

Financial Results Briefing for Fiscal 2019

July 1, 2020

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Sanden Holdings Corporation

Contents

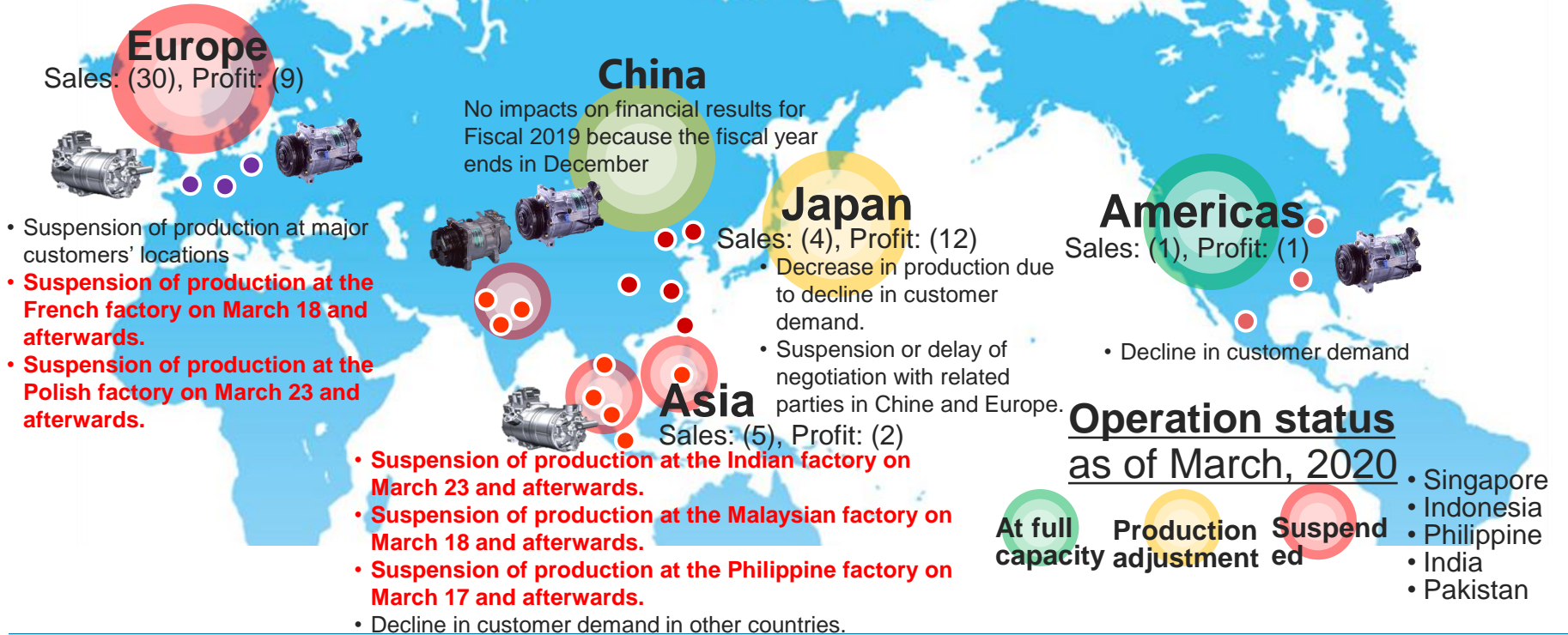
- 1. Financial results for Fiscal 2019**
- 2. Mid-term management plan (SCOPE 2023)**
- 3. Future plan**

Points of financial results for Fiscal 2019

- 1 The shares of Sanden Retail Systems were transferred to achieve further growth by concentrating the resources on the automotive systems business.
- 2 The 5 structural reforms listed in the mid-term management plan 'SCOPE 2023' were implemented as planned.
- 3 The sales from automotive systems business decreased due mainly to decrease in automotive production and the global pandemic of COVID-19.
- 4 The net debt decreased by 43.6 billion yen from the end of previous fiscal year to 73.9 billion yen. The equity ratio increased from 7.7% at the end of previous fiscal year to 11.1%.

