

SANDEN CORPORATION

August 8, 2025

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2025 (Under Japanese GAAP)

Fiscal year ending December 31, 2025

SANDEN CORPORATION

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Shares listed: Tokyo Stock Exchange
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Scheduled date to file semi-annual securities report: August 8, 2025

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for securities analysts and institutional investors)

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results For The Six Months Ended June 30, 2025 (January 1, 2025- June 30, 2025)

(1) Results of operations

(%: percentage change from previous fiscal year)

	Net sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Income before extraordinary items (Millions of ¥, %)		Net income (Millions of ¥, %)	
Six months ended June 30, 2025	93,694	(0.5)	(1,493)	-	(618)	-	(3,275)	-
Six months ended June 30, 2024	94,177	7.6	(3,396)	-	1,409	-	500	-

Notes: Equity in Comprehensive Income: For the six months ended June 30, 2025 ¥ (5,145)million -%
For the six months ended June 30, 2024 ¥ 4,619million -%

	Net income per share basic (¥)	Net income per share diluted (¥)
Six months ended June 30, 2025	(29.39)	-
Six months ended June 30, 2024	4.49	-

(2) Financial positions

(Fractions less than ¥1 million omitted)

	Total assets (Millions of ¥)	Net assets (Millions of ¥)	Equity Ratio of equity over total assets (%)	Net assets per share (¥)
As of June 30, 2025	176,448	18,437	9.9	156.28
As of December 31, 2024	175,459	23,582	12.9	203.03

Notes: Equity capital As of June 30, 2025 ¥ 17,417million
As of December 31, 2024 ¥ 22,628million

2. Dividends

	Dividend per share (¥)				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended December 31, 2024	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2025	-	0.00	-	-	-
Fiscal year ending December 31, 2025 (Forecast)	-	-	-	0.00	0.00

Note: Revisions made since the most recently published dividends forecast: None

3. Forecast of business results for the next fiscal year (January 1, 2025-December 31, 2025)

(%: percentage change from the same period of the previous fiscal year)

	Net sales (Millions of ¥, %)		Operating income (Millions of ¥, %)		Income before extraordinary items (Millions of ¥, %)		Net income (Millions of ¥, %)		Net income per share basic (¥)
Fiscal year ending December 31, 2025	184,700	0.5	(4,000)	-	(1,500)	-	(300)	-	(2.69)

Note: Revisions made since the most recently published earnings forecast: Yes

***Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes.
For details, please refer to "2. Semi-Annual Consolidated Financial Statements and Major Notes (4) Notes to Semi-Annual Consolidated Financial Statements (Specific accounting treatment used in the creation of the semi-annual consolidated financial statements)" on page 9 of the attached document.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (a) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (b) Changes in accounting policies due to other reasons: None
- (c) Changes in accounting estimates: None
- (d) Restatement: None
- For details, please refer to "2. Semi-Annual Consolidated Financial Statements and Major Notes (3) Notes to Semi-Annual Consolidated Financial Statements (Changes in accounting policies)" on page 9 of the attached document.

(4) Number of issued shares (common stock, shares)

(a) Issued shares (including treasury shares)	As of June 30, 2025:	111,693,313	As of December 31, 2024:	111,693,313
(b) Treasury shares	As of June 30, 2025:	243,643	As of December 31, 2024:	243,577
(c) Average number of shares outstanding during the period (cumulative)	As of June 30, 2025:	111,449,717	As of June 30, 2024:	111,450,134

*Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions which are regarded as legitimate. These statements are not promised by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. For information about the forecasts, please see "1. Results of Operations-(3) An explanation of future, predictive data, such as consolidated earnings forecasts" on page 3 of Supplementary Information.

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1 Results of Operations

(1) Overview of results of operations

The activities of Sanden Group are guided by the vision of “becoming the global leader in the fields of automotive compressors and integrated thermal management systems.” Under the medium-term management plan that Sanden Corporation announced in February 2024, the Company aims to transform from a supplier of components to a “supplier of full solution systems” and achieve sustainable growth and as a leading company in integrated thermal management systems. With the automobile industry currently in the midst of a period of enormous changes, we are focusing on the new energy vehicle (NEV) market. We will offer competitive, flexible integrated thermal management system solutions by utilizing our electric compressor manufacturing capabilities. Our priority will always be our customers.

