

# Financial Results of 2nd Quarter for the Year Ending March 31, 2021

November 9, 2020

Sanden Holdings Corporation



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# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020

## Main Points of Financial Results for the 1<sup>st</sup> Half of Fiscal 2020

2020/11/9

- 1** Sales from the automotive systems business decreased by 31% year-on-year, mainly due to the global pandemic of COVID-19. The impact of sales decline on business was particularly large in Europe and Asia.
- 2** Operating profit decreased by 8.0 billion yen year-on-year due to the significant impact of a decline in revenue, despite the reduction in expenditures resulting from the structural reform in Fiscal 2019 and the fixed cost improvement in Fiscal 2020.
- 3** It is difficult to make an explicit prediction about full-year performance for Fiscal 2021 because we are in the process of developing a business revitalization plan in accordance with the Turnaround ADR Procedures.

The results for the 1st half of Fiscal 2020 was severely affected by the global pandemic of COVID-19. The production bases around the world were forced to suspend operations in April and May, but since June, all of them have resumed operations and the production has been on a moderate recovery path. However, the business environment remained challenging, and in the end, sales from the automotive systems business amounted to 54.7 billion yen (consolidated total of 55.4 billion yen), a significant decline of 31% year-on-year. The overall consolidated sales decline of 57% includes the impact of the transfer of the retail store systems business and the vehicle sales businesses conducted in Fiscal 2019.

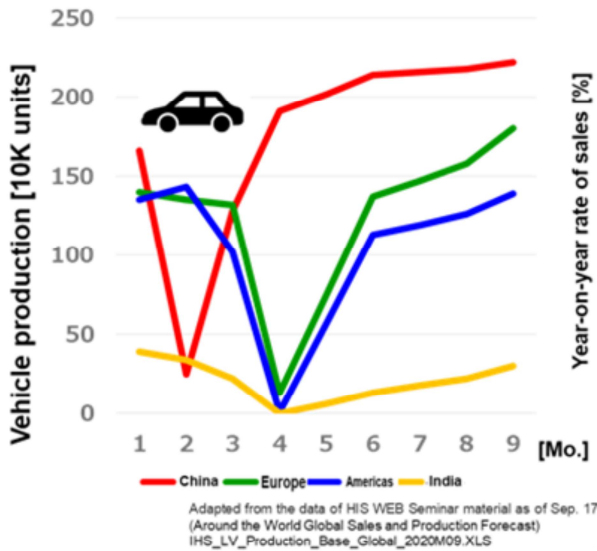
We were successful in reducing the expenditures by carrying out the improvements including the structural reform activities, such as the management of production capacity, voluntary retirement, etc. in Fiscal 2019, and the additional fixed cost reduction by which we intended to offset the adverse effects of COVID-19 pandemic. However, the effects of those improvements were not sufficient to cancel out the impacts of lower sales. As a result, the operating income decreased by 8.0 billion yen year-on-year to a loss of 7.8 billion yen.

We filed for the Turnaround ADR Procedures on June 30th, 2020, and are currently formulating a business revitalization plan in consultation with our financial institutions. The consolidated earnings forecast is yet to be determined because the contents of plan are expected to strongly affect the business performance of Sanden group.

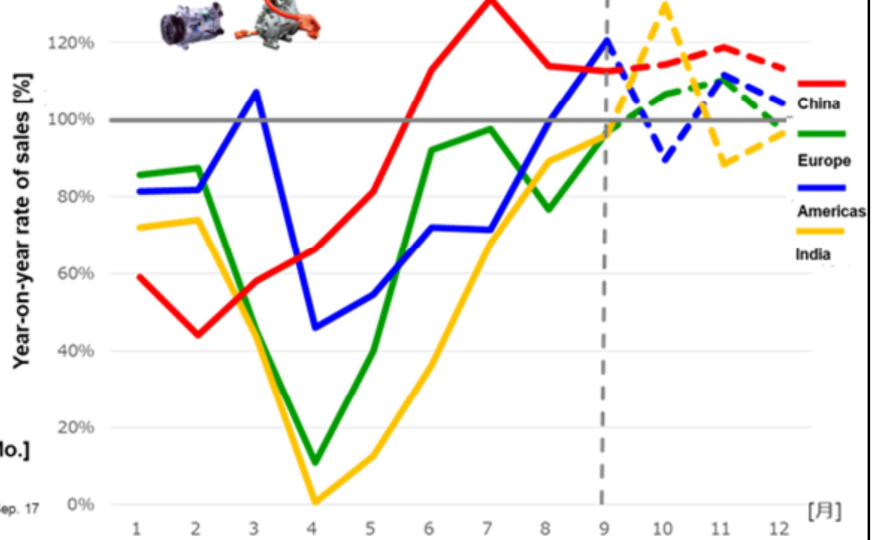
# 1. Performance for the i2nd Quarter Cumulative Period of Fiscal 2020 Impacts of COVID-19 Pandemic

2020/11/9

Trend of regional vehicle production



Trend of regional production of Sanden's compressors



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Vehicle production had drastically fallen in the world since the start of COVID-19 spread, especially in Europe where the drop even reached 30 to nearly 40 percent. Vehicle production has recently been on a recovery trend, but the rapid recovery has begun to show signs of slowing down. Reports suggest that vehicle production will continue to experience ups and downs.

[The production facilities of Sanden group ]

Although the capacity utilization temporarily declined due to the impact of COVID-19 spread, all the production facilities of Sanden group around the world are now operating at normal levels. The operational status of each region from April to September is as follows.

- Japan: After suspending operations in the period from late April to early May, the factory ran operations with 4 on 3 off schedule up to the end of June.
- Europe: All the factories stopped operations in late March. The French factory resumed operations in mid-May, and the Polish factory in June.
- Americas: The factories in the Americas suspended operations in early April and mid-April, and resumed in late April. Then they suspended operations on some production lines in the period from June to August to meet demand decline.
- Asia: The factories in many countries suspended operations in the period from April to mid-May, and gradually resumed thereafter. The Indonesian factory suspended operations for a week in July to adjust supply and demand.
- China: All the factories suspended operations for about 2 weeks in January and February around the time of Chun Jie. They have been being in normal operation since April.

[Sales of Sanden group]

In the Chinese region, sales in some months exceeded 120% compared to those of the previous year. In the European region, September sales returned to the same level as last year, and the capacity utilization has been returning to normal. Sales in Japan, Americas, and Asia also experienced the worst of downturn in April and May, but is on a recovery trend now. However, the situation in Europe is unpredictable because of COVID-19 resurgence. We will continue to monitor the situation closely to see if the recovery trend continues.

# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020

2020/11/9

## Summary of Consolidated Financial Results

[In 100 million yen]

	Fiscal 2019 1 <sup>st</sup> Half	Fiscal 2020 1 <sup>st</sup> Half	Year-on- year Comparison
Net Sales	1,280	554	(726)
Operating Income	2	(78)	(80)
Ordinary Income	(27)	(134)	(107)
Net Income*	18	(140)	(158)

\* Net income attributable to owners of parent

Exchange*	USD	109 yen	107 yen	(2 yen)
	EUR	122 yen	121 yen	(1 yen)

\* Exchange: Average market rate

### Performance for the 2nd Quarter Cumulative Period of Fiscal 2020

Net sales and operating income decreased from a year earlier. Net sales were 55.4 billion yen, operating loss was 7.8 billion yen, ordinary loss was 12.9 billion yen, and net loss attributable to owners of parent was 13.5 billion yen.

The major causes of net sales decline of 72.6 billion yen are as follows.

- (1) Transfer of stocks of Sanden Retail Systems Corporation and its related companies, which was conducted on October 1st, 2019.
- (2) Sales decline due to the global pandemic of COVID-19.
- (3) Transfer of stocks of Honda Cars Takasaki, which was conducted on February 1st, 2020.

Operating income decreased substantially despite our efforts to reduce fixed costs. Such a decrease was due mainly to the sales decline mentioned earlier. Ordinary income was significantly deteriorated by the foreign exchange losses and the deterioration in equity in earnings of the related companies as well as the deterioration in operating income.

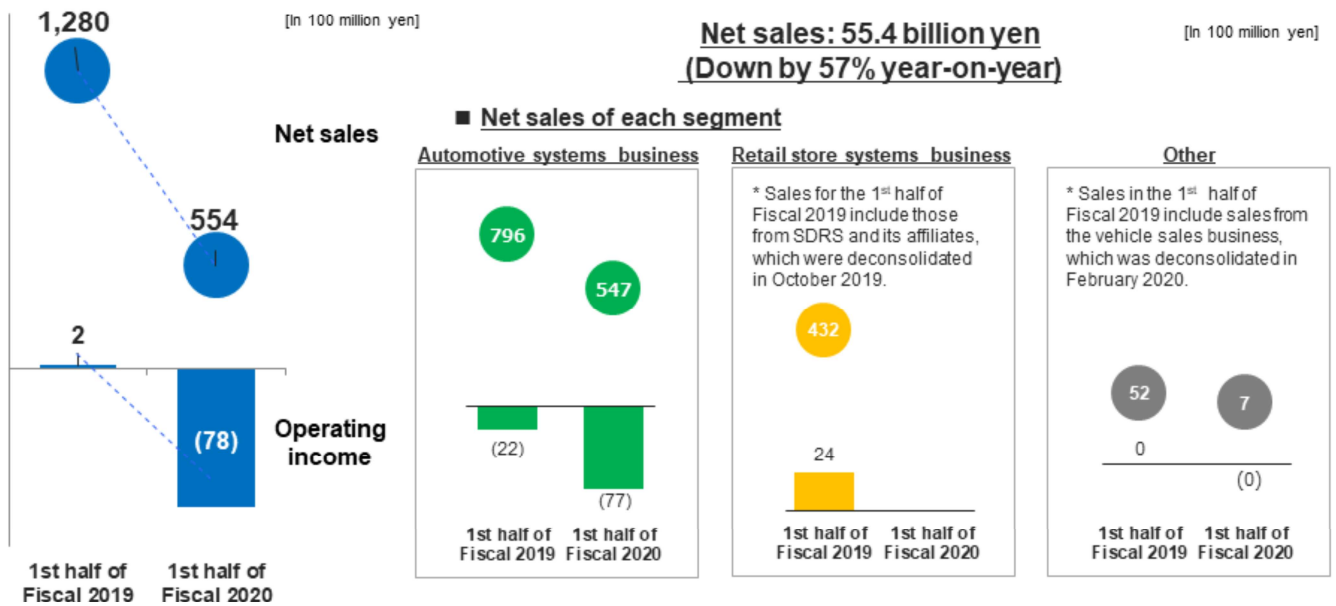
Net loss attributable to owners of parent was 13.5 billion yen because of the ordinary loss mentioned above and the reclassification of fixed costs of the production factories that suspended operations due to the spread of COVID-19 in the 1st quarter to an extraordinary loss.



# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020

## Net Sales & Operating Income from Each Segment

2020/11/9



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Segmental breakdown of net sales and operating income.

Net sales from the automotive systems business were 54.7 billion yen, down by 24.9 billion yen year-on-year. All the stocks relating to the retail store systems business were transferred on October 1st, 2020. As a result, net sales from the relevant business decreased by 43.2 billion yen year-on-year.

Net sales from other business were 0.7 billion yen, down by 4.5 billion yen year-on-year, due mainly to the transfer of automobile sales business, which was conducted on February 1st, 2020.

Operating income decreased due to the decline in sales from the automotive systems business.

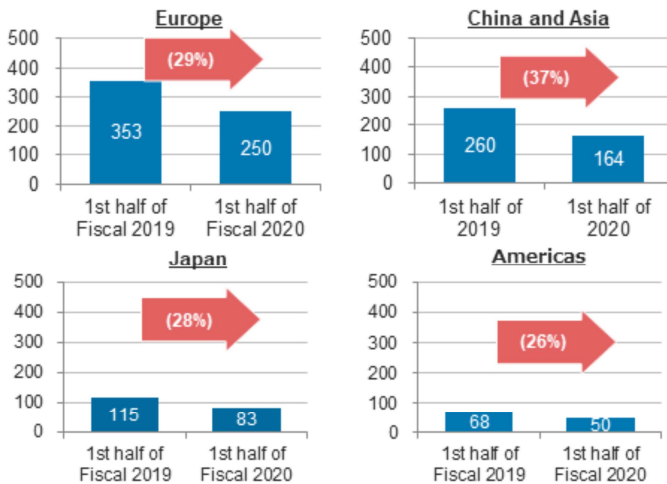
# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020

