

Financial Results Briefing for Fiscal 2020

May 14, 2021

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Representative Director & President
Sanden Holdings Corporation

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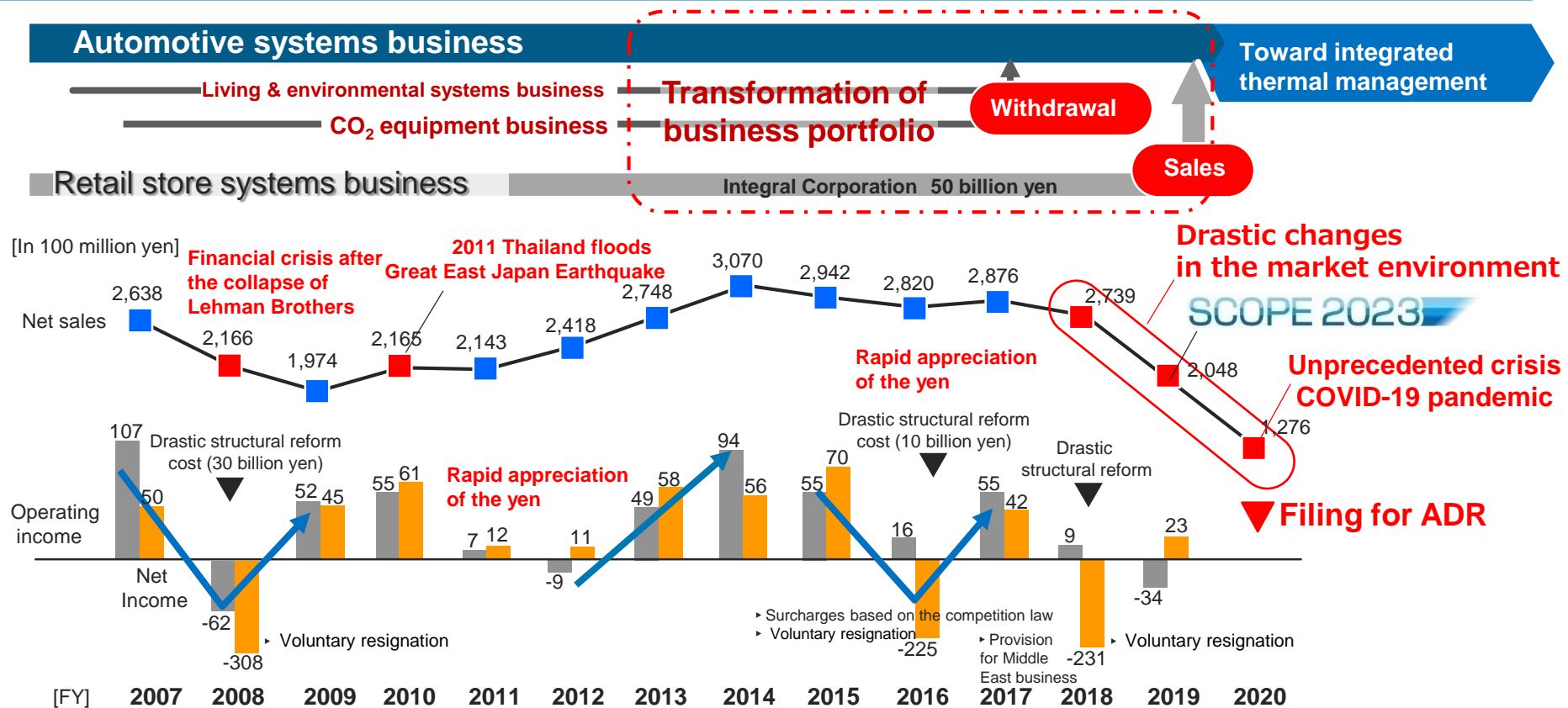
1. Most recent business situation (Background)

Business revitalization plan

- ① Background to date
- ② Making decisions for business revitalization
- ③ A once-in-a-century major revolution in the automobile industry
- ④ Growth through the integrated thermal management system
- ⑤ Drastic changes in the market environment