During the first half of the fiscal year under review, while there are concerns for economy slowdown due to U.S. tariff policies, the global economy grew moderately, reflecting the continued trend toward a recovery of consumption against the backdrop of subsiding inflation. However, the outlook remained uncertain due to geopolitical risks and the policies of various governments, including the prolonged conflict in Ukraine, the escalating tensions in the Middle East, the manifestation of concerns regarding the slowdown of the European and Chinese economies.

Looking at the Group’s consolidated results in the first half under review, net sales came to 93,694 million yen (down 0.5% year on year) partly due to a decrease in the number of automobiles produced in the mainstay European area, although the global automobile production volume increased from one year ago. Operating loss was 1,493 million yen (compared to an operating loss of 3,396 million yen in the same period of the previous year), reflecting the improvement of profitability through a range of measures including cost reductions and the curtailment of selling, general and administrative expenses. Ordinary loss amounted to 618 million yen (compared with an ordinary profit of 1,409 million yen in the same period of the previous year), reflecting the share of profit of entities accounted for using equity method and gains on evaluation of foreign currency-denominated receivables. Loss attributable to owners of parent was 3,275 million yen, compared with profit attributable to owners of parent of 500 million yen in the same period of the previous year. This reflects the recording of a temporary loss due to the implementation of a voluntary retirement program.

Close attention will be paid to the impact of U.S. tariff and other policies on the Group’s performance to ensure that appropriate measures are taken.

Segment information is omitted because the Group operates a single segment of Automotive Systems Business.

(2) Overview of financial condition

(A) Overview of assets, liabilities and net assets

Total assets at the end of the first half of the fiscal year under review rose 988 million yen from the end of the previous fiscal year to 176,448 million yen, mainly reflecting an increase in investment securities due to profit posted at entities accounted for using the equity method.

Liabilities came to 158,011 million yen, up 6,134 million yen from the end of the previous fiscal year, chiefly attributable to other in current liabilities including accrued expenses and short-term borrowings.

Net assets decreased 5,145 million yen from the end of the previous fiscal year to 18,437 million yen, chiefly reflecting a decrease in retained earnings due to the loss attributable to owners of parent and the decrease in foreign currency translation adjustment due to the yen’s appreciation against the U. S. dollar.

(B) Overview of cash flow

Cash and cash equivalents were 15,382 million yen at the end of the first half under review, up 452 million yen from the end of the previous fiscal year.

Net cash used in operating activities came to 3,922 million yen (cash inflow decreased 149 million yen year on year), reflecting a decrease in inventories and an increase in accrued structural reform expenses, despite a loss before income taxes and an increase in trade receivables.

Net cash used in investing activities amounted to 2,276 million yen (cash outflow decreased 2,292 million yen year on year), mainly due to the withdrawal of time deposits, despite the purchase of property, plant and equipment of 4,300 million yen.

Net cash provided by financing activities was 7,135 million yen (an increase of 6,521 million yen year on year), primarily due to an increase in short-term borrowings.

(3) Explanation of consolidated earnings forecasts and other future predictions

The forecasts for consolidated financial results for the fiscal year ending December 31, 2025 have been revised as follows in consideration of the impact that the U.S. tariff policies, the implementation of the voluntary retirement program and the sale of non-current assets will have on business performance.

(Million yen)

	Previously announced forecasts for the fiscal year ending December 31, 2025	Newly announced forecasts for the fiscal year ending December 31, 2025
Net sales	184,700	184,700
Operating profit	(6,000)	(4,000)
Ordinary profit	(2,600)	(1,500)
Profit attributable to owners of parent	(300)	(300)

2 Semi-annual Consolidated Financial Statements and Important Notes

(1) Semi-annual consolidated balance sheet

(Million yen)