## Regional Sales - Automotive Systems Business

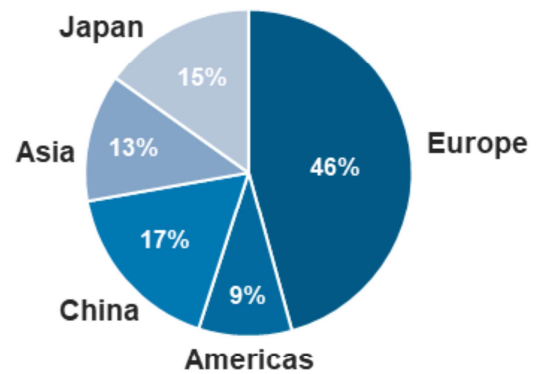
2020/11/9

**Net sales: 54.7 billion yen (Down 31% year-on-year)**  
 (Decrease by 22.7 billion yen decrease was due to COVID-19 pandemic)

■ **Regional sales** [In 100 million yen]



■ **Composition by regions**



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### Regional Sales - Automotive Systems Business

In the European region, sales significantly declined due to the plant shutdown caused by COVID-19 infection spread that had become serious in March. The French factory resumed operations in mid-May and the Polish factory in June respectively. Sales are on a track to recovery in the 2nd quarter, especially for electric compressors.

Almost all of our Asian business locations were forced to suspend operations in the period from April to May. Even after resumption of operations in June and thereafter, there were instabilities in production, such as the temporary shutdown at the Indonesian factory in July and the temporary curtailing of operations in Philippine and other countries. Sales declined significantly as a result.

In the Japanese and American regions, sales have been on a recovery track since August despite a significant decline in overall sales for the 1st half of Fiscal 2020 due to the production adjustment resulting from COVID-19 infection spread.

Demand in the Chinese region is recovering faster than in other regions and has been relatively strong since April.

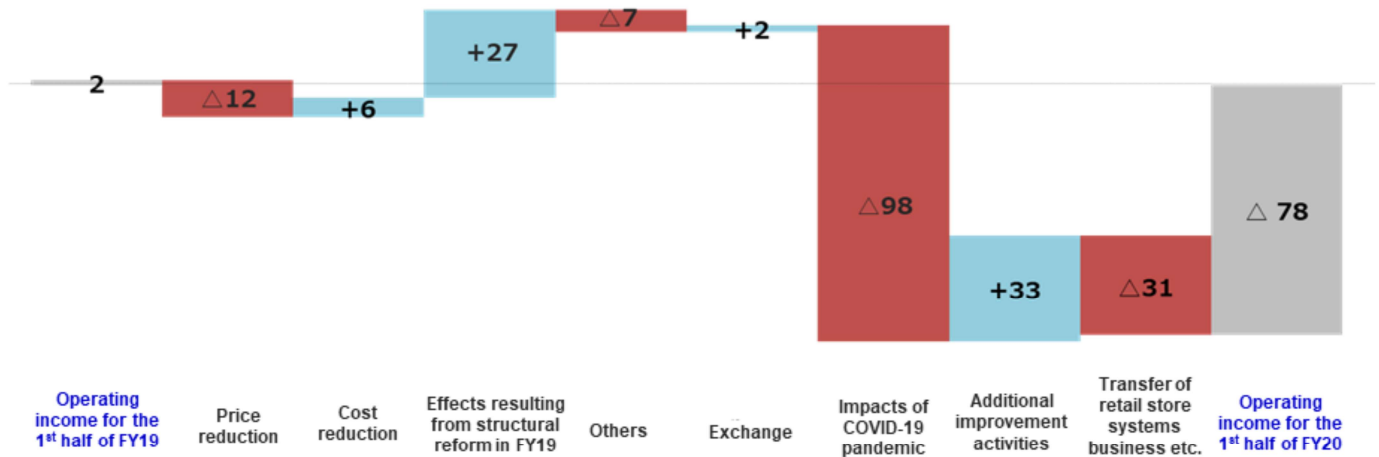
The financial results for the period from January to June are reflected as the performance for the 2nd quarter cumulative period of Fiscal 2020 since the account closing month of consolidated subsidiaries and equity-method affiliates in China is December. Sales declined due to COVID-19 infection spread that occurred in the period from January to March.

# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020 Operating Income (Year-on-year Comparison)

2020/11/9

	Previous FY	Current FY	Difference
Net Sales	1,280	554	(726)
Operating Income	2	(78)	(80)

[In 100 million yen]



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## Cause analysis for operating loss

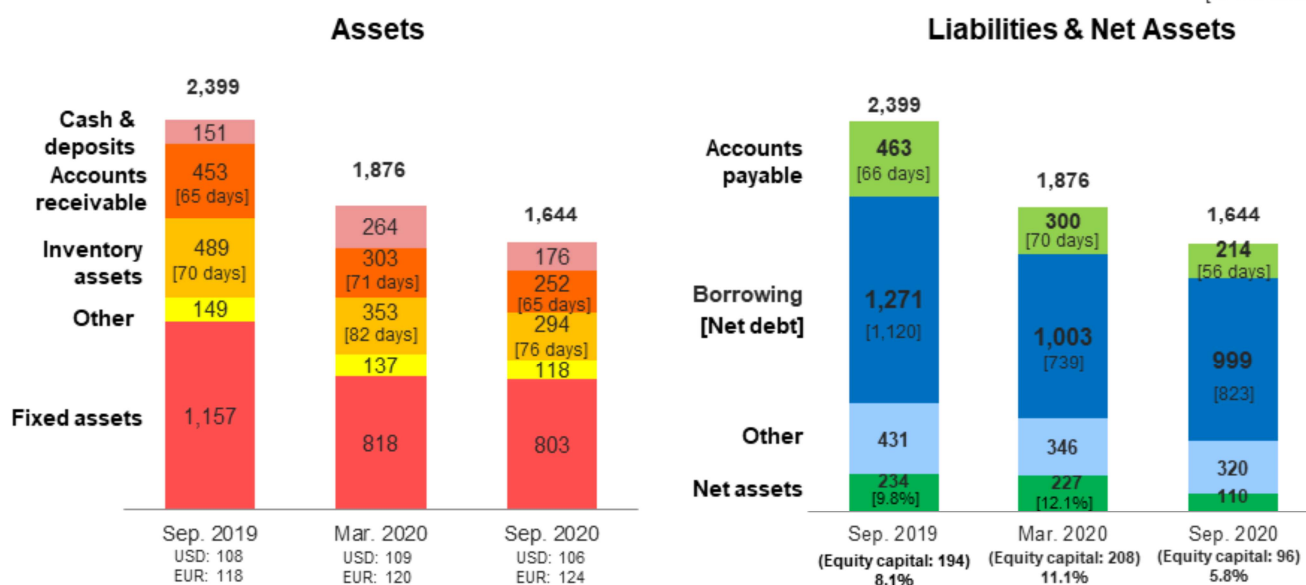
Operating loss was 7.8 billion yen, down by 8.0 billion yen year-on-year. Although we failed to cancel out the amount of price reduction with cost reduction because the activities relating to cost reduction did not progress as planned, our efforts of the structural reforms in the previous fiscal year surely strengthened our earnings structure. Despite our increased efforts to improve the fixed costs, however, operating loss finally amounted to 7.8 billion yen due to profit decline resulting from a significant decline in sales and the impacts of the transfer of the retail store systems business and the vehicle sales business conducted in the previous fiscal year.

# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020

2020/11/9

## Consolidated Balance Sheet

[In 100 million yen]



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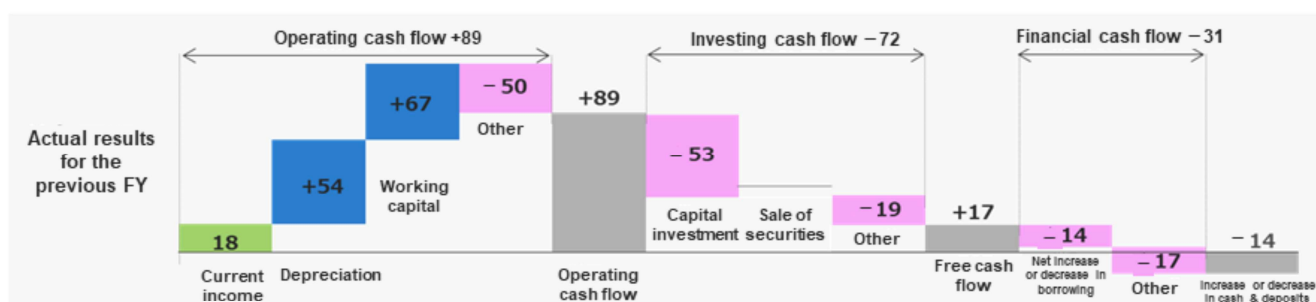
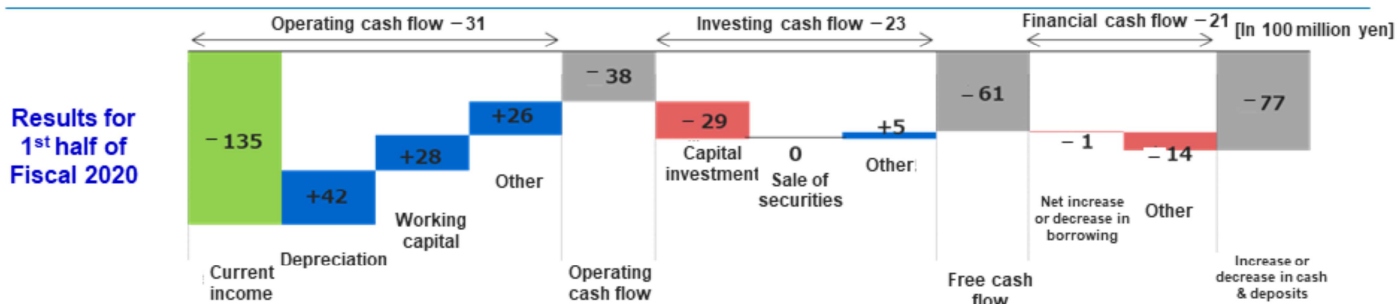
Consolidated balance sheet as of the end of September, 2020

Total assets decreased by 23.2 billion yen from the end of March 2020 to 164.4 billion yen, mainly due to a decrease in account receivables resulting from a decline in sales and our increased efforts to collect receivables and reduce inventories.

In addition, we have responded to the deficit funds by COVID-19 infection by improving working capital and reversing cash on hand, and we are not until currently using pre-DIP finance, and interest-bearing debt remains almost flat. Net assets decreased by 11.7 billion yen to 11.0 billion until currently yen due to a deterioration in earnings, and equity capital decreased by 11.2 billion yen to 9.6 billion yen.

# 1. Performance for the 2nd Quarter Cumulative Period of Fiscal 2020 Consolidated Cash Flow

2020/11/9



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## Consolidated cash flow

Cash and cash equivalents at the end of the 1st half were 17.6 billion yen, down by 7.7 billion yen from the end of the previous year.

Despite the working capital improvement effects produced by forcefully promoting debt collection and inventory reduction, operating cash flow decreased by 3.8 billion yen due to the significant impact of lower profits. The amount of capital investment decreased to 2.9 billion yen as a consequence of revision in the capital investment plan at the business locations across the world. As a result, investing cash flow decreased by 2.3 billion yen, and cash used in investing activities decreased by 4.9 billion yen year-on-year. Thus a decrease in free cash flow could be limited to 5.4 billion yen.

A decrease in financial cash flow was limited to 0.1 billion yen due to the suspension of debt repayments from the companies subject to the Turnaround ADR Procedures.



## 2. Earnings Forecast for Fiscal 2020

2020/11/9

1

We are anticipating that the automotive industry will move toward moderate recovery; 10% decline in auto sales year-on-year in the 2<sup>nd</sup> half and 20% decline throughout the year. However, the future impacts of the global pandemic of COVID-19 still remains uncertain.

2

As we are in the process of developing a business revitalization plan, which may affect our group's business performance, the consolidated business forecast is to be yet determined. We will make an announcement as soon as we become able to make a reasonable calculation.

The full-year earnings forecast for Fiscal 2020 is yet to be determined.

The economy was worsened by COVID-19 infection spread, but is expected to recover in the 2nd half of Fiscal 2020 according to the forecasts. However, major European countries have started imposing lockdown measures once again over COVID-19 resurgence. We recognize that the risk is increasing again, and believe that the future still remains uncertain.

In addition, Sanden Holdings and its relevant subsidiaries are proceeding with the Turnaround ADR Procedures and are in the process of developing a business revitalization plan for resolution at the 3rd creditors' meeting. Since it is difficult to reasonably estimate the impact of this plan on our business performance, the full-year earnings forecast is yet to be determined.