1. Most recent business situation (Background)

① Background to date

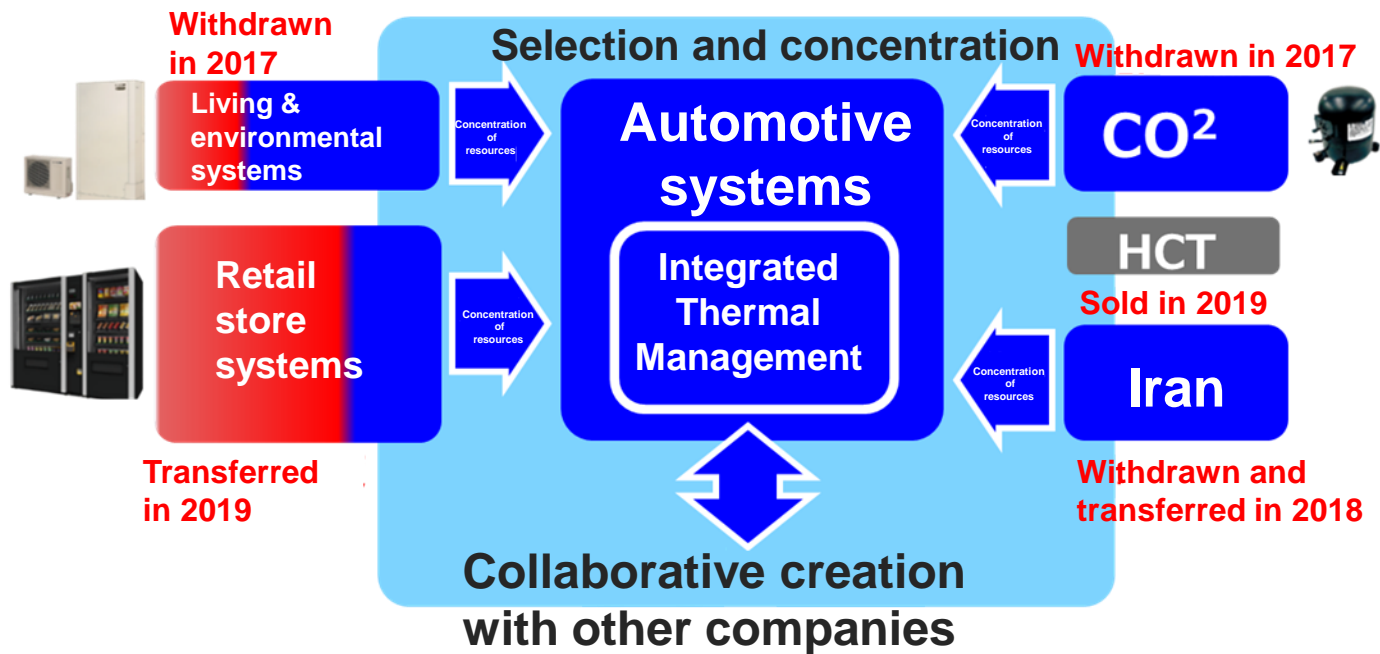


1. Most recent business situation (Background)

② Making decisions for business revitalization

-Concentration of resources on the automotive systems business-

Transformation of business structure through the review of business portfolio



1. Most recent business situation (Background)

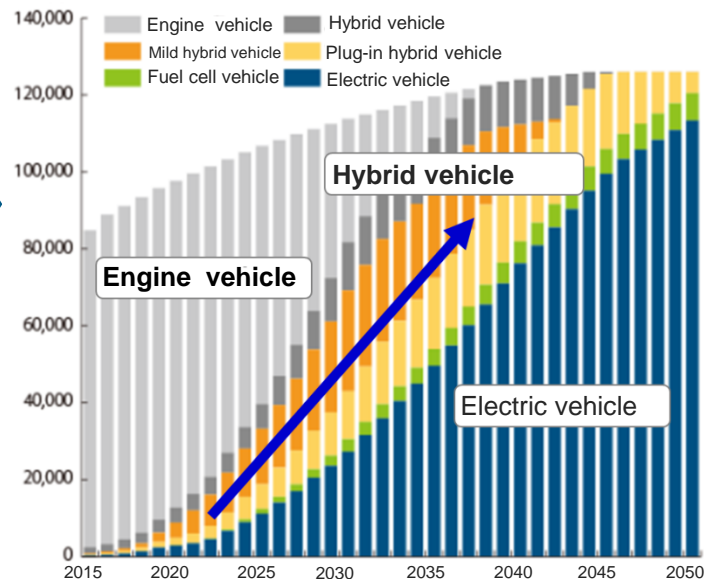
③ A once-in-a-century major revolution in the automobile industry



Electric vehicle (EV)/new energy vehicle

Rapid expansion

(Thousand vehicles)



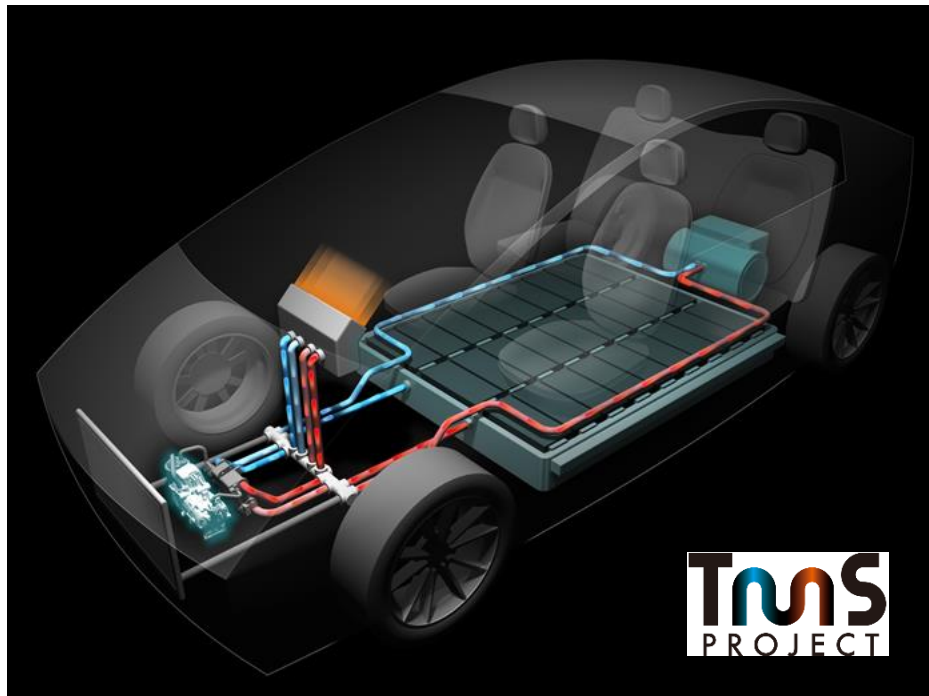
*Figures for 2017 and beyond are projections.

Source: Changes brought about by the shift to EVs (1): Expansion of the EV market (Daiwa Securities Co., Ltd.)

1. Most recent business situation (Background)

④ Growth through the integrated thermal management system

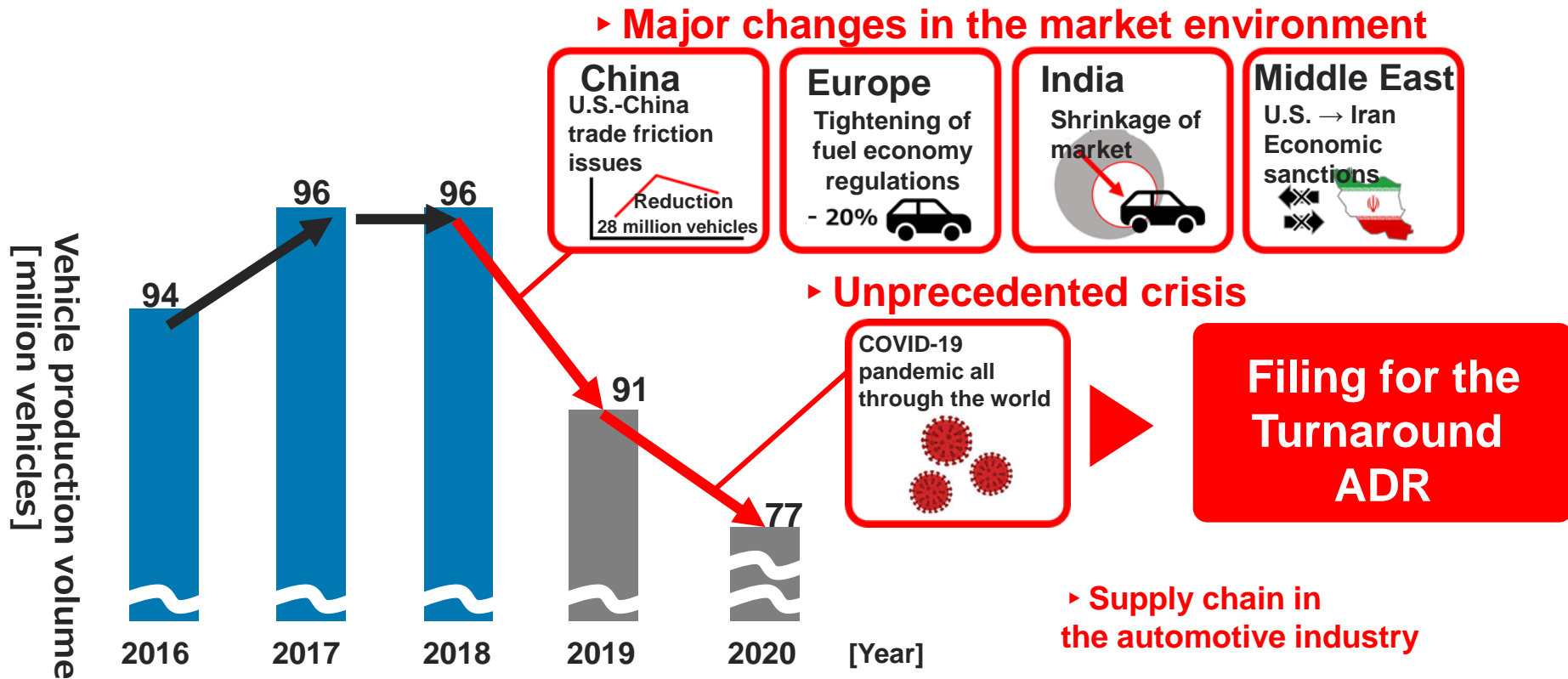
Growth through the integrated thermal management system