	Fiscal year ended December 2024 (As of December 31, 2024)	First half ended June 2025 (As of June 30, 2025)
ASSETS		
Current assets		
Cash and deposits	17,893	16,673
Notes and accounts receivable - trade, and contract assets	49,812	54,023
Merchandise and finished goods	15,479	13,748
Work in process	10,928	9,262
Raw materials	10,056	9,484
Other inventories	1,349	1,206
Accounts receivable - other	2,999	2,686
Consumption taxes receivable	2,839	3,093
Other	7,994	7,639
Allowance for doubtful accounts	(18,716)	(17,082)
Total current assets	100,636	100,735
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,148	13,451
Machinery, equipment and vehicles, net	15,757	14,397
Tools, furniture and fixtures, net	3,474	3,191
Land	6,713	6,526
Lease assets, net	1,565	1,826
Construction in progress	7,442	9,844
Total property, plant and equipment	49,101	49,238
Intangible assets		
Other	1,586	1,507
Total intangible assets	1,586	1,507
Investments and other assets		
Investment securities	22,642	23,587
Retirement benefit asset	99	99
Deferred tax assets	572	519
Other	3,746	3,235
Allowance for doubtful accounts	(2,924)	(2,473)
Total investments and other assets	24,135	24,967
Total noncurrent assets	74,823	75,713
Total assets	175,459	176,448

(Million yen)

	Fiscal year ended December 2024 (As of December 31, 2024)	First half ended June 2025 (As of June 30, 2025)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	37,727	38,179
Short-term borrowings	65,514	70,164
Current portion of long-term borrowings	379	434
Accounts payable - other	11,783	11,130
Lease obligations	1,138	1,146
Income taxes payable	906	753
Provision for bonuses	2,554	1,546
Provision for product warranties	6,175	5,635
Allowance for structural reform	2,708	2,410
Other	10,904	13,393
Total current liabilities	139,792	144,795
Noncurrent liabilities		
Long-term borrowings	3,952	5,254
Lease obligations	2,387	2,263
Deferred tax liabilities	1,894	2,076
Retirement benefit liability	1,689	1,582
Provision for environmental measures	507	441
Other	1,653	1,597
Total noncurrent liabilities	12,085	13,215
Total liabilities	151,877	158,011
NET ASSETS		
Shareholders' equity		
Share capital	21,741	21,741
Capital surplus	14,039	14,039
Retained earnings	(20,903)	(24,179)
Treasury shares	(532)	(532)
Total shareholders' equity	14,345	11,069
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75	39
Deferred gains or losses on hedges	22	(26)
Foreign currency translation adjustment	6,484	4,783
Remeasurements of defined benefit plans	1,700	1,552
Total accumulated other comprehensive income	8,282	6,348
Non-controlling interests	954	1,019
Total net assets	23,582	18,437
Total liabilities and net assets	175,459	176,448

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income
Semi-annual consolidated statement of income

(Million yen)

	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)	First half ended Jun. 2025 (Jan. 1, 2025 – Jun. 30, 2025)
Net sales	94,177	93,694
Cost of sales	80,821	80,097
Gross profit	13,356	13,597
Selling, general and administrative expenses	16,753	15,090
Operating profit (loss)	(3,396)	(1,493)
Non-operating income		
Interest income	176	77
Dividend income	27	11
Foreign exchange gains	2,216	-
Share of profit of investments accounted for using equity method	2,605	2,504
Rental income	406	445
Other	748	407
Total non-operating income	6,181	3,446
Non-operating expenses		
Interest expenses	653	1,037
Foreign exchange losses	-	1,064
Other	722	469
Total non-operating expenses	1,375	2,571
Ordinary profit (loss)	1,409	(618)
Extraordinary income		
Gain on sale of non-current assets	17	389
Reversal of allowance for doubtful accounts	20	0
Reversal of allowance for restructuring initiatives	-	12
Other	13	3
Total extraordinary income	50	405
Extraordinary losses		
Loss on disposal of non-current assets	15	65
Structural reform expenses	-	2,271
Other	48	3
Total extraordinary losses	63	2,340
Profit (loss) before income taxes	1,396	(2,552)
Income taxes	800	548
Profit (loss)	595	(3,101)
Profit (loss) attributable to non-controlling interests	95	174
Profit (loss) attributable to owners of parent	500	(3,275)

Semi-annual consolidated statement of comprehensive income

(Million yen)

