

Business Overview for FY2021

February 28, 2022
Sanden Corporation

Director & Executive Vice President
Hideyuki Kobayashi

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- 2. Financial Highlights for FY2021 (April-December 2021)**
- 3. Reform Programs to Restructure the Business**
- 4. Our Future Initiatives**

1. Business Revitalization Plan

Overview

We have begun working on measures to restructure the business based on the business revitalization plan, which our financial institutions agreed to in May 2021.

Period: Up to March 31, 2026 (The last day of the Business Revitalization Plan)

Target numbers: Net sales; 170.5 billion yen, Operating income; 10.2 billion yen (Year ending March 2026)

Measures to restructure the business

Five reform programs	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. Financial Highlights of FY2021

Key initiatives

- 1 May** With the investment from the Hisense Group, the ADR procedure was completed to improve our financial position.

Business Revitalization Plan submitted



- 2 June** Book closing date moved from March to December.
FY2021 is a nine-month year from April to December 2021.

- 3 Dec.** Early retirement plan offered. (196 utilized the plan)

- 4 Dec.** Plan for Compliance with the Listing Criteria of the TSE Prime Market submitted

- 5 Jan. '22** Trade name changed to Sanden Corporation as management structure reorganized from a holding company to an operating company

2. Consolidated Financial result of FY2021

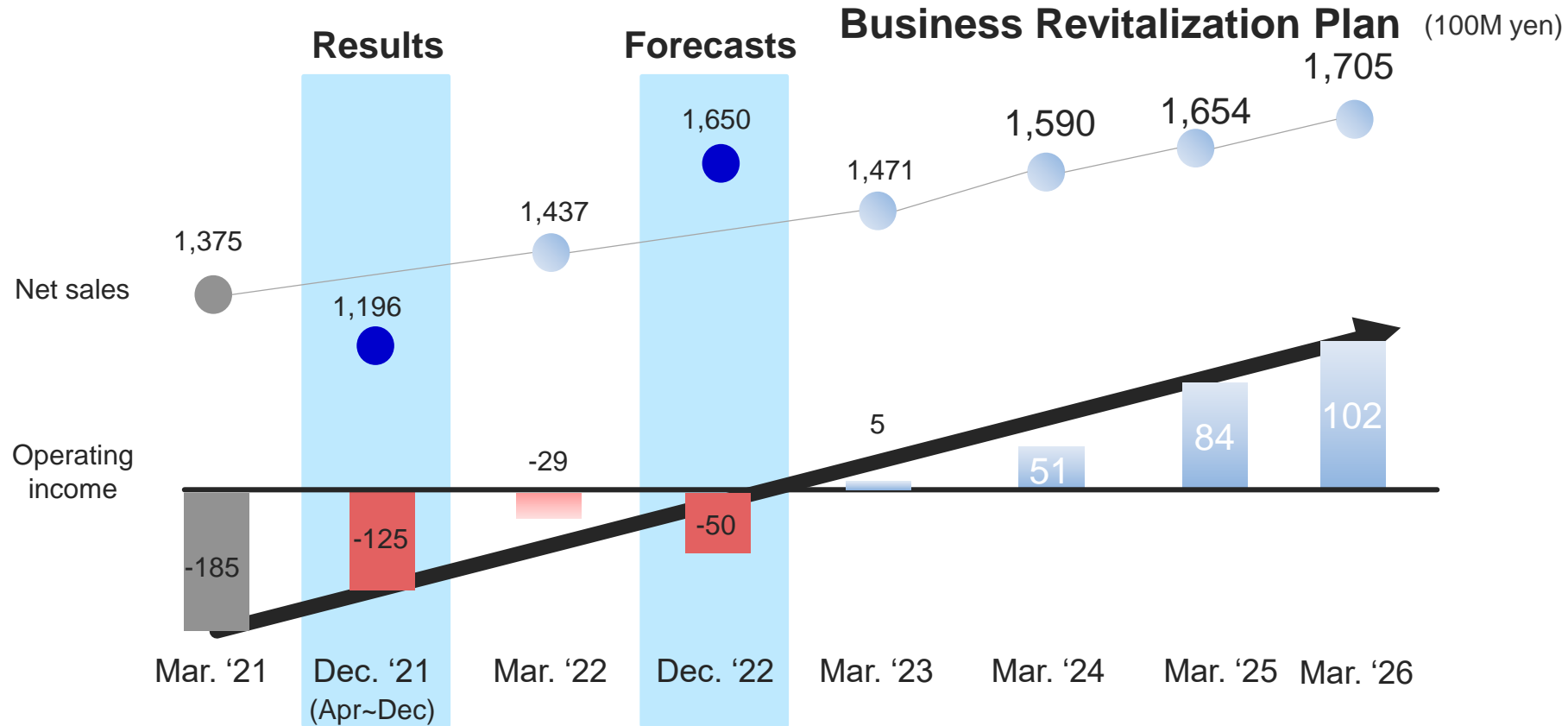
(100M yen)