Contributing to the realization
of a decarbonized society

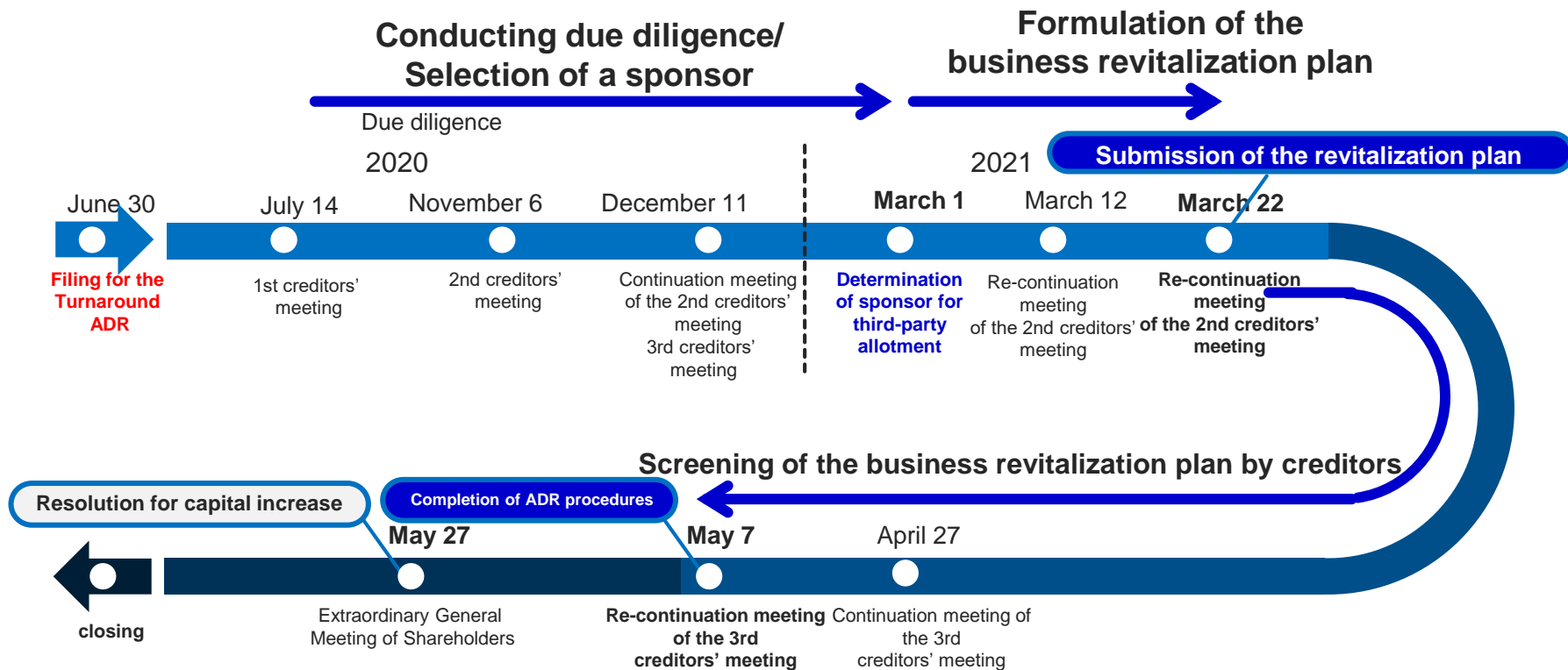
1. Most recent business situation (Background)

⑤ Drastic changes in the market environment



1. Most recent business situation (Background)

⑥ Schedule after filing for Turnaround ADR



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- ① Measures to restructure the business
- ② Selection of a sponsor
- ③ Recapitalization measures
- ④ New management structure
- ⑤ Numerical plan

2. Business revitalization plan

① Measures to restructure the business

Five reform plans

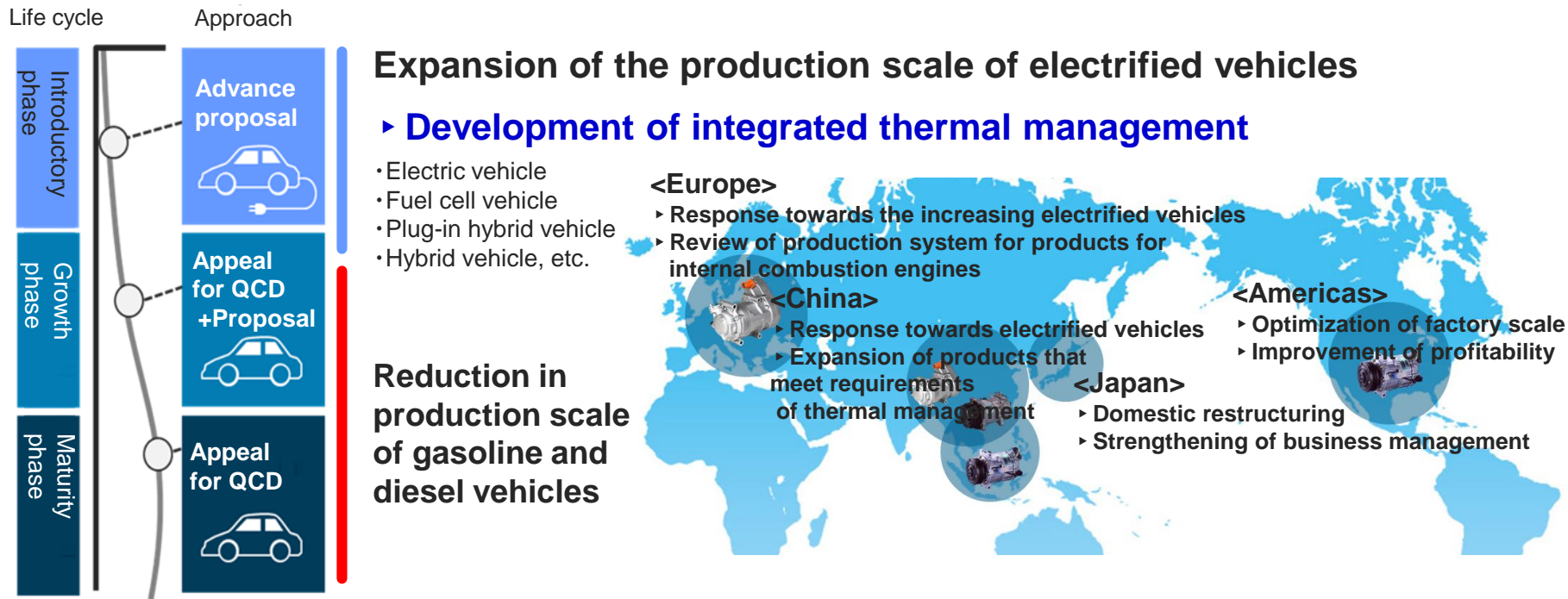
- 1 Comprehensive reorganization of production system**
- 2 Enhancement of basic earning power**
- 3 Growth by actively promoting “collaborative creation”**
- 4 Strengthening of measures to generate cash flows**
- 5 Reform in system for implementation**