Impacts of COVID-19 pandemic on Fy2019 business in each region 2020/7/1

[In 100 million yen]



Summary of consolidated financial results for Fiscal 2019

2020/7/1

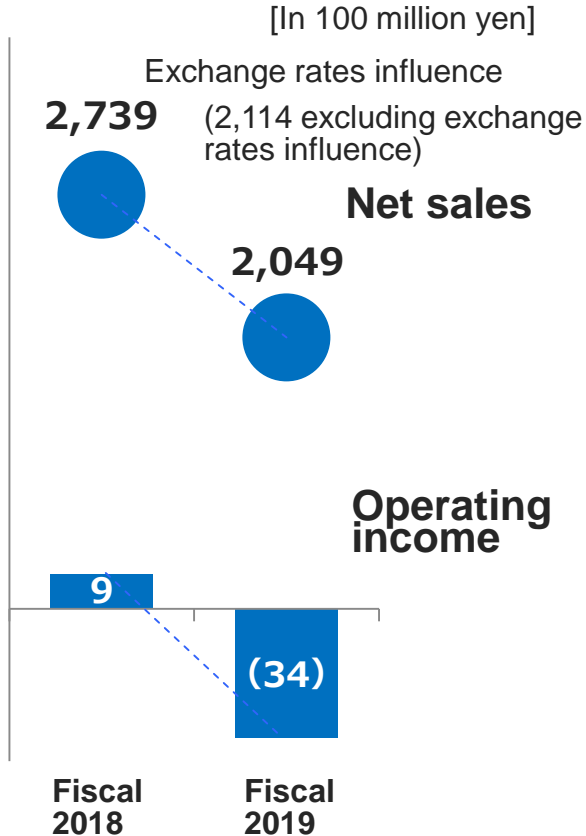
[In 100 million yen]

	Results for Fiscal 2018	Forecast announced on November 6	Results for Fiscal 2019	Year-on-year comparison	Difference from forecast	
Net sales	2,739	2,150	2,049	-690 -25.2%	-101 -4.7%	
Operating income	9	5	(34)	-43	-39	
Ordinary income	6	(40)	(97)	-103	-57	
Net income attributable to owners of parent	(231)	90	23	+254	-67	
※ Exchange	USD	111yen	108yen	109yen	-2yen	+1yen
	EUR	128yen	121yen	121yen	-7yen	0yen

Exchange: Average market rate

segmental breakdown of net sales

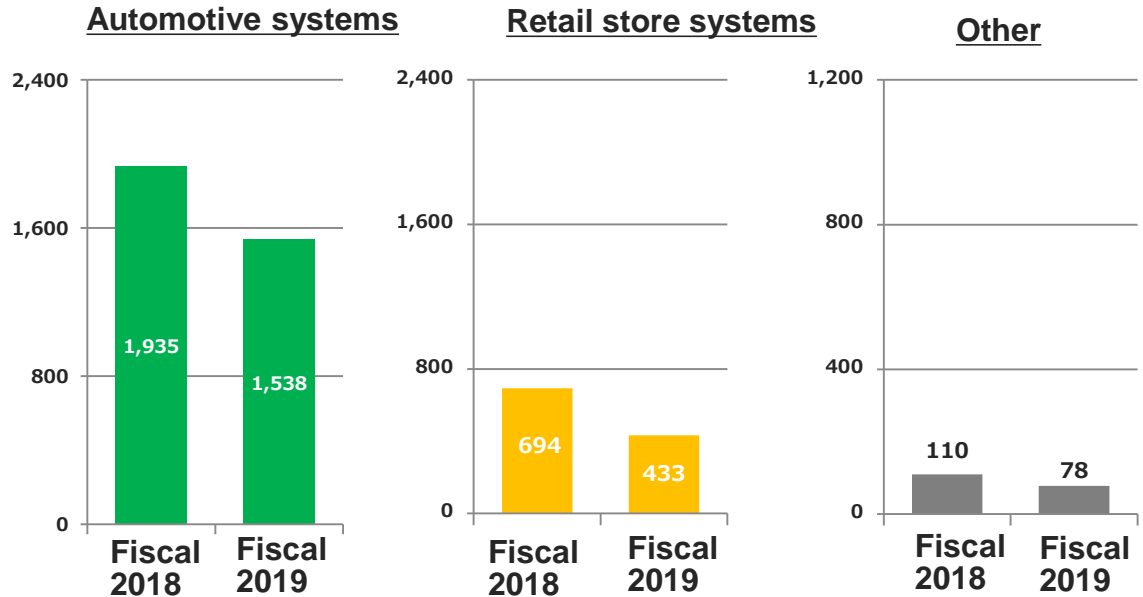
2020/7/1



[In 100 million yen]

Net sales: 204.9 billion yen (Decrease by 25% year-on-year)
 (Decrease by 4 billion yen due to COVID-19 pandemic)

Net sales of each segment



Sales by region from the automotive systems business segment

2020/7/1

< Unit sales of compressor >

16.2 million units

14.24 million units

(Decrease by 12%

year-on-year)

Exchange rates influence

(1,600 excluding exchange rates influence)

1,935

1,538

Net sales



Operating income

6

(53)