		FY2020 results (Apr.-Dec. '20)	FY2021 results (Apr.-Dec., '21)	Vs. previous year	
				Difference	% change
Net Sales		945	1,196	251	26.6%
Operating income		(97)	(125)	- 28	- 28.6%
Ordinary income		(160)	(117)	43	26.7%
Net income attributable to owners of parent		(168)	159	327	-
Forex*	US\$	JPY106	JPY111	JPY5	
	EUR	JPY122	JPY131	JPY8	

* Average rate in the market

2. Financial Highlights of FY2021

Please note that the numbers below are based on the asset evaluation standards of the Alternative Dispute Resolution (ADR) on Business Revitalization procedure, and not on general corporate accounting standards.

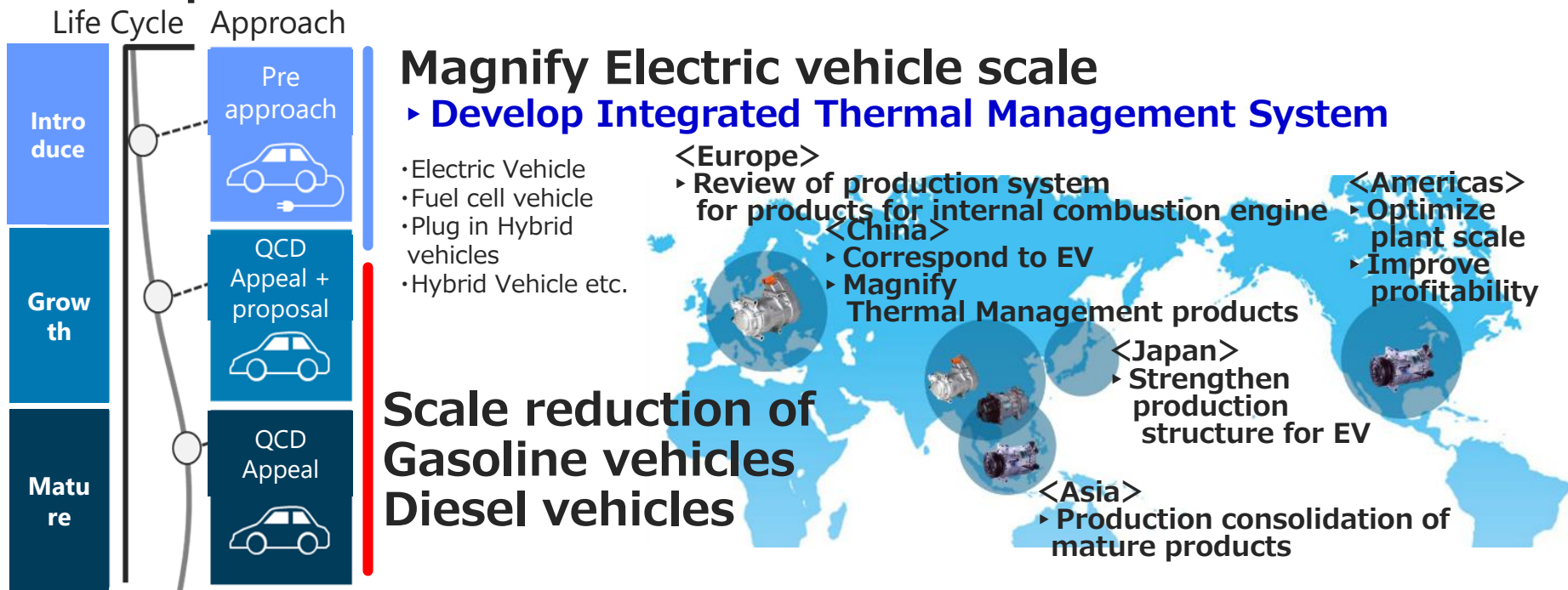


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3. Five Reform Programs to Restructure the Business

1) Comprehensive reorganization of production system **Reorganized the global production system** in response to customer requests and the market environment



3. Five Reform Programs to Restructure the Business

2) Enhancement of basic earning power

	Six cost reduction projects	Global roll-out
1	TCP design for lower costs	Total cost reduction campaign
