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News release

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Notice of Difference in Consolidated Financial Results between the Fiscal Year Ended March 31, 2021 and 2020; Recognition of Non-operating Income and Expenses and Extraordinary Losses

Sanden Holdings Corporation (hereinafter referred to as the "Company") hereby announces the difference in consolidated financial results between the fiscal year ended March 31, 2021 and 2020, as well as recognition of non-operating income and expenses and extraordinary losses as follows:

1. Difference in Consolidated Financial Results between the Fiscal Year Ended March 31, 2021 and 2020

(April 1, 2020 to March 31, 2021)

	Net sales	Operating income	Ordinary income	Net income	Net income per share basic
	million yen	million yen	million yen	million yen	yen
Fiscal year ended March 31, 2020 (A)	204,880	(3,401)	(9,735)	2,287	82.54
Fiscal year ended March 31, 2021 (B)	137,477	(18,456)	(23,237)	(45,251)	(1,630.38)
Changes (B-A)	(67,402)	(15,055)	(13,502)	(47,538)	—
Changes (%)	(32.9%)	—	—	—	—

2. Reasons for the Difference

Net sales decreased due to a decrease in sales caused by the shutdown of our customers' and our own factories amid the COVID-19 pandemic in the first quarter of the consolidated fiscal year ended March 31, 2021. Another major factor for the drop in net sales was the removal of Sanden Retail System Corporation, the core company in the Retail Systems Business, from the Sanden Group's consolidated financial statements beginning with the third quarter of the consolidated fiscal year ended March 2020.

Operating income was lower than in the previous fiscal year, despite the positive effects of structural reforms, due to the impact of a decline in sales caused by the spread of the COVID-19 and a sharp rise in logistics costs attributable to the rapid recovery in demand since the third quarter of the consolidated fiscal year ended March 2021 and a consequent increase in airfreight expenses to respond to parts shortages.

Ordinary income was lower than in the previous fiscal year partly because of the recognition of advisory fees related to the Specified Certified Dispute Resolution Procedures based on the Act on Strengthening Industrial Competitiveness (hereinafter referred to as the “Business Revitalization ADR Procedures”), etc. in addition to the factors affecting operating income.

Net income was lower than in the previous fiscal year mainly due to an impairment loss on non-current assets in Japan and Europe associated with the formulation of the business revitalization plan, among others, in addition to the factors affecting ordinary income.

3. Recognition of Non-operating Income and Expenses

(1) Recognition of Non-operating Income (Foreign Exchange Gains)

As a result of revaluation of assets and liabilities denominated in foreign currencies held by the Company and its consolidated subsidiaries due to fluctuations in foreign exchange rates, foreign exchange gains of 1.8 billion yen and 0.4 billion yen were recognized as non-operating income in the non-consolidated and consolidated financial statements, respectively, for the fiscal year ended March 31, 2021

(2) Recognition of Non-operating Expenses (Advisory Fees)

As expenses related to the Business Revitalization ADR Procedures and other relevant measures, including FA expenses and financial DD expenses, etc., 1.3 billion yen was recognized as non-operating expenses in the non-consolidated and consolidated financial statements.

(3) Recognition of Non-operating Expenses (Provision of Allowance for Doubtful Accounts on a Non-consolidated Basis)

Due to concerns about the collection of loans from some of the Company’s consolidated subsidiaries, provision of allowance for doubtful accounts of 15.2 billion yen was recognized as non-operating expenses in the non-consolidated financial statements for the fiscal year ended March 31, 2021

4. Recognition of Extraordinary Losses

(1) Recognition of Extraordinary Losses (Impairment Losses)

As the Company and its consolidated subsidiaries determined to recognize an impairment loss on non-current assets, among others, impairment losses of 4.4 billion yen and 19.2 billion yen were recognized in the non-consolidated and consolidated financial statements, respectively.

(2) Details of Extraordinary Losses (Loss on Valuation of Shares of Subsidiaries and Associates on a Non-consolidated Basis)

Of the shares of subsidiaries and associates held by the Company, some shares significantly declined in net value compared to their acquisition cost. For this reason, loss on valuation of shares of subsidiaries and associates of 19.1 billion yen was recognized as extraordinary losses in the non-consolidated financial statements for the fiscal year ended March 31, 2021.

(3) Recognition of Extraordinary Losses (Provision for Loss on Business of Subsidiaries and Associates on a Non-consolidated Basis)

To prepare for losses to be incurred by some of the Company’s consolidated subsidiaries, provision for loss on business of subsidiaries and associates of 4.2 billion yen was recognized as extraordinary losses in the non-consolidated financial statements for the fiscal year ended March 31, 2021. This amount is expected to be borne by the Company in excess of the amount of its investment in subsidiaries and associates and other funds offered to them.

5. Impact on Financial Results

At present, the above provision of allowance for doubtful accounts related to consolidated subsidiaries, provision for loss on business of subsidiaries and associates, and loss on valuation of shares of subsidiaries and associates are eliminated from the consolidated financial statements, and therefore have no impact on the consolidated financial results.

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