Fiscal 2018

Fiscal 2019

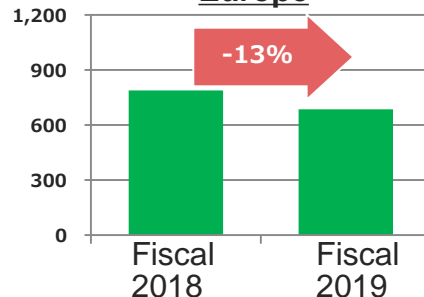
[In 100 million yen]

Net sales: 153.8 billion yen [In 100 million yen]
(Decrease by 21% year-on-year)

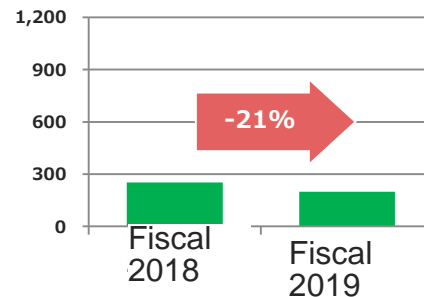
(Decrease by 4 billion yen due to COVID-19 pandemic)

■ Net sales of each region

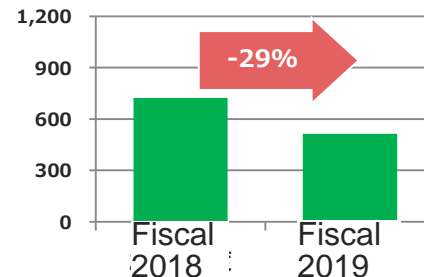
Europe



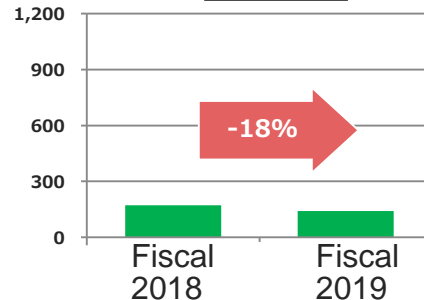
Japan



China and Asia



Americas



Operating income (Year-on-year comparison)

2020/7/1

	2018	2019	Difference
Net sales	2,739	2,049	-690
Operating income	9	(34)	-43

[In 100 million yen]



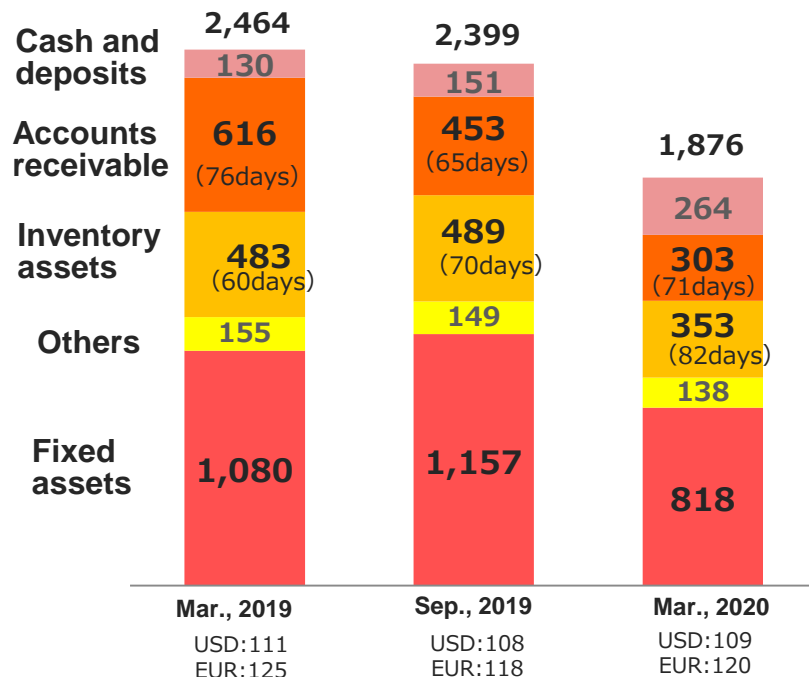
	2018 full year	RS influence	Cost reduction	SGA	Price reduction	Sales & sales mix	Additional Structural reform		Exchange rates	Impact of COVID-19	2019 full year
Automotive	6		39	5	-41	-59	39		-18	-24	(53)
Retail store	8	15									23
Other	(4)	-1		1		1					(4)
Total	9	14	39	6	-41	-58	39		-18	-24	(34)