2	Procurement cost reduction	Supplier selection, group purchase
3	Manufacturing cost reduction	Automation, control of labor cost, expenses, and defective work cost
4	Control of SG&A expenses	Review of labor cost and general expenses
5	Logistics cost reduction	Elimination of airfreight, lowering of unit prices for distribution routes
6	Financial expense reduction	Organizational changes, unification within the Group

3. Five Reform Programs to Restructure the Business

2) Enhancement of basic earning power

Continual innovation at the mother plant

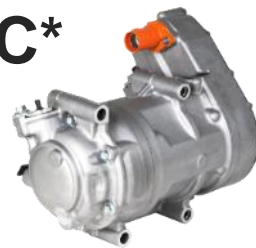
Ramped up capacity on the electric compressor automation line



**Capacity increased from
Nov '21 to 850,000 units/year**

**Took only 3 months to complete,
thanks to steady QRQC***

* Quick Response Quality Control



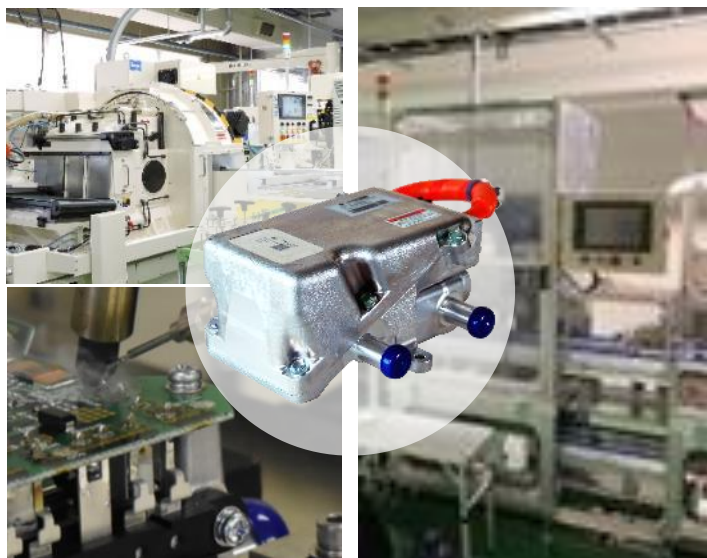
Capacity increased by 36%

3. Five Reform Programs to Restructure the Business

2) Enhancement of basic earning power

Continual innovation at the mother plant

Increased productivity on the electric coolant heater (ECH) production line



Mass production started in Nov. '21
Annual unit production : 230,000
(FY24)