**(Supplement Material )  
Fact Data of Performance  
for the 2nd Quarter  
for the Year Ending March 31, 2021**



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# 1. Trend of Consolidated Performance Summary of Financial Indicators

2020/11/9

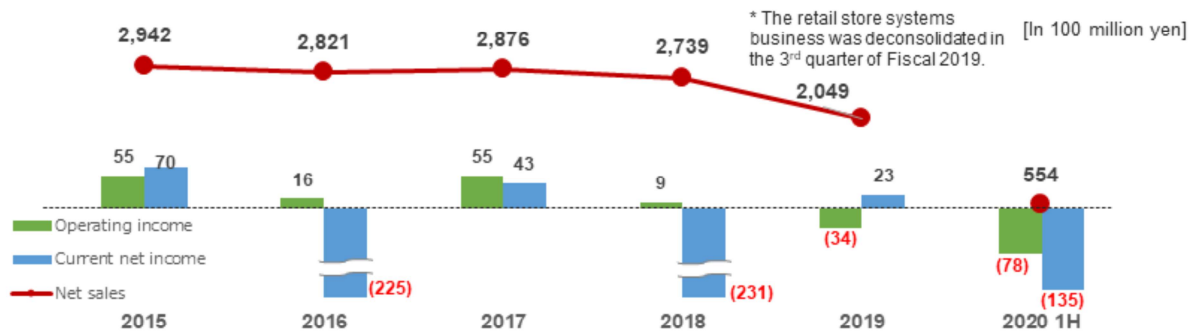
[in 100 million yen]

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	1st half of Fiscal 2020
<b>Consolidated</b>						
ROA	2.0%	-0.8%	1.6%	0.2%	-5.2%	-7.9%
ROE	8.8%	-5.2%	9.8%	3.0%	-46.4%	-134.5%
Equity capital ratio	23.3%	15.5%	16.4%	7.7%	11.1%	5.8%
Net sales	2942	2821	2876	2739	2049	554
Operating income	55	16	55	9	-34	-78
Operating income to sales	1.9%	0.6%	1.9%	0.3%	-1.7%	-14.0%
Ordinary income	61	-23	44	6	-97	-129
Ordinary income to sales	2.1%	-0.8%	1.5%	0.2%	-4.7%	-23.3%
Current net income	70	-225	43	-231	23	-135
Net income to sales	2.4%	-8.0%	1.5%	-8.4%	1.1%	-24.4%
Receivable turnover period	104	102	93	97	80	65
Inventory turnover period	62	60	59	63	62	76
Payable turnover period	59	57	61	59	53	56
CCC (days)	107	105	91	101	89	85
Borrowing	1289	1285	1261	1305	1003	999
Net Debt	1115	1144	1074	1175	738	823
Free cash flow	-86	-3	112	-84	357	-61
<b>Automotive Systems</b>						
Unit sales of compressors (10K)	1571	1711	1763	1620	1424	579
Net sales	1984	1992	2089	1935	1538	547
Operating income	65	44	66	6	-53	-77
Operating income to sales	3.3%	2.2%	3.1%	0.3%	-3.4%	-14.1%

# 1. Trend of Consolidated Performance

## Trend of Consolidated Profit and Loss

2020/11/9



	2015	2016	2017	2018	2019	2020 1H
<b>Net sales</b>	2,942	2,821	2,876	2,739	2,049	554
Cost of sales	2,409	2,327	2,350	2,270	1,730	523
<b>Gross operating income</b>	533	493	527	469	319	31
Selling and general administrative expenses	478	477	472	460	353	109
<b>Operating income</b>	55	16	55	9	-34	-78
<b>Ordinary income</b>	61	-23	44	6	-97	-129
<b>Current net income</b>	70	-225	43	-231	23	-135
<b>Exchange</b>						
USD	120	108	110	111	109	107
EUR	133	119	129	128	121	121

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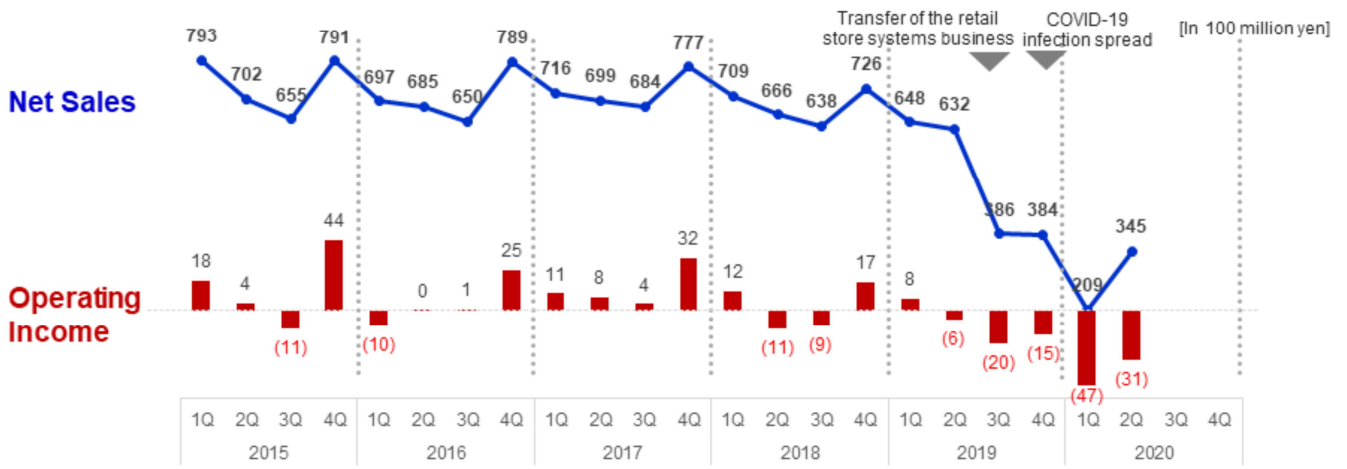
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# 1. Trend of Consolidated Performance

## Net Sales and Operating Income in Each of the Quarters

2020/11/9



	2015				2016				2017				2018				2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Ordinary income	33	0	(5)	33	(30)	(1)	19	(10)	17	9	6	12	23	(27)	(8)	19	(18)	(9)	(24)	(47)	(75)	(61)		
Current net income	29	(5)	(5)	52	(21)	(51)	36	(185)	13	11	(4)	22	16	(28)	(7)	(212)	(20)	37	104	(58)	(68)	(61)		