Consolidated balance sheet

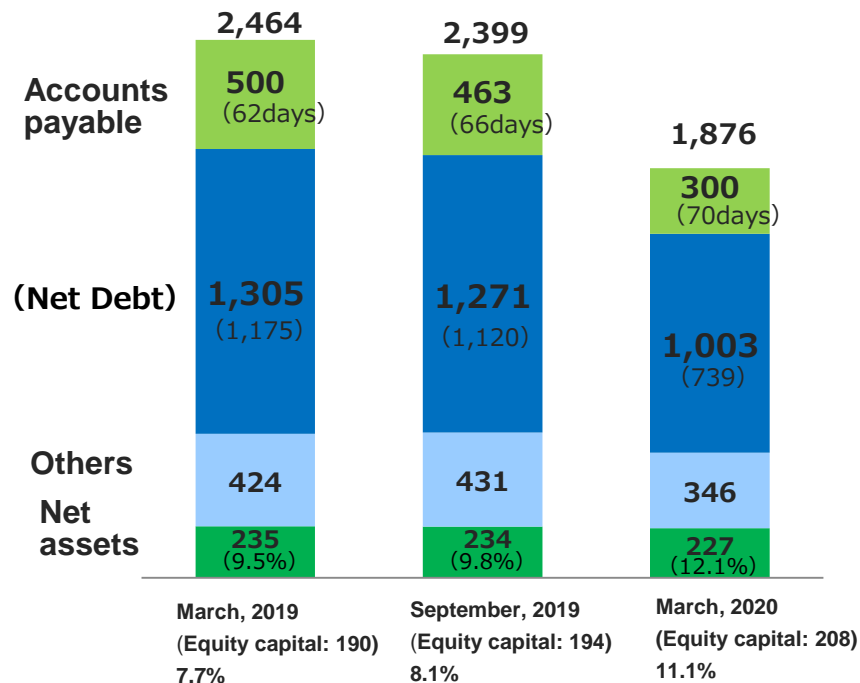
2020/7/1

[In 100 million yen]

