commercial Store Systems Business equipment components	100%
Sanden International (Malaysia) Sdn. Bhd.	Pasir Gudang, Johore, Malaysia	MYR2,500,000	Manufacture and marketing of automobile components	40% by the Company & 60% by Sanden International (Singapore) Pte. Ltd.
Automotive Air-conditioning Technology Philippines Inc.	Calamba Laguna, Philippines	US$3,138,000	Manufacture and marketing of automobile components	99.4% by Sanden International (Singapore) Pte. Ltd.

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
P.T. Sanden Indonesia	Jakarta, Indonesia	Rp5,094,000,000	Manufacture and marketing of automobile components	100% by Sanden International (Singapore) Pte. Ltd.
Sanden International (Australia) Pty. Ltd.	Condell Park, NSW, Australia	A$1,500,000	Marketing of automobile components	100%
Sanden (Thailand) Co., Ltd.	Ayutthaya, Thailand	B60,500,000	Manufacture and marketing of automobile and Commercial Store Systems Business equipment components	57% by the Company & 38% by Sanden International (Singapore) Pte. Ltd.
Sanden Shanghai Refrigeration Co., Ltd.	Shanghai, People's Republic of China	CNY32,002,000	Manufacture and marketing of Commercial Store Systems Business equipment components	51%
Kunshan Zhenhua Refrigeration Limited Liability Company	Kunshan City, Jiangsu Province, People's Republic of China	CNY2,000,000	Manufacture and marketing of Commercial Store Systems Business equipment components	50% by the Company & 50% by Sanden Shanghai Refrigeration Co., Ltd.
Sanden Vikas (India) Ltd.	Haryana State, India	R146,250,000	Manufacture and marketing of automobile components	6.8% by the Company & 43.2% by Sanden International (Singapore) Pte. Ltd.

	Principal Profitability Figures, Etc. (millions of yen)				
	Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
Sanden International (Europe) Ltd.	53,760	1,809	1,300	10,945	38,745

Consolidated Subsidiaries Accounted for by the Equity Method

Name	Location	Capital or Investment	Business Activities	Percentage of Voting Rights or Shareholding
Japan				
Asahi Sangyo Co., Ltd.*[3]	Saitama	¥96 million	Manufacture and marketing of automobile components and parts	30.30% (0.77%)
Sanwa Coatex Co., Ltd.*[2*3*4]	Gunma	¥12 million	Manufacture and coating of Commercial Store Systems Business equipment components and automobile components	31.7% (68.3%)
Asia				
Sanden Al Salam LLC.	Dubai, UAE	US$1,000,000	Marketing of automobile components	43% by Sanden International (Singapore) Pte. Ltd.
Iranian Sanden Industries	Ghazvin Industrial City, Iran	R$169,004,160,000	Manufacture and marketing of automobile components	40% by Sanden International (Singapore) Pte. Ltd.
Sanden Intercool (Thailand) Public Co., Ltd.	Singburi, Thailand	B100,000,000	Manufacture and marketing of Commercial Store Systems Business equipment	49.0%
Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.	Shanghai, People's Republic of China	CNY206,671,000	Manufacture and marketing of automobile components	35.0%
Sanden (Shanghai) Automotive Air-Conditioning Co., Ltd.	Shanghai, People's Republic of China	CNY82,793,000	Manufacture and marketing of automobile components	25% by the Company & 75% by Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.
Shenyang Sanden Automotive Air-Conditioning Co., Ltd.	Shenyang, People's Republic of China	CNY82,766,000	Manufacture and marketing of automobile components	47.5%

Notes:
1. Specified subsidiaries
2. Consolidated subsidiaries in which Sanden's shareholding is less than 50% of outstanding shares but with respect to which Sanden has effective control
3. "Percentage of Voting Rights or Shareholding" figures in parentheses represent shareholdings of entities with which the Company has close ties or a prearranged agreement.
4. Companies that became consolidated subsidiaries for the first time during the fiscal year under review
5. The following company accounts for more than 10% of the Company's consolidated net sales (excluding transactions among consolidated Group companies).