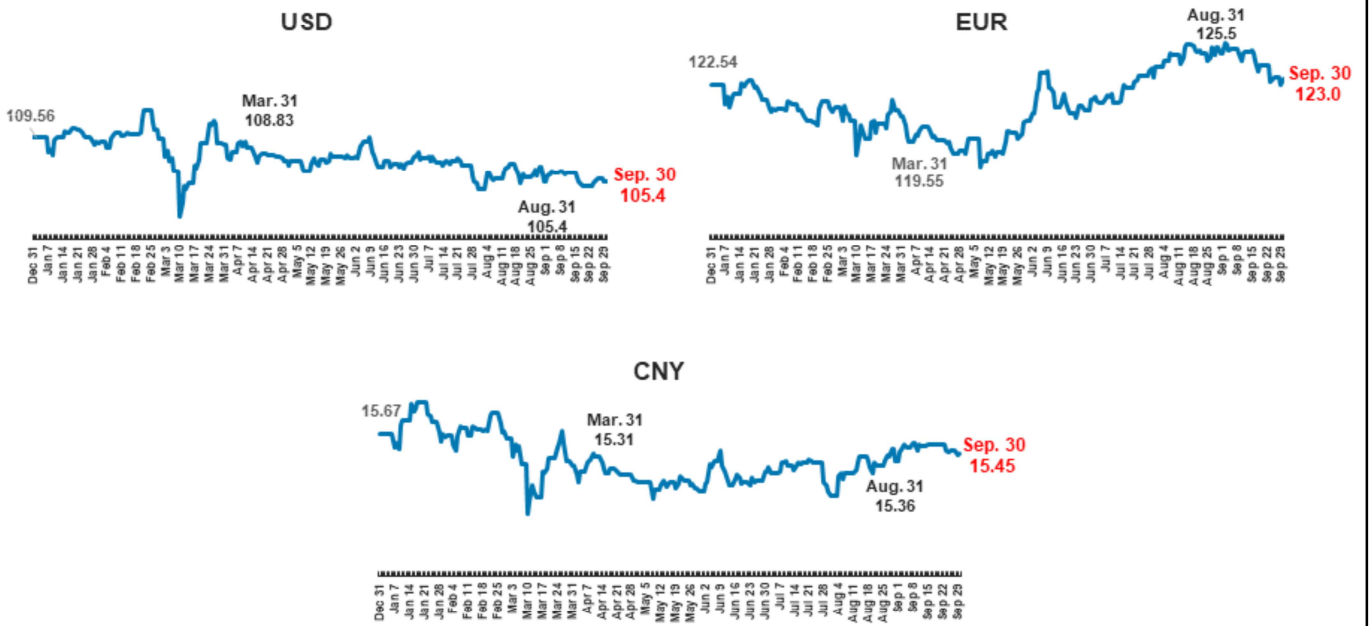
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# 1. Trend of Consolidated Performance

## Trend of Exchange Rate of Major Currencies

2020/11/9



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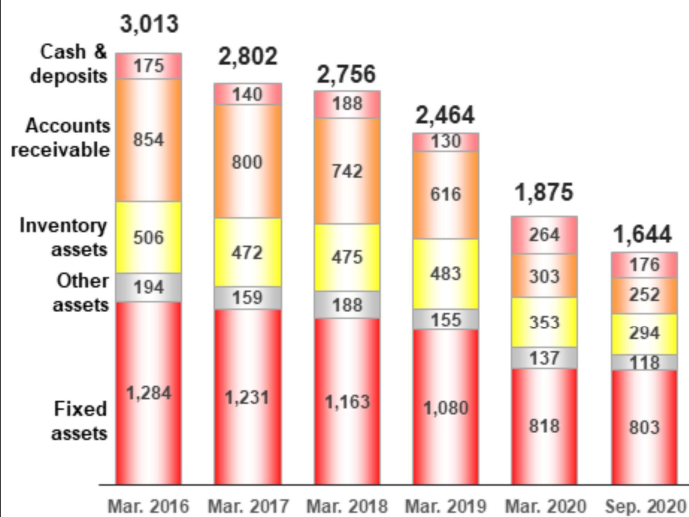
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# 1. Trend of Consolidated Performance

## Trend of Assets and Liabilities

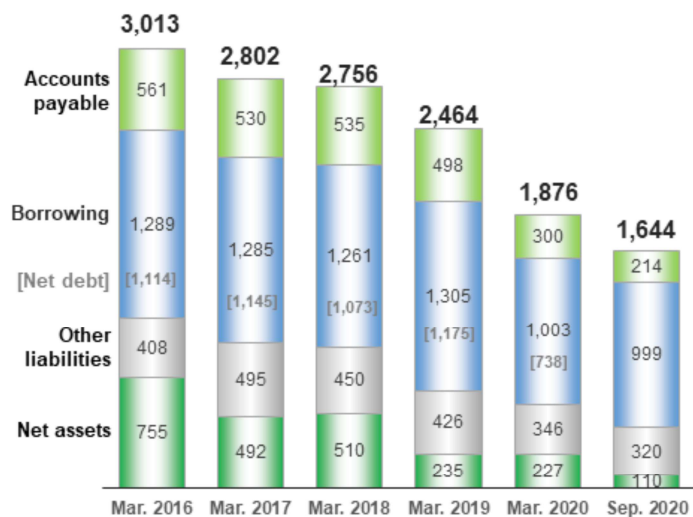
2020/11/9

### Assets



### Liabilities & Net Assets

[In 100 million yen]



Period	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Sep. 2020
Equity capital	702	434	452	190	209	96
[Equity capital ratio]	[23%]	[16%]	[16%]	[8%]	[11%]	[5.8%]

# 1. Trend of Consolidated Performance

## Trend of Consolidated Cash Flow

2020/11/9

	2015	2016	2017	2018	2019	1 <sup>st</sup> half of 2020	[In 100 million yen]
Net Income before Taxes	79	(190)	59	(206)	23	(135)	
Depreciation	126	124	112	110	101	42	
Working Capital	(60)	(0)	59	(50)	81	28	
Others	(89)	167	(158)	177	(133)	26	
<b>Operating Cash Flow</b>	<b>57</b>	<b>100</b>	<b>71</b>	<b>30</b>	<b>72</b>	<b>(39)</b>	
Capital Investment	(121)	(137)	(92)	(149)	(98)	(29)	
Sales of Securities	32	1	98	8	356	0	
Others	(67)	32	35	27	27	5	
<b>Investing Cash Flow</b>	<b>(156)</b>	<b>(104)</b>	<b>41</b>	<b>(114)</b>	<b>285</b>	<b>(23)</b>	
<b>Free Cash Flow</b>	<b>(99)</b>	<b>(3)</b>	<b>112</b>	<b>(83)</b>	<b>357</b>	<b>(61)</b>	
Net Increase or Decrease in Borrowing	102	14	(43)	54	(214)	(1)	
Others	(34)	(45)	(22)	(29)	(36)	(14)	
<b>Increase or Decrease in Cash and Deposits</b>	<b>(31)</b>	<b>(34)</b>	<b>47</b>	<b>(57)</b>	<b>107</b>	<b>(77)</b>	