Assets



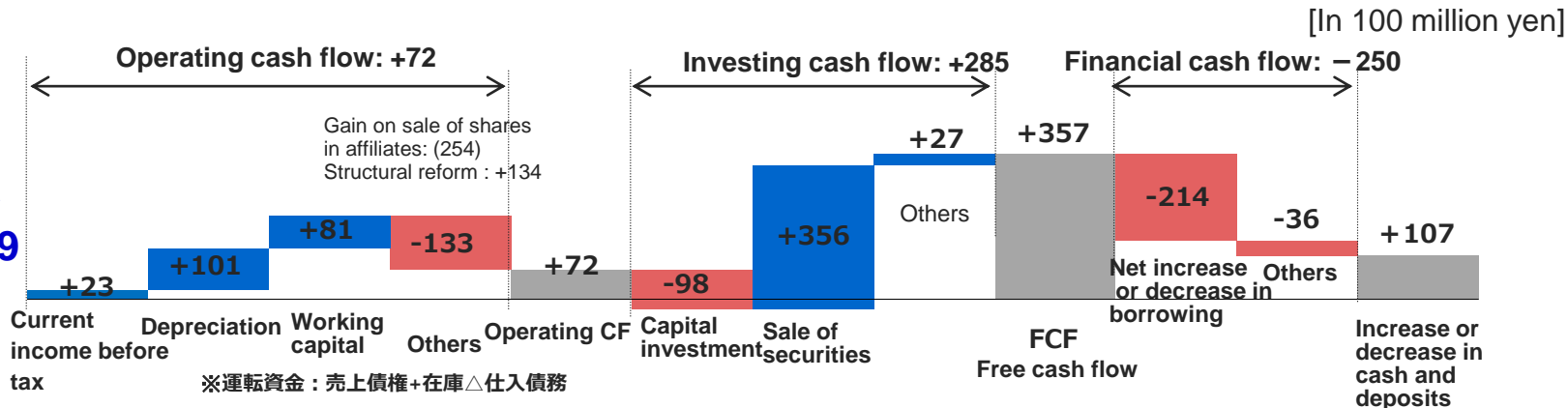
Liabilities and net assets



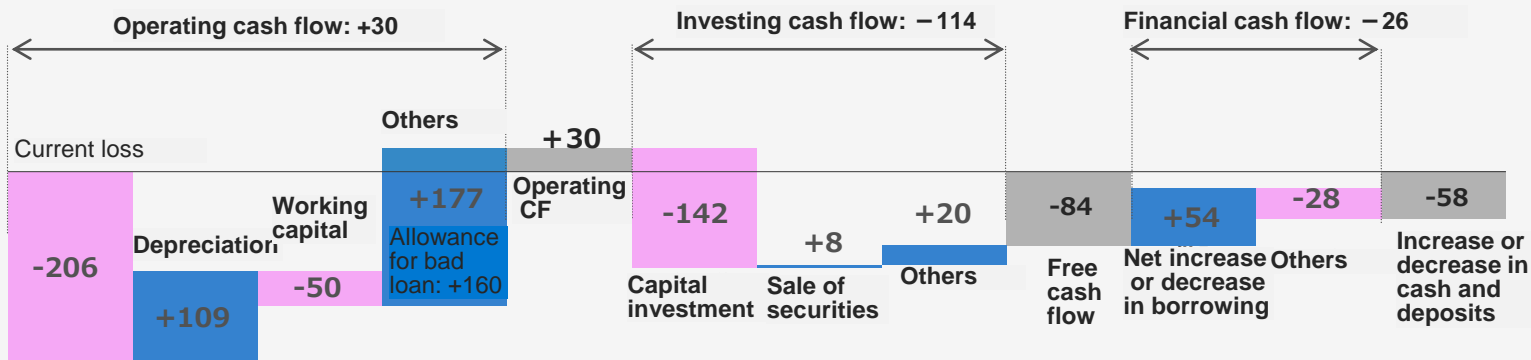
Full-year consolidated cash flow

2020/7/1

Full-year results for Fiscal 2019



Actual results for the previous year



Contents

1. Financial results for Fiscal 2019
- 2. Mid-term management plan
(SCOPE 2023)**
3. Future plan

Review on progress of mid-term management plan (SCOPE 2023)

2020/7/1

New mid-term management plan

SCOPE 2023

Basic policy

In order to create New Sanden, we will “carry through the structural reforms” for reconstruction of the management foundation and promote “collaborative creation” for sustainable growth.

Implementation period

5 years from April 1, 2019 to March 31, 2024

Key strategies (5 reform plans)

- 1 Comprehensive reorganization of production system
- 2 Enhancement of basic earning power
- 3 Growth by actively promoting ‘collaborative creation’
- 4 Cash flow generation through reform in assets structure
- 5 Reform in system for implementation

Review of the new mid-term management plan

Reviewed mid-term management plan according to the market change and concentrated resources to automotive equipment business.

Now executing the business on the basis of the 5 reform plans in SCOPE2023.

Mid-term management plan (SCOPE 2023)

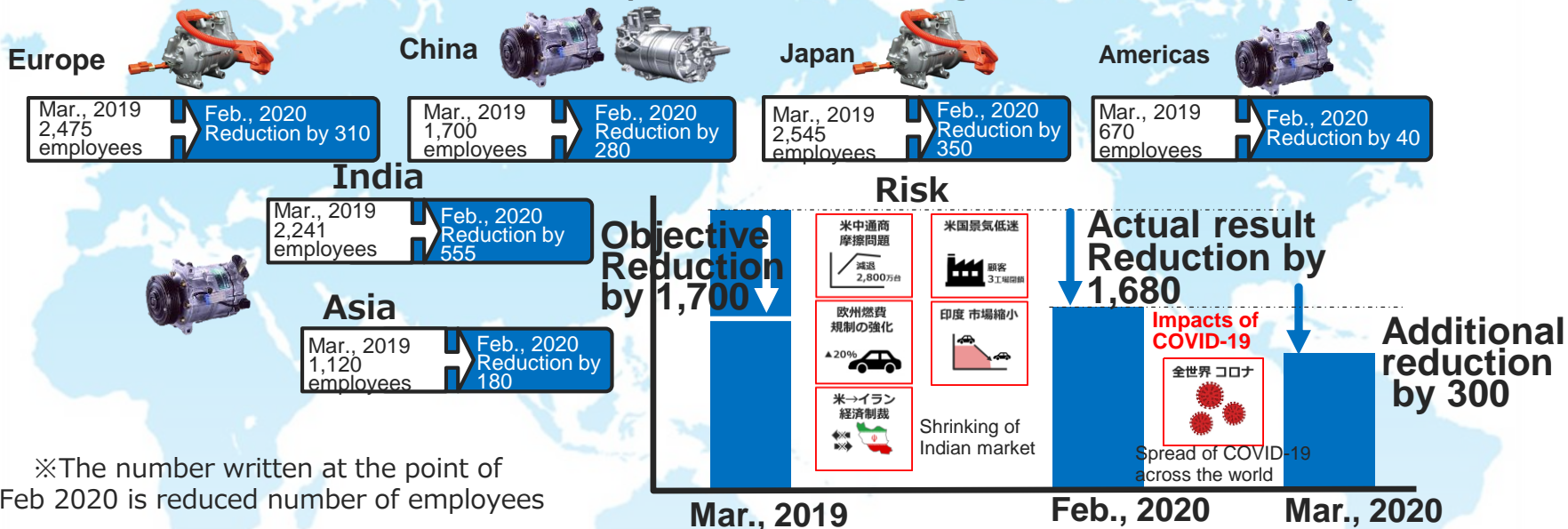
2020/7/1

- 5 reform plans

1 Comprehensive reorganization of production system

Reorganization of global production system to respond to demand fluctuation is on schedule

Continuing reorganization of global production system for optimization monitoring the new corona virus impact.