2. Business revitalization plan

① Measures to restructure the business

Comprehensive reorganization of production system

Reorganizing the production system on a global scale based on the market environment and customer needs



2. Business revitalization plan

① Measures to restructure the business

Enhancement of basic earning power

Continuous innovation at the mother factory Yattajima: Compressor factory

Electric compressor (GEN4) automation line



Mass production commenced in October 2020

Annual production: 750,000 units



Automation of inspection through sensing technology, image analysis, etc.

Automation of human work through standardized design and the utilization of robots

Automation rate: 75%

Manpower input: 1/3 of the conventional level

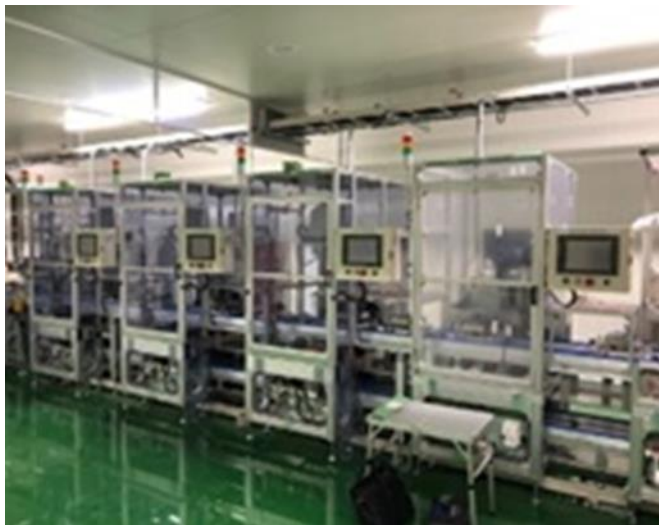
2. Business revitalization plan

① Measures to restructure the business

Enhancement of basic earning power

Continuous innovation at the mother factory Yattajima: Air-conditioner factory

ECH Electric Coolant Heater production line



Will Start mass production from November 2021
Annual production: 230,000 units (FY24)



Achieved to make it Ultra compact

Magnify the application range
Air conditioner for EV
Battery temperature control
Thermal management

Consistent processing, In-home manufacturing,
Automate brazing
(Apply automatic compressor production line)

Shorten production lead time by 30%

2. Business revitalization plan

① Measures to restructure the business

Enhancement of basic earning power

Continuous innovation at the mother factory Yattajima: Air-conditioner factory

Introduction of Brazing furnace new methods the IoT & AI management system



FY2019 Supporting Industry Business

**Practical application in Japan in 2021.
Will expand the “world’s first” technology
development to overseas**



- World’s first temperature visualization sensing technology
- Individual product temperature control system
- Unmanned (automated transport process)

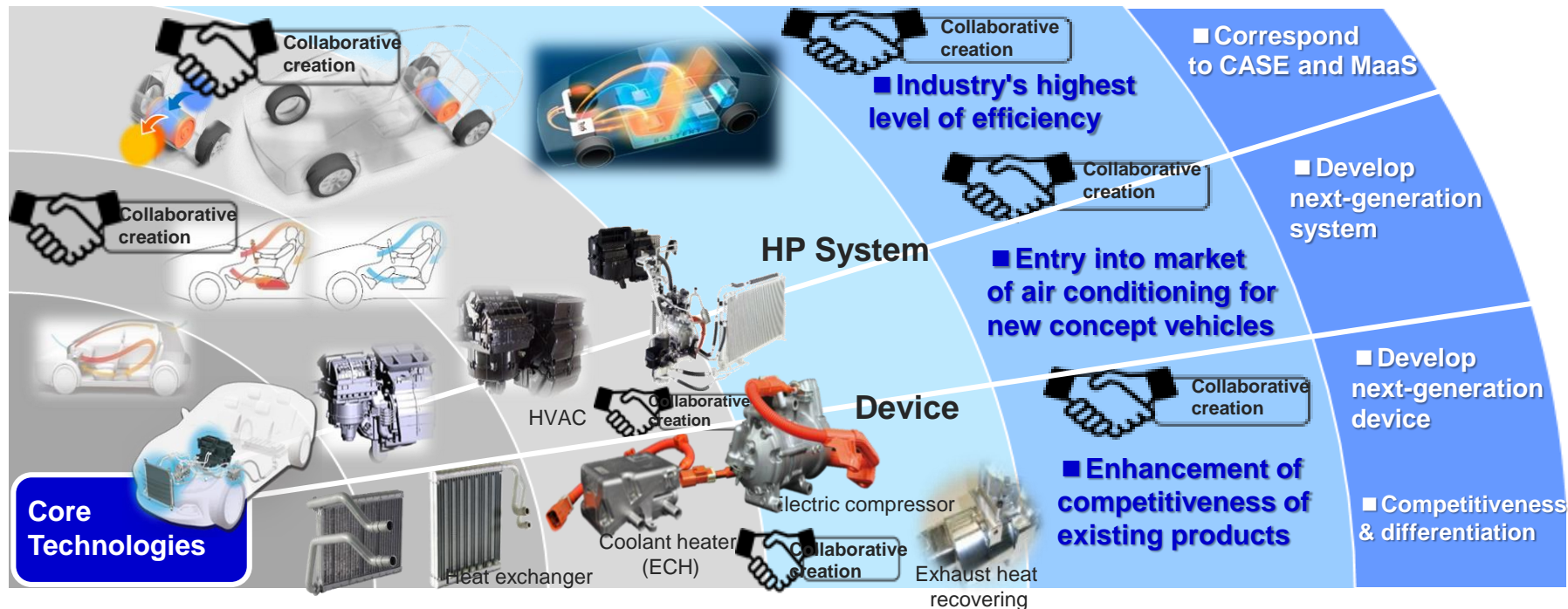
**Reduction of energy by 30%, Reduction in secondary materials
Productivity increased by 1.5 times, Defects reduced
by 80%, Unmanned**