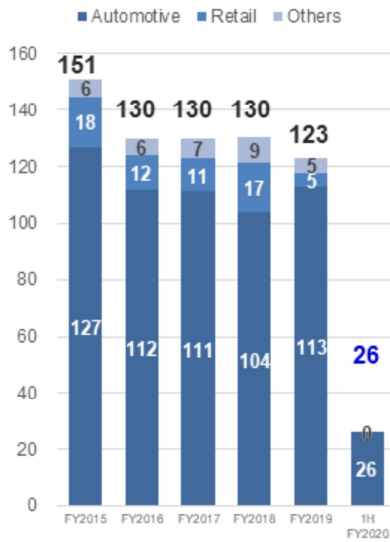
# 1. Trend of Consolidated Performance Capital Investment, Depreciation, and R&D Expenses

2020/11/9

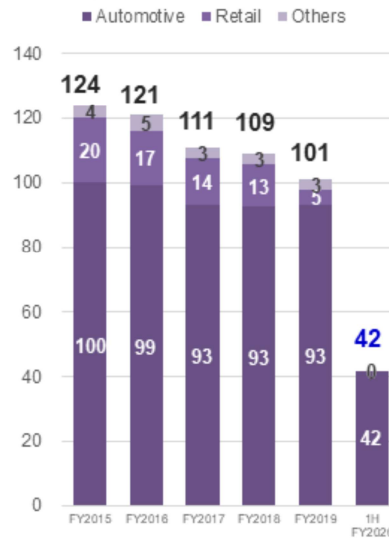
Annual amount for FY15 to 19, and amount for 1<sup>st</sup> half for FY20

In 100 million yen

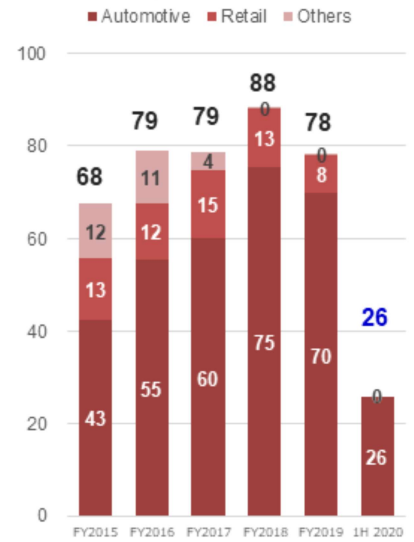
## ■ Capital Investment



## ■ Depreciation



## ■ R&D Expenses



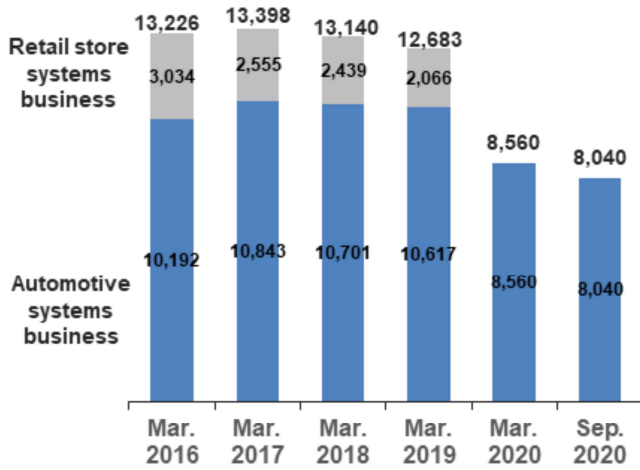


# 1. Trend of Consolidated Performance

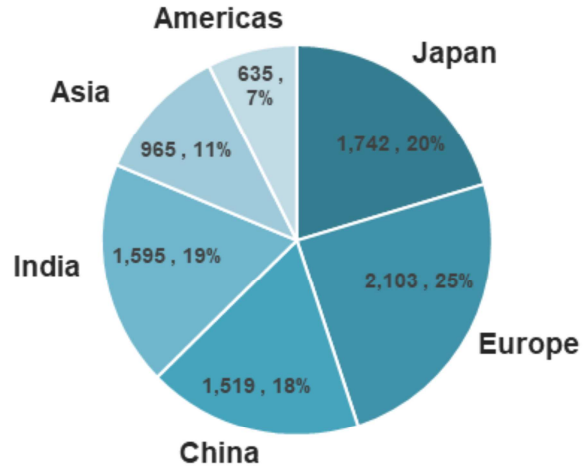
## Number of Employees

2020/11/9

■ Number of employees of consolidated companies



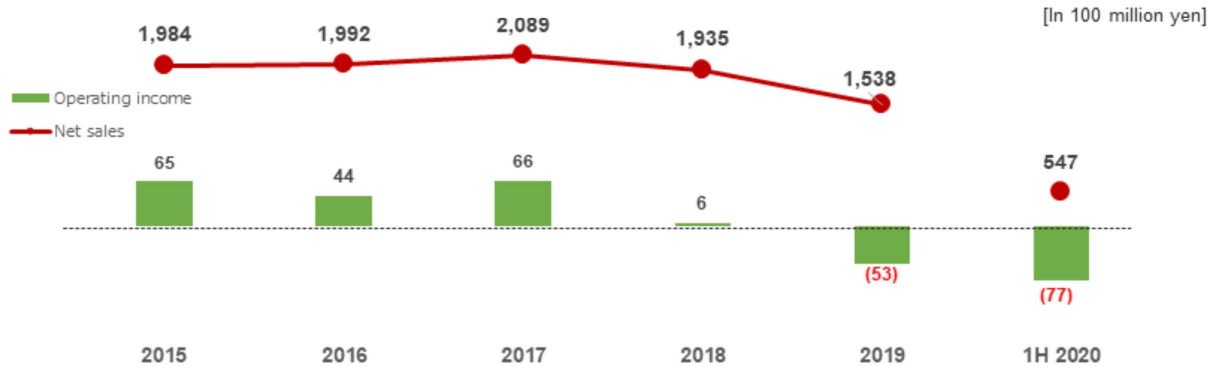
■ Number of employees of consolidated companies in each of the regions as of the end of September 2020  
8,040 employees