Higher productivity for ECHs

Production cost down by 53%

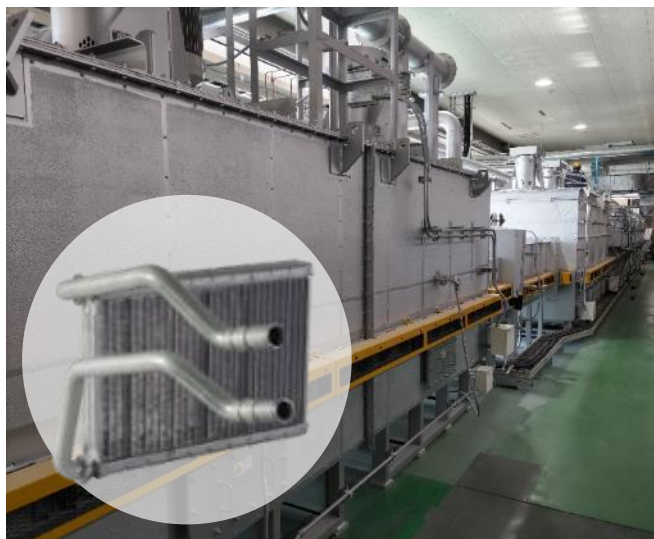
End-to-end production to increase efficiency of components, production lines, and personnel management
Automated the process and started in-house production

3. Five Reform Programs to Restructure the Business

2) Enhancement of basic earning power

Continual innovation at the mother plant

Put the new manufacturing method for the heat exchanger brazing furnace into practical application



Dec. '21: New equipment installed
Feb. '22: Operation started

IoT & AI management system

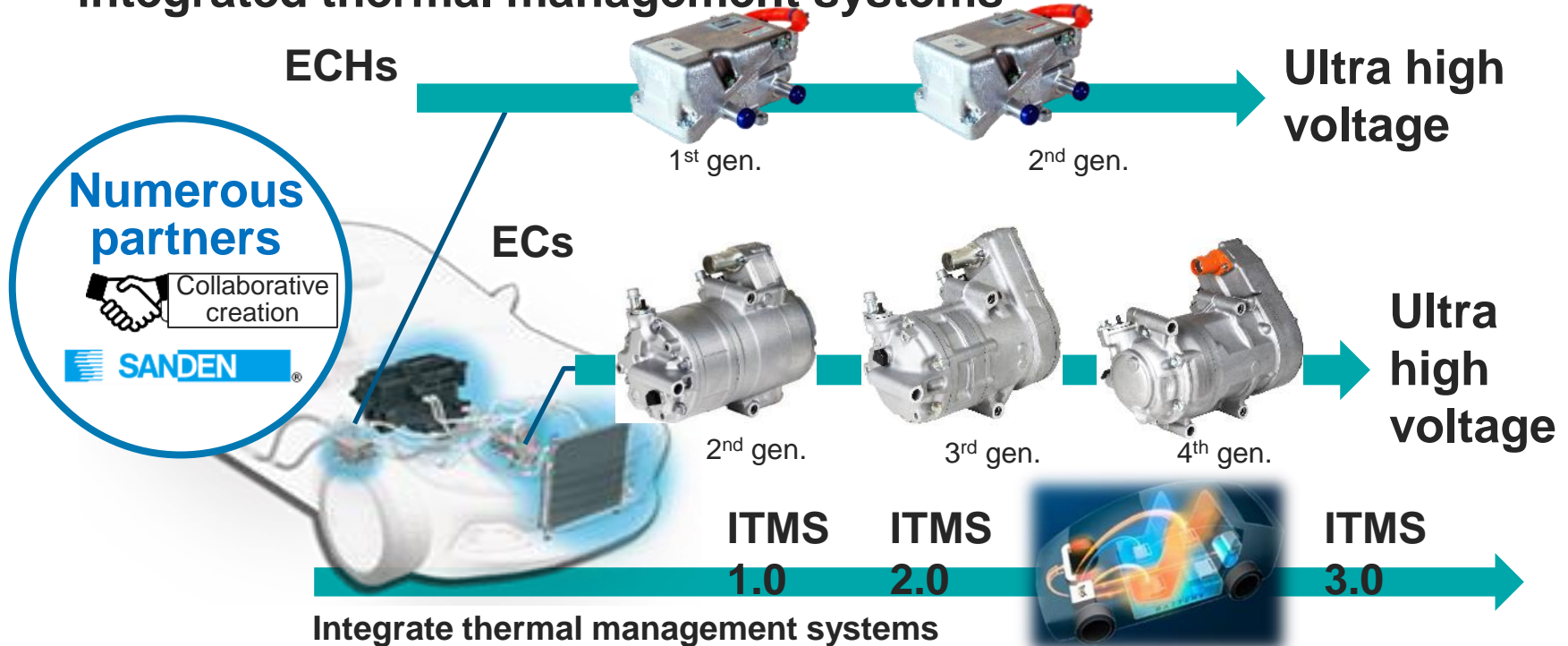
- World's first temperature visualization sensing technology
- Individual product temperature control system
- Unmanned operation (automated transport process)