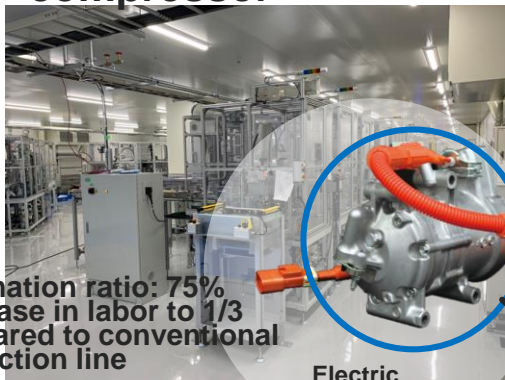


※The number written at the point of Feb 2020 is reduced number of employees

2 Enhancement of basic earning power

Start of production of new environmentally compatible products that meet requirements of heat management

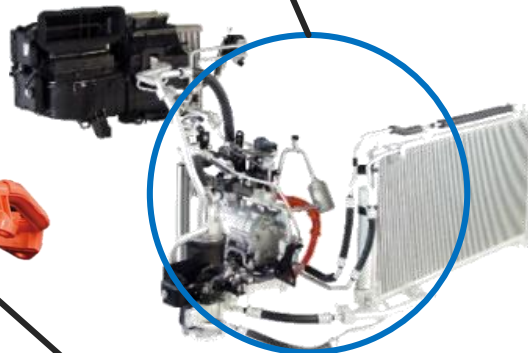
Automated production line for new electric compressor



Automation ratio: 75%
Decrease in labor to 1/3 compared to conventional production line

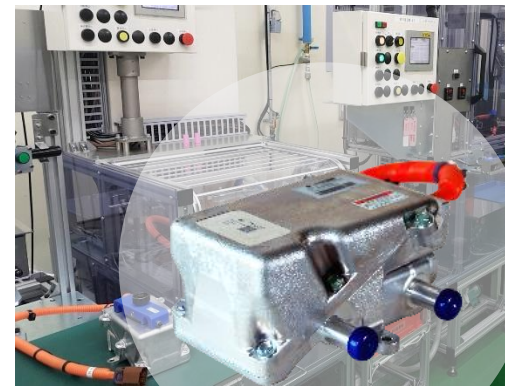
Electric compressor

Module production for HP



Procurement structure reform for electronic components, motors, etc.

Realization of ultra-small coolant heater



Coolant heater

Start of production in October, 2020
➤ Acquisition of new business

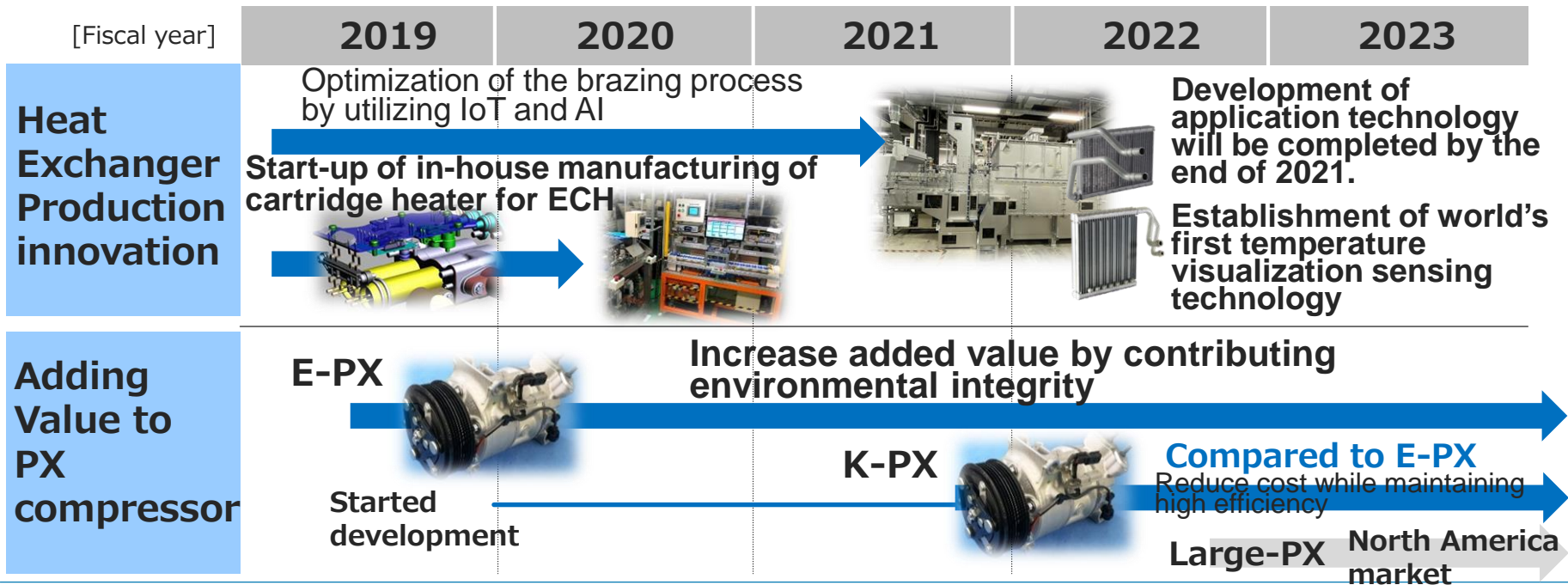
Mid-term management plan (SCOPE 2023)

