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[Translation]

June 30, 2020

News release

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Application for Turnaround ADR and Acceptance of the Application

Sanden Holdings Corporation (hereinafter referred to as the ‘Company’) hereby announces as follows that it has resolved at the board of directors meeting held today to file applications for the Turnaround ADR Proceedings. We formally requested to Japanese Association of Turnaround Professionals today and accepted on same day.

In the period from the fiscal year ended March 2008 to the fiscal year ended March 2018, Sanden Group realized the 1.3 times increase in its sales. However, the Company has recorded large extraordinary losses, including withdraw from unprofitable business after reviewing the business portfolio, withdraw from middle east business due to Americas economic sanction, organizational reform for cash flow generation. As a result, net assets, which stood at about 75.5 billion yen in fiscal year ended March 2016, fell to about 23.5 billion yen in fiscal year ended March 2019.

In the face of this situation, Sanden group has developed the new 5-year Mid-term Management Plan (SCOPE2023) in April 2019, which was started in the fiscal year 2019 and will be completed in the fiscal year 2023, and has implemented it since then. In August 2019, we sold our commercial store systems business, which was one of our core businesses, and accelerated the concentration of management resources in the automotive systems business. These and other measures were taken proactively to achieve the sustainable growth of Sanden group, with the aim of implementing further structural reform, improving profitability, further growth in our business, and restructuring of our financial foundation including capital reinforcement.

Since the second half of 2019, however, the auto sales, particularly in the European and Chinese markets, have declined amid the difficult business environment pertaining to the automotive systems business. In addition, since 2020, with the impact of the global pandemic of COVID-19, Sanden group’s major production bases, mainly in China,

Europe and Asia have been being forced to decrease their operation capacity, or much worse, temporarily shut down. Since these factors are expected to negatively impact its net sales and operating income, Sanden group expects severe difficulties in relation to its business situation. Accordingly, Sanden group believe that drastic improvement measures must be taken to revitalize its business.

In light of these severe circumstances, the Company has resolved to seek a business turnaround in accordance with the specified certified dispute resolution proceedings (*i.e.*, the Turnaround ADR proceedings) under the Industrial Competitiveness Enhancement Act of Japan, in order to achieve robust profitability and fundamentally to improve its financial condition for future business turnaround, with consents of the financial institutions.

On June 30, 2020, the Company and certain of its subsidiaries (hereinafter collectively referred to as the ‘Filing Companies’), filed formal applications for the Turnaround ADR Proceedings with the Japanese Association of Turnaround Professionals (hereinafter referred to as the “JATP”) (an organization that has been certified by the Ministry of Justice as a certified dispute resolution business and that has obtained the approval of the Ministry of Economy, Trade and Industry as a certified operator of the Turnaround ADR Proceedings). Our applications were accepted on the same day. On the same day, the Filing Companies sent a standstill notice to the financial institutions in the joint names of the Filing Companies and the JATP. Our applications for the Turnaround ADR Proceedings have been filed upon consultation with our main banks. We are not facing any future liquidity issues at present, and, in preparation for unexpected events, we have been discussing with our main banks about bridge credit facilities to secure sufficient liquidity going forward. Our main banks have expressed their willingness to provide such financial support and we are currently working on the details. **As the proceedings will solely involve the Filing Companies and the financial institutions, the Turnaround ADR Proceedings will not affect our ordinary business with suppliers and customers.**

The Filing Companies will develop a business revitalization plan through discussions with the financial institutions while obtaining impartial, neutral and objective review, guidance and advice from the JATP during such process. Discussions with the financial institutions will include possible measures to rebuild our business, continuous support from them, a timeline for the implementation of a business revitalization plan, and other details of such business revitalization plan. The Filing Companies are seriously considering collaborative creation with outside investors to establish a stronger profit structure, drastically improve financial conditions, and achieve sustainable growth, in addition to taking improvement measures on our own. The Filing Companies will provide further information when the details of the business revitalization plan have been finalized.

We express our sincere apologies to our shareholders, financial institutions, and other parties involved for any burden and inconvenience that we may have caused, and we also apologize to our suppliers and customers for any anxiety that we may have caused them. Sanden group is determined to make concerted and united efforts to achieve the turnaround of our business. We would greatly appreciate the continued support and cooperation of all our stakeholders.

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