Energy reduced by 30%
Productivity x 1.5, unmanned operation

3. Five Reform Programs to Restructure the Business

3) Growth by actively promoting “collaborative creation”

New developments for electric compressors (ECs) for EVs and integrated thermal management systems



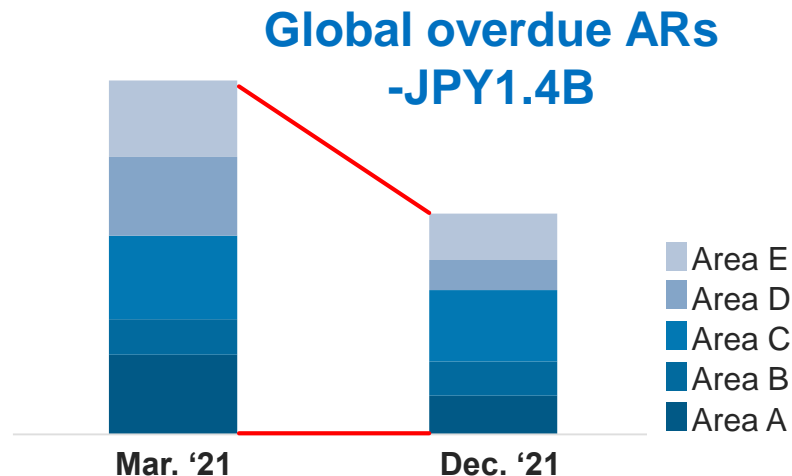
3. Five Reform Programs to Restructure the Business

4) Strengthening of measures to generate cash flows

■ Progress management of the four guidelines

- 1 Check progress more frequently. Selected parties requested to report progress weekly
- 2 Introduce evaluation system and penalty system
- 3 Check details down to individual customer contact persons
- 4 Draw up and submit collection measures and action plans to reduce overdue ARs to zero

■ Improvement of accounts receivables (ARs) AR (Accounts Receivable)



3. Five Reform Programs to Restructure the Business

5) Reform in system for implementation

Revamp the organizational setup to make quicker decisions

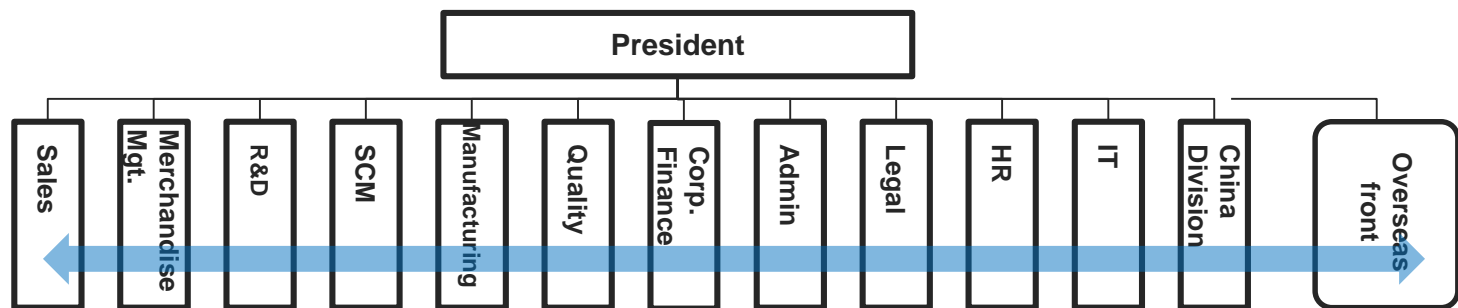
- ▶ Prompt decision-making process: MCM (weekly mgt. mtg), reviewed WF approval routes
- ▶ Global support: Mgt. review mtg., tighter regional mgt., To Do List
- ▶ Strengthened internal control: Introduced whistleblowing e-mail
- ▶ HR development: Incentives, new evaluation system