2020/7/1

- 5 reform plans

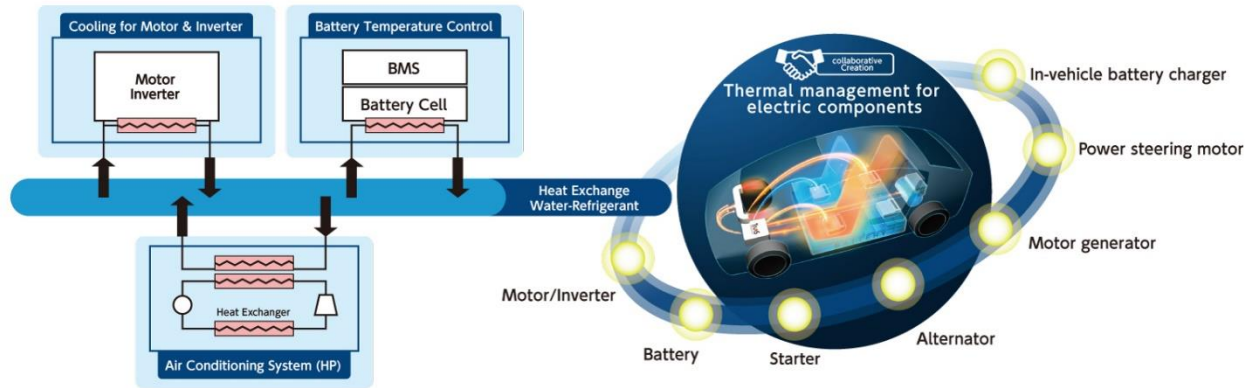
2 Enhancement of basic earning power

Innovation in production engineering technologies at the mother factory



3 Growth by actively promoting 'collaborative creation'

Concentration on the field of 'Integrated heat management system' for EV



< Core technologies >

- Exhaust heat recovery to save energy.
- Optimal cooling/heating to improve battery performance
- High-efficiency heat pump and lightweight small coolant heater
- Provision of comfort and optimal heat control for entire heating/cooling system including air conditioning system



Thermal Management System
Development Project

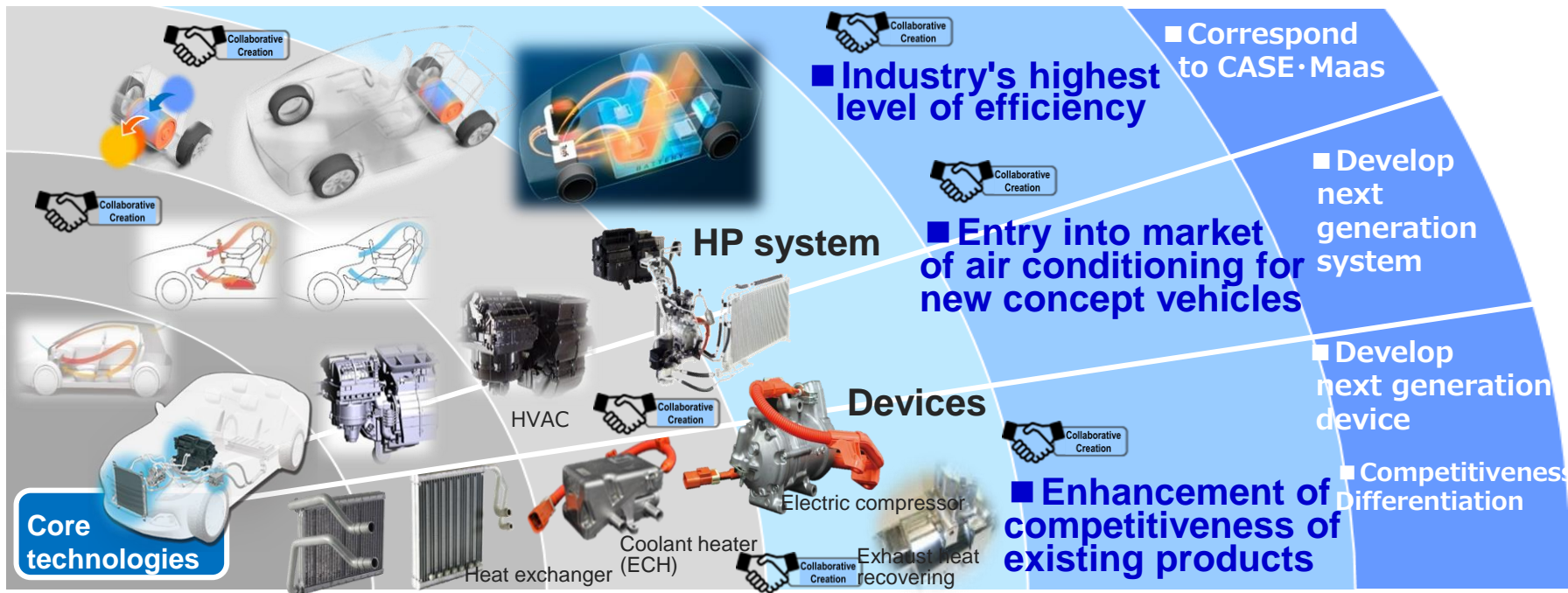
Mid-term management plan (SCOPE 2023)

