

For immediate release  
April 26, 2019

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## **Notice Concerning Development of New Mid-term Management Plan 'SCOPE 2023'**

Sanden group has reviewed the contents of its previous mid-term management plan announced in May, 2017 in consideration of the recent changes in our business environment and performance trend, and developed the new 5-year mid-term management plan which is started in the fiscal year 2019 and will be completed in the fiscal year 2023.

### 1. Recognition of management environment and management challenges

Sanden group has been promoting various measures according to the previous mid-term management plan announced in May, 2017. Actually, we were able to see the effects of implementation. In the fiscal year 2018, however, we experienced decline in business performance including a huge amount of extraordinary losses etc. due to trade dispute between US and China, European environmental regulations, downturn in the global economy, etc., which made us aware that the business environment surrounding us became more difficult.

In order to ensure sustainable growth under these circumstances, we recognize we have to promote further structural reform, earning power enhancement, growth in business, and restructuring of our financial foundation including capital reinforcement.

### 2. Ideas of mid-term plan

With these backgrounds as mentioned earlier, we thought we would need to review the contents of previous mid-term management plan that was begun in the fiscal year 2017 and will be completed in the fiscal year 2020. As a result, we have developed our new mid-term management plan to resolve our management challenges so that 'we will be able to strengthen our management foundation as soon as possible, change our business structure for future growth, and increase our corporate value'.

It's our sincere desire to achieve the goals of mid-term management plan by carrying out 'structural reform' for re-establishment of our management foundation and promoting 'collaborative creation' for sustainable growth.

### 3. Goals of mid-term plan to be achieved in the fiscal year 2023 on a consolidated basis

#### 3-1. Plan name

SCOPE 2023 (\*1)

#### 3-2. Implementation period

5 years after April 1<sup>st</sup>, 2019 before March 31<sup>st</sup>, 2024

#### 3-3. Goals of consolidated management performance for the fiscal year 2023

Net sales: 320 billion yen

Operating income to sales: 5%

Capital adequacy ratio: 25%

### 3-4. Basic policy

Create the new Sanden by carrying out 'structural reform' for reestablishment of management foundation and promoting 'collaborative creation' for sustainable growth.

### 3-5. Key strategies

We will engage in the following 5 key activities to achieve the mid-term goals.

#### (1) Comprehensive reorganization of production system

- ◆ Reorganization of global bases and establishment of optimal personnel structure
  - Improve QCD through global production sharing based on product life cycle
  - Achieve optimal human resource allocation through production integration according to production quantity

#### (2) Enhancement of basic earning power

- ◆ Innovation in product cost structure and production method
  - Carry out optimal procurement, utilizing advantage of scale and creating competitive environment.
  - Enhance cost competitiveness through management on advanced elemental technologies development.
  - Innovate manufacturing structure by creating new production methods suitable to each product.
  - Develop a 'smart factory' utilizing IoT and AI. Introduce 'smart factory' to global Sanden.
  - Consolidate product and part information (BOM) to implement PLM (Product Life Management).

#### (3) Growth by actively promoting 'collaborative creation'

- ◆ Concentration of operating resources to environment-conscious product area and acceleration of development in collaboration with other companies
  - Automotive systems
    - Contribute to value improvement in customers' products by evolving environment conscious products.
    - Strengthen development of key devices of the next generation.
  - Commercial store systems
    - Build strategic partnership to deploy cold chain overseas.
    - Develop new markets by proposing solutions utilizing our core technologies.
  - Advanced technology development
    - Develop new technologies that utilize renewable energy.
    - Develop heat integration system.

#### (4) Cash flow creation through capital reinforcement and reform of assets structure

- ◆ Capital reinforcement and streamlining of working capital
  - Implement measures for capital reinforcement. (\*2)
  - Reorganize the global supply chain system.
  - Liquidate idle assets and sell non-business assets.
  - Implementation of cash flow management.

#### (5) System innovation for implementation

- ◆ Reform of corporate organization to enhance corporate value
  - Restructure organization to strengthen strategic function and group management.
  - Reform operating processes by utilizing IT solutions that improve management efficiency.
- ◆ Reform of personnel system to sustain continual growth
  - Establish a global personnel system by which diverse human resources can play active roles.
  - Reform the incentive system that is a driving factor of mid-term growth.
  - Reform the education & training system to develop management executives of the next generation.

- ◆ Contribution to achievement of SDGs through our business activities
  - Solve social challenges and increase customer satisfaction through new technology development.
  - Implement work style reform to revitalize business activities.

Sanden group will steadily execute this mid-term plan and create new corporate value with the motto of “Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized” as our ‘ideal structure’.

\*1 Explanation about the meaning of SCOPE 2023

The name of new mid-term plan ‘SCOPE 2023’ represents the areas to be improved by 2023, approaches toward accomplishment, and priority strategies.

- S for ‘Structure’: Comprehensive reform of production system
- C for ‘Collaboration’: Growth with ‘collaborative creation’
- O for ‘Organization’: reform in system for implementation
- P for ‘Profitability’: Enhancement of basic earning power
- E for ‘Evolution’: Cash flow creation by reforming assets structure

\*2 About implementation of capital reinforcement measures

In order to strengthen our financial structure, we are consulting about capital reinforcement, including issue of class shares, with several investors. The details of measures will be announced as soon as they are decided.