	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)	First half ended Jun. 2025 (Jan. 1, 2025 – Jun. 30, 2025)
Profit (loss)	595	(3,101)
Other comprehensive income		
Valuation difference on available-for-sale securities	36	(29)
Deferred gains or losses on hedges	(44)	(49)
Foreign currency translation adjustment	1,611	(293)
Remeasurements of defined benefit plans, net of tax	174	(147)
Share of other comprehensive income of associates accounted for using equity method	2,246	(1,523)
Total other comprehensive income	4,024	(2,044)
Comprehensive income	4,619	(5,145)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,402	(5,210)
Comprehensive income attributable to non-controlling interests	216	65

(3) Semi-annual Consolidated Statement of Cash Flows

(Million yen)

	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)	First half ended Jun. 2025 (Jan. 1, 2025 – Jun. 30, 2025)
Cash flows from operating activities		
Profit (loss) before income taxes	1,396	(2,552)
Depreciation	2,819	3,291
Increase (decrease) in provision for bonuses	(361)	(973)
Increase (decrease) in allowance for doubtful accounts	(499)	(77)
Increase (decrease) in provision for product warranties	(234)	(461)
Interest and dividend income	(203)	(88)
Interest expenses	653	1,037
Share of loss (profit) of entities accounted for using equity method	(2,605)	(2,504)
Structural reform expenses	-	2,271
Decrease (increase) in trade receivables	148	(6,764)
Decrease (increase) in inventories	(354)	2,899
Decrease (increase) in accounts receivable – other	535	249
Decrease (increase) in consumption taxes refund receivable	(920)	(170)
Increase (decrease) in trade payables	(1,262)	1,953
Increase (decrease) in accounts payable - other	1,073	(1,619)
Increase (decrease) in accrued expenses	922	(215)
Other, net	(3,802)	831
Subtotal	(2,694)	(2,894)
Interest and dividends received	205	88
Interest paid	(561)	(696)
Income taxes refund (paid)	(721)	(419)
Net cash provided by (used in) operating activities	(3,772)	(3,922)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,236)	(4,300)
Proceeds from sales of property, plant and equipment	33	589
Purchase of intangible assets	(155)	(135)
Purchase of investment securities	(12)	(11)
Other, net	(198)	1,582
Net cash provided by (used in) investing activities	(4,568)	(2,276)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,708	6,606
Proceeds from long-term borrowings	130	1,345
Repayments of long-term borrowings	(164)	(1)
Repayments of lease obligations	(1,061)	(814)
Purchase of treasury shares	(0)	(0)
Other, net	0	-
Net cash provided by (used in) financing activities	614	7,135
Effect of exchange rate change on cash and cash equivalents	1,321	(483)
Net increase (decrease) in cash and cash equivalents	(6,405)	452
Cash and cash equivalents at beginning of period	21,620	14,929
Cash and cash equivalents at end of period	15,214	15,382

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

None

(Note on significant change in shareholders' equity)

None

(Application of special accounting treatment to the preparation of semi-annual consolidated financial statements)

	First half ended Jun. 2025 (Jan. 1, 2025 – Jun. 30, 2025)
Calculation of taxes	Taxes are calculated by determining a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for profit before income taxes in the current fiscal year (including the first half). Quarterly profit before income taxes is then multiplied by this estimated effective tax rate to calculate taxes. However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used. Income taxes - deferred are included in income taxes.

(Change in accounting policy)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Group has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first half of the fiscal year under review. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements. This change in accounting policy has no impact on the semi-annual consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the 2022 Revised Implementation Guidance 2022 has been applied effective as of the beginning of the first six months of the fiscal year under review. This change in accounting policies is applied retrospectively, and the semi-annual and full-year consolidated financial statements for the previous fiscal year presented herein reflect the retrospective application of this standard. This change in accounting policy has no impact on the semi-annual or full-year consolidated financial statements for the previous fiscal year.

(Segment information)

I First half of the previous fiscal year (January 1, 2024 – June 30, 2024)

Omitted because the Sanden Group has only the single reportable segment of Automotive Systems.

II First half of the current fiscal year (January 1, 2025 – June 30, 2025)

Omitted because the Sanden Group has only the single reportable segment of Automotive Systems.