- 5 reform plans

2020/7/1

3 Growth by actively promoting 'collaborative creation'

Total heat management system area [FY19 result] ▶ Collaborating for future



Mid-term management plan (SCOPE 2023)

2020/7/1

- 5 reform plans

4 Cash flow generation through reform in assets structure

Concentration of resources on the automotive systems business

Automotive systems business

➔ Growth and reinforcement area

Retail store systems business

➔ Transferred in October, 2019.

Other businesses

Living & environmental systems business

➔ Withdrawal

Auto sales business

➔ Transferred in February, 2020.

Selling price **35.6 billion yen**

Real estate revitalization

Japan

Revitalization was completed in Gunma area.

[Sale, change in use, reclamation, etc. of lands]
→ Redevelopment for Gunma area

Overseas

Revitalization along with reorganization of global locations

Selling price **5.4 billion yen**

Mid-term management plan (SCOPE 2023)

2020/7/1

- 5 reform plans

5 Reform in system for implementation

[Fiscal year]	2015	2016	2017	2018	2019
Organizational reform	Holding company system with 7 business companies	Reorganization of manufacturing subsidiaries	To 5 business companies Withdrawal from LS and EP businesses 20 HQ's & 3 plants Factory consolidation in Mexico	8 HQ's Consolidation of bases in China Consolidation of bases in Malaysia	To 4 business companies Transfer of RS 6 HQ's 7 HQ's (Reinforcement) Technical center in Vietnam Relocation of main office in Europe
		Overseas			Functional integration Company-wide management administration Company-wide technical management Launch of advanced technology development projects TMS PROJECT
Improvement in corporate governance	Establishment of the corporate governance code			Assessment of board's effectiveness Executive Nomination and Compensation Committee	Number of outside directors: 2 or more Abolition of the advisor system Discontinuance (Abolition) of takeover defense measures
		Improvement in decision-making process and structure of management meeting system			Proposal workflow
RPA to increase efficiency of administrative work	Shared service about Management and operation (Established SDBE)				3 company emerged
			RPA introduction	Administration: Various expenses transfer etc. Human resources: Salary calculation etc. Operation: Customer order data etc.	56 tasks to be handled by RPA Further promotion of RPA

Mid-term management plan (SCOPE 2023)

- 5 reform plans

2020/7/1

5 Reform in system for implementation

Contribute to **SDGs** through **Business**

Sanden Forest which is owned by Sanden holdings corporation was nominated as

Most high rank: Green Legacy

by SEGES (Social & Environmental Green Evaluation System) which is organized by Organization for landscape and Urban Green Infrastructure.



■ Evaluation overview

Philosophy of Sanden forest very connects with **ESG Management**.

This also connects to 「SATOYAMA INITIATIVE」 released to the world

Working style Reform

Sanden group are working to create an environment that assures employees health and safety for them to be able to achieve a healthy lifestyle according to corporate philosophy article of safety and Health.



Contents

1. Financial results for Fiscal 2019
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Impacts of COVID-19 pandemic on business in each region (Current situation)

2020/7/1

In April and May, the production locations in Europe and Asia were forced to run their operations at extremely low operating ratio. According circumstances, however, they have restarted their operations to satisfy customer needs.



Future plan - Forecast of business performance for Fiscal 2020

2020/7/1

1

We are closely examining the impacts of COVID-19 pandemic on our business performance.

2

It is difficult to reasonably determine the figures of consolidated business forecast at this moment.

3

The forecast of business performance will be announced as soon as the figures can be determined.



Please refer to the press release disclosed timely on June 30.