2. Business revitalization plan

① Measures to restructure the business

Growth by actively promoting “collaborative creation”

Integrated Thermal Management System: ITMS area



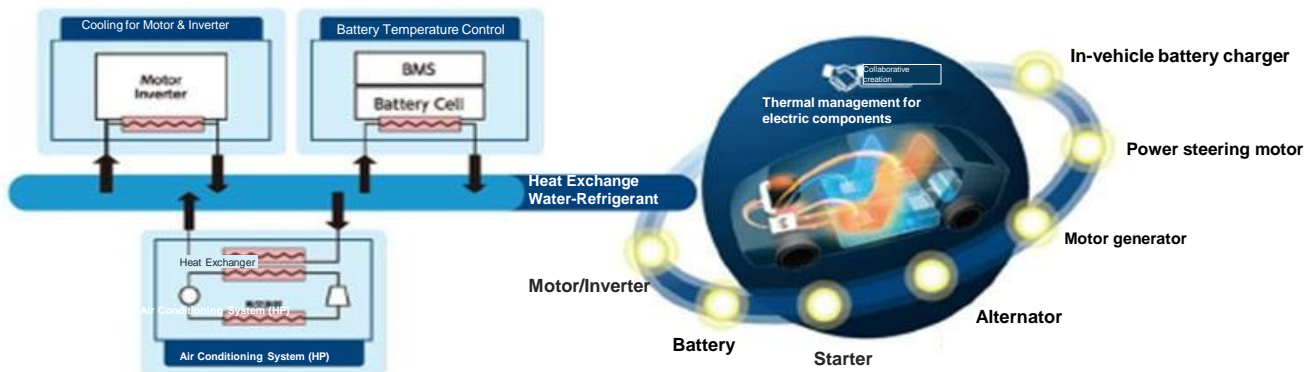
2. Business revitalization plan

① Measures to restructure the business

Growth by actively promoting “collaborative creation”

Concentration on the field of ‘Integrated thermal management system’ for EV

Realization of the industry’s highest level of efficiency



- Cruising range +30%
- Significant contribution to electric heat
- Industry-leading performance



Thermal Management System Development Project

Core
technologies

- Efficient utilization of energy by recovering exhaust heat from motors and inverters
- 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

2. Business revitalization plan

① Measures to restructure the business

Growth by actively promoting “collaborative creation” (Strengthen electric compressor development)

Electric compressor

Magnified electric compressor variation for various electric vehicles

GEN2



- General purpose model
- 24V electric trucks
- 48V mild hybrid vehicles

GEN3



- compact ,light weight
- highly quiet model
- compatible with hybrid vehicles electric vehicles, and hydrogen vehicles

GEN4



- large capacity, high capacity, high efficiency
- high durability model
- support integrated thermal management system in addition to air conditioning system

【Further activity】 Quick charging by increasing the voltage to ultra high voltage

2. Business revitalization plan

① Measures to restructure the business

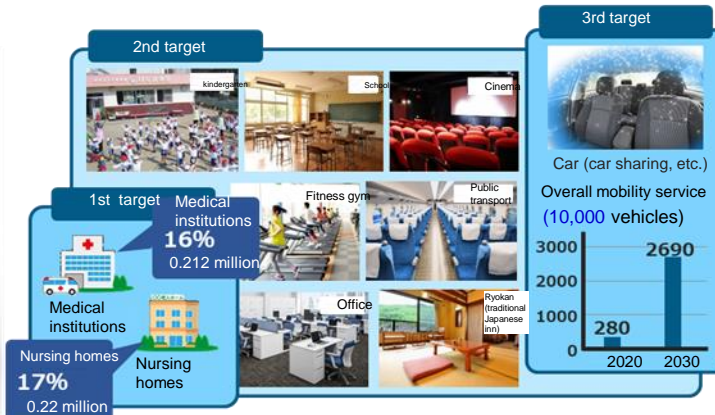
Growth by actively promoting “collaborative creation”

Ozone UFB water generator

Inactivation of new corona virus 99.9 %
High oxidation power/disinfection power
High safety/prevent infection

Social anxiety caused by the COVID-19 pandemic

Contributing to the world through safety and security



Development of Hygiene-related equipment

2. Business revitalization plan

② Selection of a sponsor

海信集团控股股份有限公司

Hisense Group Holdings Co., Ltd.

Hisense



Headquarters located in
Qingdao, China

2. Business revitalization plan

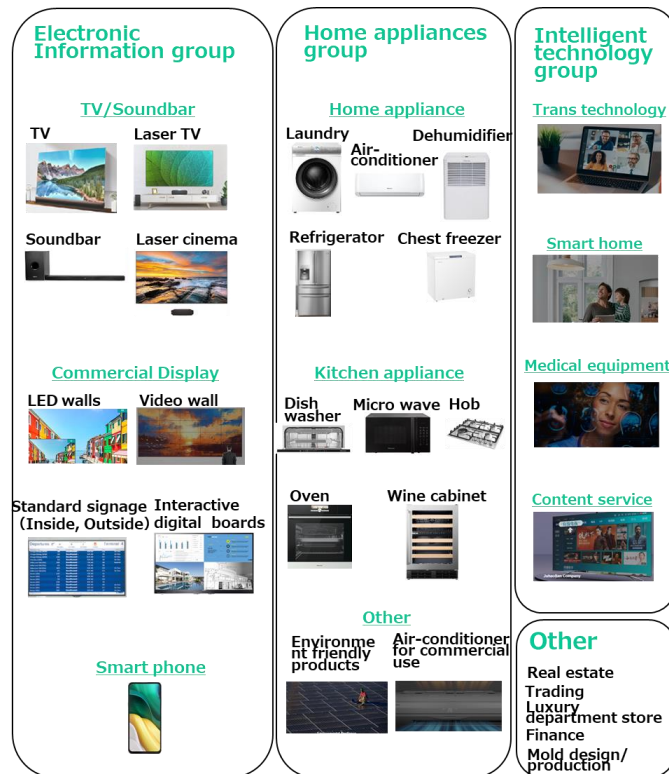
② Selection of a sponsor

- Founded: 1969
- Capital: Approximately 60 billion yen
- Number of employees: 80,000
- Sales: Approximately 2 trillion yen

▶ Global bases



▶ Business overview

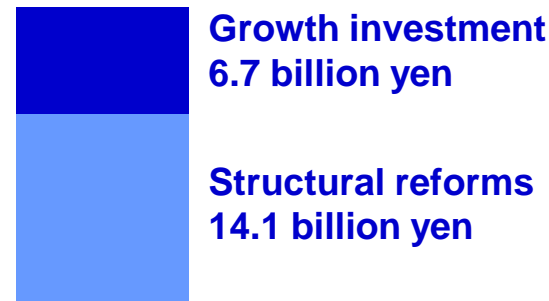


2. Business revitalization plan

③Recapitalization measures: Overview of the third-party allotment

**Issuance of new shares
through third-party allotment**

**21.4 billion yen investment
from the Hisense Group**



Payment period	May 10, 2021 to December 31, 2021
Type and number of shares	Common shares 83,627,000 shares
Issuance price	256 yen per share
Total amount of issuance price	21,408,512,000 yen
Allottee	Hisense Japan Automotive Air Conditioning Systems

2. Business revitalization plan

③ Recapitalization measures: Overview of financial support

We will receive debt forgiveness of 63 billion yen, which is 64% of our outstanding debt (note), from our financial institutions.