## 2. Automotive Systems Business

### Breakdown of Operating Income - Automotive Systems Business

2020/11/9



	2015		2016		2017		2018		2019		1H 2020	
<b>Net sales</b>	1,984		1,992		2,089		1,935		1,538		547	
Cost of sales	1,693	57.5%	1,634	57.9%	1,709	59.4%	1,627	59.4%	1,330	64.9%	516	93.2%
<b>Gross operating income</b>	291	9.9%	358	12.7%	379	13.2%	308	11.2%	208	10.1%	31	5.6%
Selling and general administrative expenses	226	7.7%	314	11.1%	313	10.9%	302	11.0%	261	12.7%	108	19.5%
<b>Operating income</b>	65	2.2%	44	1.6%	66	2.3%	6	0.2%	(53)	(-2.6%)	(77)	(-14.0%)
Exchange	USD	120	108	110	111	109	107					
	EUR	133	119	129	128	121	121					

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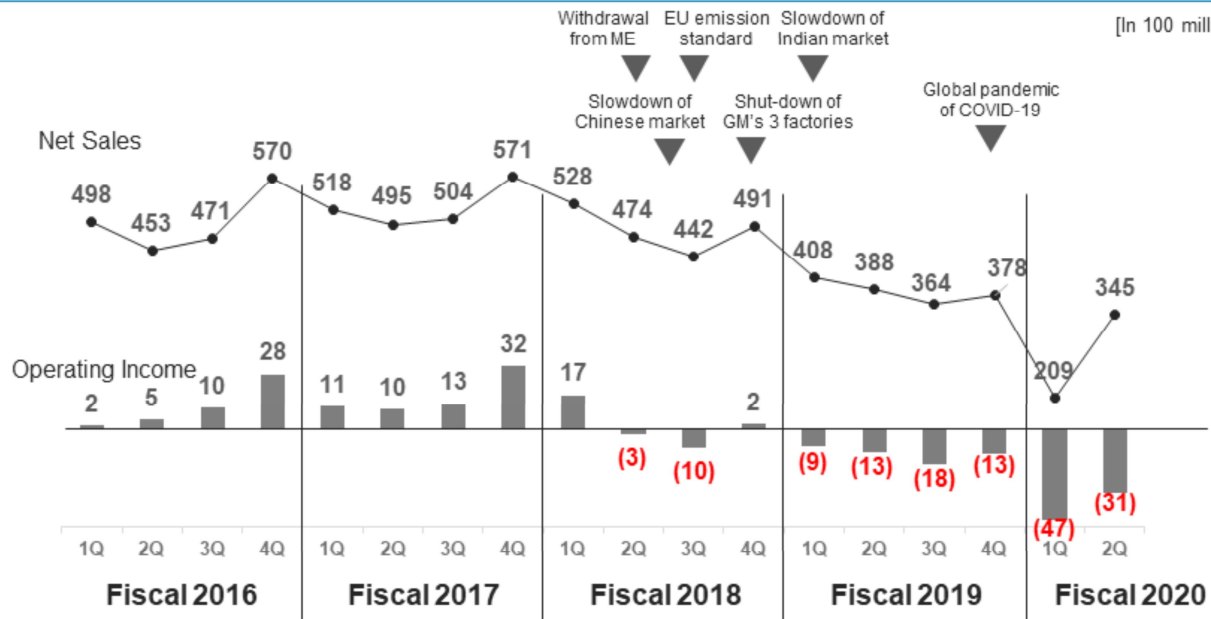
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## 2. Automotive Systems Business Trend of Performance - Automotive Systems Business

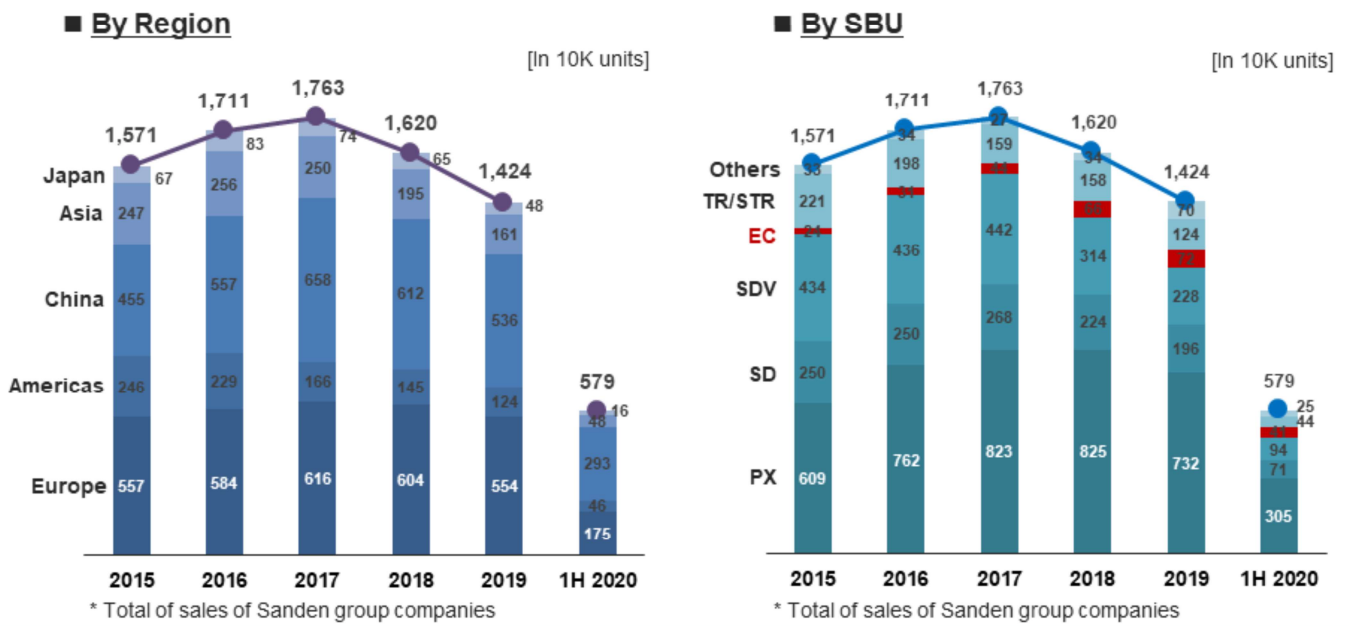
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[In 100 million yen]



## 2. Automotive Systems Business Trend of Unit Sales of Compressors - By Region/SBU

2020/11/9



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