- ▶ Holding company

Sanden Holdings Corporation

- ▶ Operating company

Sanden Corporation



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4. Our Future Initiatives

Vision

Become the world's leading supplier of automotive thermal systems and vehicle compressors.

Mission

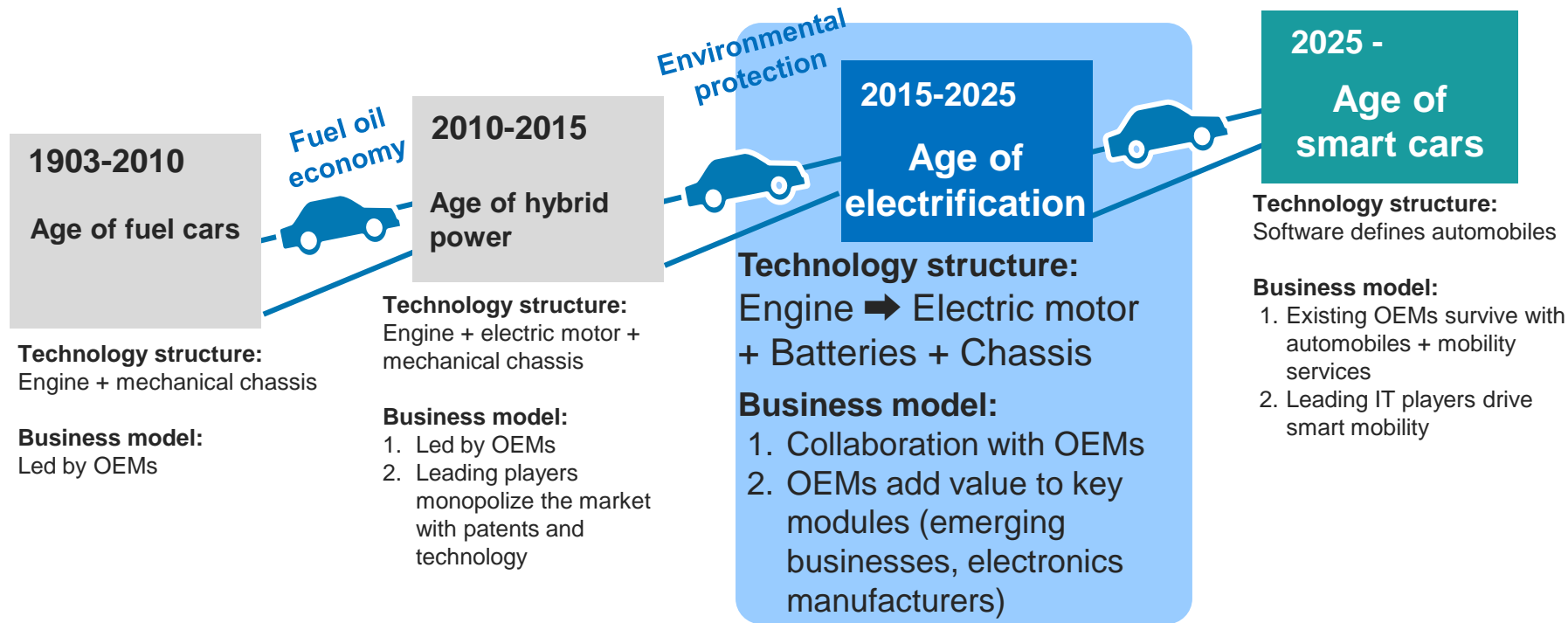
2025

Compressor ranks among the TOP 3

Thermal management system ranks among the TOP 5

4. Our Future Initiatives

Environmental changes: Four stages in the automobile industry



Evolve into a full solution supplier

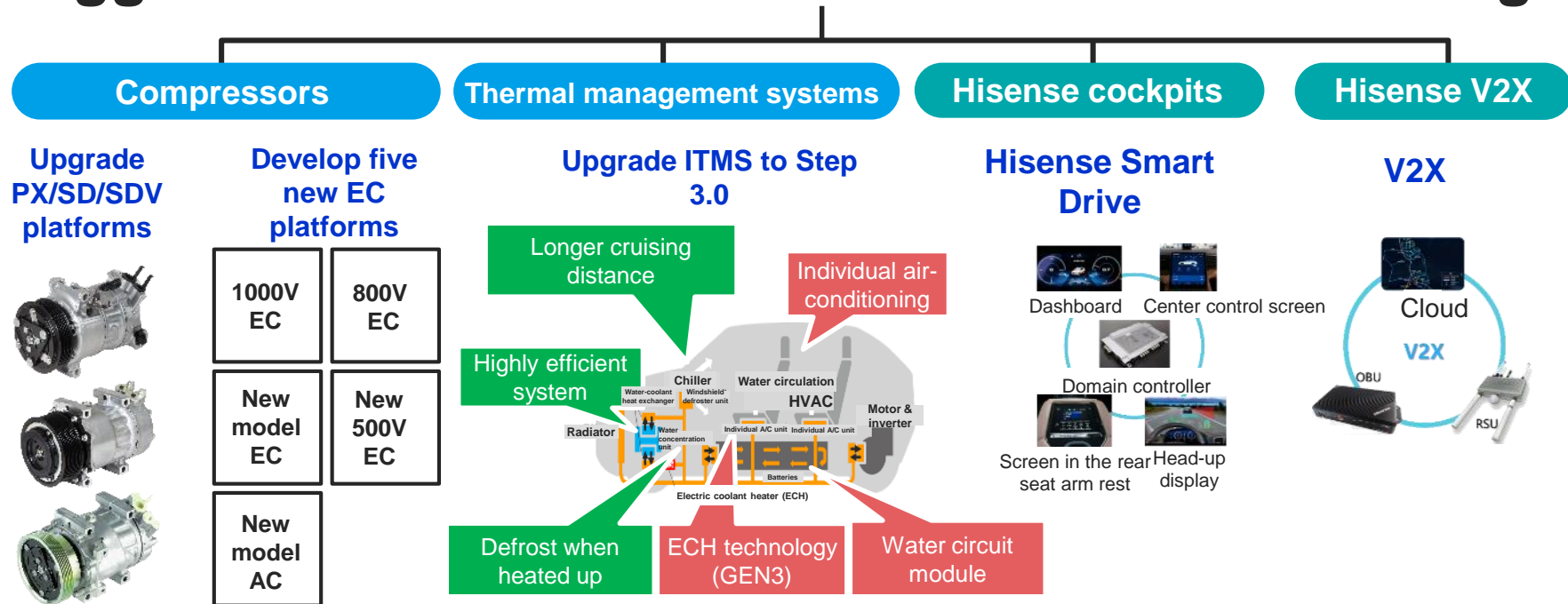
Compressors + Thermal management systems + V2X service



4. Our Future Initiatives

Evolve into a full solution supplier

Aggressive investments in R&D and manufacturing



4. Our Future Initiatives:

Financial Forecasts for the Fiscal Year Ending December 2022

[100M yen]

		FY2021 results (Apr.-Dec. '21)	FY2022 Forecast (Jan.-Dec. '22)	Vs. previous year
Net sales		1,196	1,610	+414 [+34.6%]
Operating income		(125)	(50)	+75 [+59.9%]
Ordinary income		(117)	(35)	+82 [+70.2%]
Net income attributable to owners of parent		159	(37)	-196
Forex	US\$	JPY111	JPY110	-1 JPY
	EUR	JPY131	JPY130	-1 JPY

*Forex : Previous year Average rate in the market
Forecast Our assumed rate