*However, the debt forgiveness will not take effect until each proposal is approved at the extraordinary general meeting of shareholders and the payment for the capital increase through third-party allotment is completed.

(Note) Forgiveness of debts to financial institutions that are the target creditors as of the end of June 2020 (consolidated)

2. Business revitalization plan

③ Recapitalization measures: Strengthening of financial base

We will significantly strengthen our financial base through these recapitalization and financial support.



2. Business revitalization plan

④ New management structure

■ New management structure

- **Directors to be dispatched by the Hisense Group: 4**
- **Outside directors to be newly appointed: 2**
- **Executives and employees of the Company: 1 Director**

The appointment of specific candidates for directors shall be determined after the completion of the third-party allotment at the General Meeting of Shareholders to be held in the future.

2. Business revitalization plan

⑤ Business Plan Figures

(1) Consolidated Statements of Income (unit: a hundred million yen)

	Fiscal year ending March 31, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025	Fiscal year ending March 31, 2026
Sales	1,437	1,471	1,590	1,654	1,705
Operating profit (loss)	(29)	5	51	84	102
Ordinary profit (loss)	(24)	21	68	101	119
Net income before adjustments for non-controlling interests	602	17	61	90	105

(2) Consolidated Balance Sheet (unit: a hundred million yen)

	Fiscal year ending March 31, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025	Fiscal year ending March 31, 2026
Total assets	1,210	1,226	1,246	1,289	1,322
Total liabilities	1,072	1,071	1,029	983	910
Total net assets	138	155	216	306	411

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- ② Summary of consolidated financial results
- ③ Sales by region from the automotive systems business segment
- ④ Analysis of changes in operating income (Year-on-year comparison)
- ⑤ Consolidated balance sheet (Year-on-year comparison)

3. Financial results for Fiscal 2020

① Points of financial results

1 The demand from the automobile industry as a whole fell sharply in the first half of the fiscal year due to the impact of the COVID-19 pandemic; however, the second half of the fiscal year saw a better-than-expected recovery. On the other hand, we were not able to keep up with that recovery in demand, causing shortages in the supply of some components such as semiconductors. This led to a slowdown in the speed of recovery. As a result, sales in the second half of the fiscal year were at the same level as the previous year, and sales for the full year significantly declined.

2 The profitability has been improving due to the effects of structural reforms in the previous fiscal year and fixed cost improvements and other measures in the current fiscal year; however, the impact of the COVID-19 pandemic in the first half of the fiscal year and the increase in airfreight and logistics costs due to parts shortages in the second half resulted in a deficit in operating income.

3 In going through the ADR procedure, the Company strictly reviewed the accounting standards for valuation of assets and liabilities. As a result, a large amount of valuation loss on assets and liabilities, such as impairment and other losses were incurred, which further worsened earnings.

4 The Company is in the state of insolvency due to deteriorating earnings; however, the debt forgiveness of 63 billion yen agreed at the third creditors' meeting and the 21.4 billion yen investment from Hisense are scheduled to be implemented as soon as the conditions are met. Therefore, the insolvency is only temporary and a recovery will be done in late May or early June.

3. Financial results for Fiscal 2020

② Summary of consolidated financial results

[In 100 million yen]

Item		Fiscal 2019	Fiscal 2020	Year-on-year comparison
Net sales		2,049	1,375	-674
Operating income		(34)	(185)	-151
Ordinary income		(97)	(232)	-135
Net income attributable to owners of parent		23	(453)	-475
Exchange*	USD	109 yen	106 yen	-3 yen
	EUR	121 yen	124 yen	+4 yen

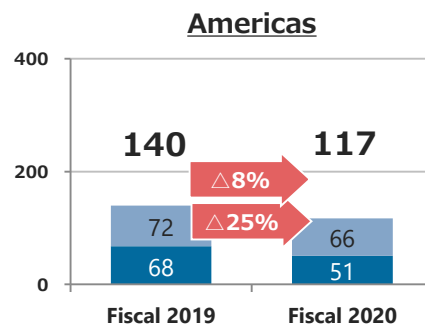
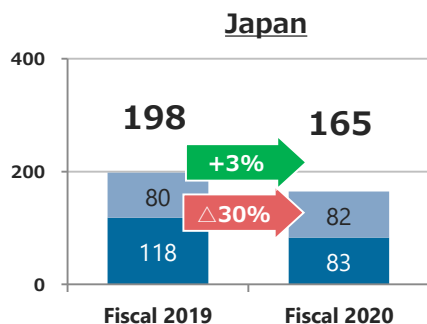
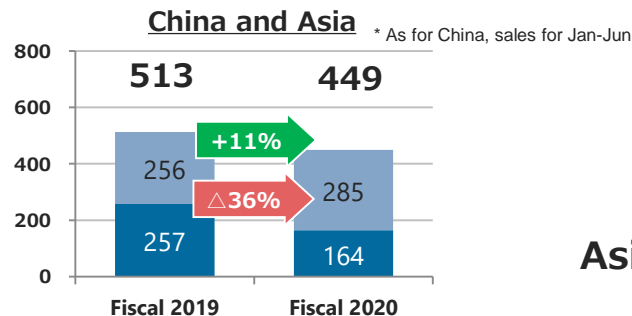
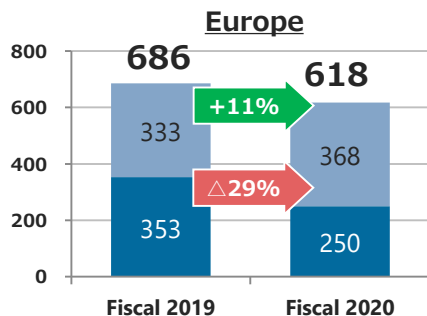
* Exchange: Average market rate

3. Financial results for Fiscal 2020

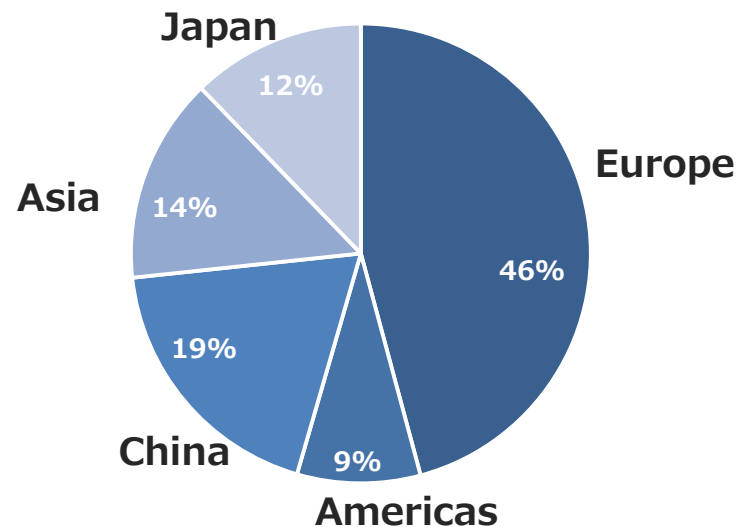
③ Sales by region from the automotive systems business segment

Net sales: 134.8 billion yen, Decrease by 19.0 billion yen (Down 12% year-on-year) (Decrease by 23.1 billion yen due to the COVID-19 pandemic)

■ Regional sales [In 100 million yen]



■ Composition by region

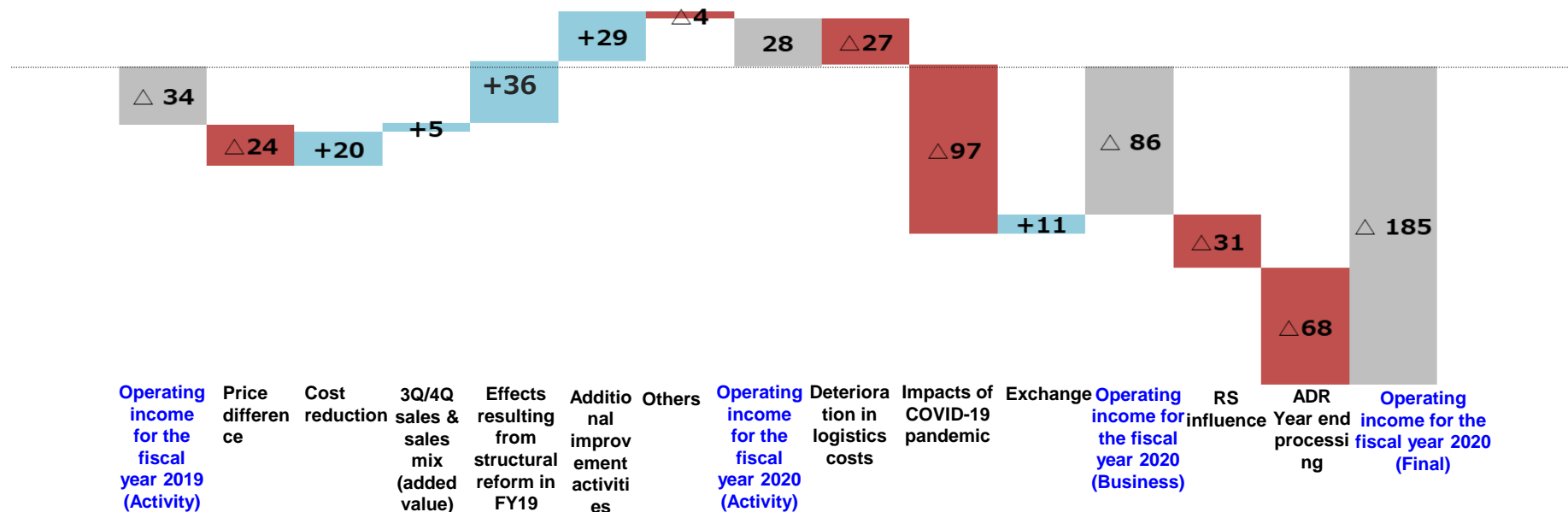


3. Financial results for Fiscal 2020

④ Analysis of changes in operating income (Year-on-year comparison)

	FY2019	FY2020	Difference
Net sales	2,049	1375	-674
Operating income	(34)	(185)	-151

[In 100 million yen]

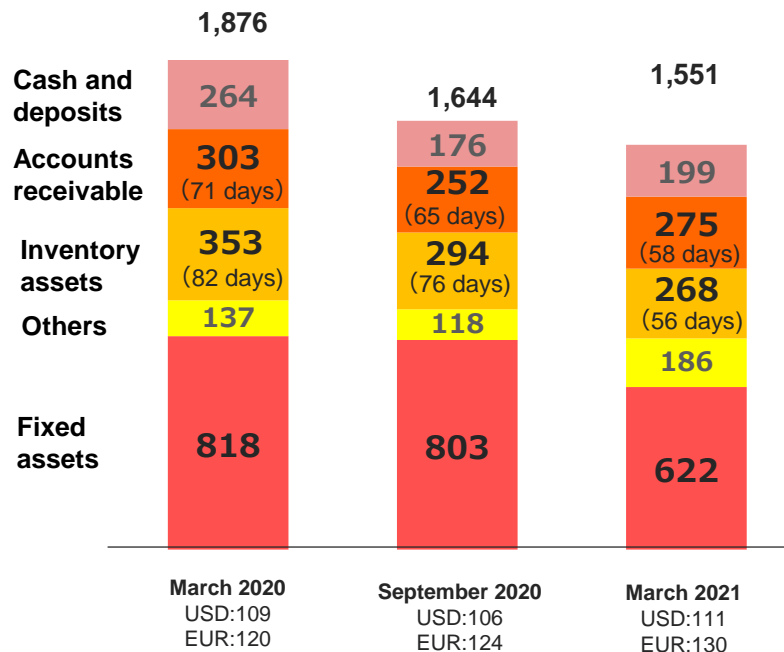


3. Financial results for Fiscal 2020

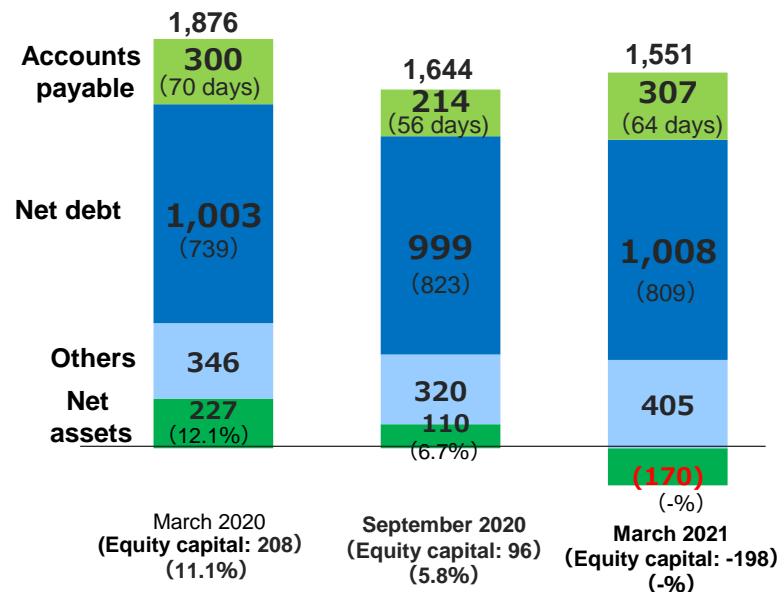
⑤ Consolidated balance sheet (Year-on-year comparison)

[In 100 million yen]

Assets



Liabilities and net assets



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- ① Sanden Group's Vision
- ② Sanden's competitive advantage
- ③ Effects of synergy with the Hisense Group
- ④ Direction Sanden aims for

4. Future developments

① Sanden Group's Vision

Vision

**To create the affluent society environment
and comfort are in harmony,
we will continue to open up a new era
and become a company
all the people trusts.**

4. Future developments

② Sanden's competitive advantage

Sanden's Competitiveness

- **Cutting-edge technology products**

for electrified vehicles with growth potential

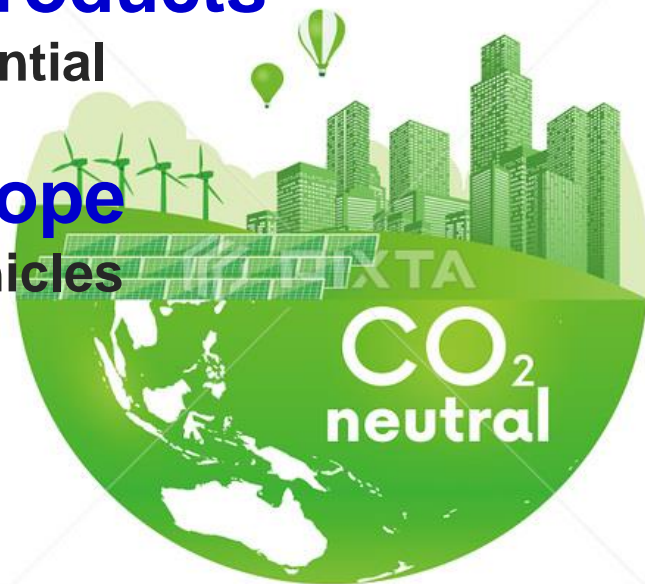
- **Presence in China and Europe**

in the growing market for electrified vehicles

- **Broad customer base**

through independence

Global trends



4. Future developments

③ Effects of synergy with the Hisense Group

High level of response from automobile manufacturers regarding QCD

Further enhance our presence as a Tier 1 supplier



Collaborative
creation

- 1) Procurement synergies
- 2) Production synergies
- 3) Technological synergies
- 4) Market synergies
- 5) Financial synergies

Electrical manufacturer group

Hisense

- Electronic information equipment
- Home appliances, etc.
- In-vehicle air-conditioning
- Autonomous driving
- IoT for vehicles

4. Future developments

③ Effects of synergy with the Hisense Group

Hisense

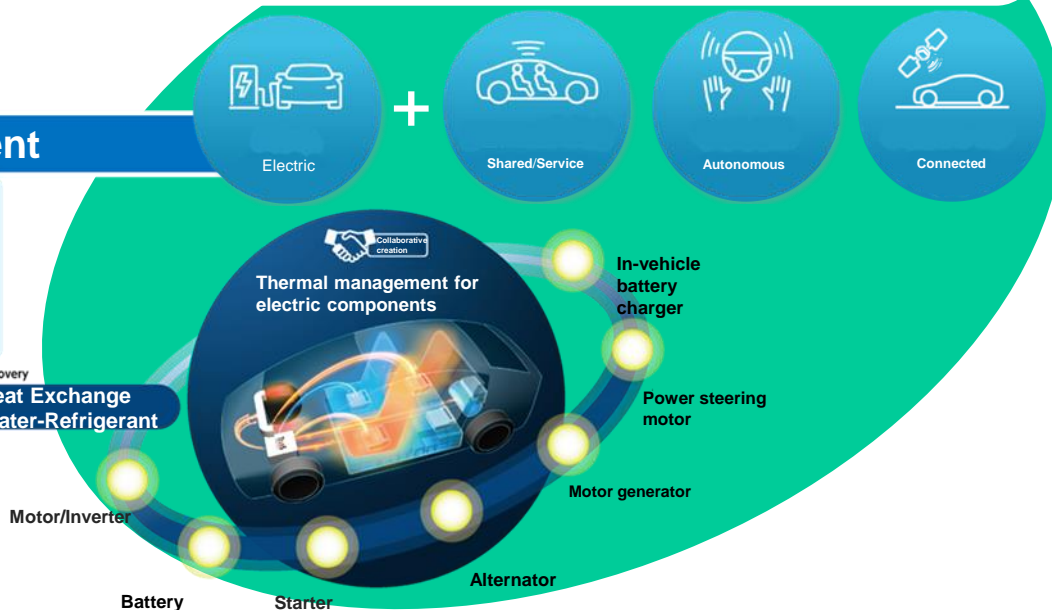
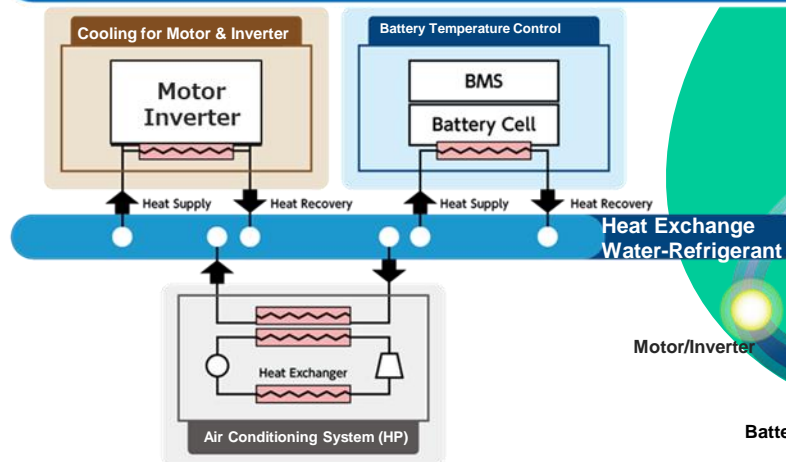
■ Electronic parts and components ■ Electronic control units ■ Electronics information equipment

In-vehicle electronics

CASE

SANDEN®

Integrated Thermal Management



4. Future developments

④ Leading the world through technological innovation

Major historical turning point

