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[Translation]

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For immediate release

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Notice Regarding Revision of Consolidated Earnings and Dividend Forecasts; Posting of Extraordinary Losses; Reversal of Deferred Tax Assets; and Posting of Deferred Tax Liabilities

The revisions to the consolidated earnings and dividend forecasts and the posting of extraordinary losses; reversal of deferred tax assets; and the posting of the deferred tax liabilities for the fiscal year ending December 2021 (April 1, 2021 to December 31, 2021) are as follows.

Note

1. Revision of the Consolidated Earnings Forecast

- 1) Revision of the Consolidated Earnings Forecast for the Fiscal Year Ending December 2021 (from April 1, 2021 to December 31, 2021)

	Net sales	Operating income	Ordinary income	This term's net income attributable to the parent company stockholders	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen. sen
Previous forecast (A)	—	—	—	—	—
Revised forecast(B)	120,000	(12,000)	(14,000)	16,500	251.50
Change (B – A)	-	-	-	-	-
Percentage change (%)	-	-	-	-	-
Reference: Results for the previous fiscal year (Fiscal year ended March 31, 2021)	137,477	(18,456)	(23,237)	(45,251)	(1,630.38)

2) Reasons for revision of the consolidated earnings forecast

The consolidated earnings forecast for the fiscal year ending March 31, 2022 remained undetermined as the Company and some subsidiaries were in the process of following the specifically certified dispute resolution (Turnaround ADR Proceedings) that is based on the Act on Strengthening Industrial Competitiveness and that it applied for June 30, 2020.

Subsequently, on May 31, 2021, the Company received approximately 21.4 billion yen capital increase through third-party allotment from Hisense Japan Automotive Air-Conditioning Systems Corporation, a special purpose company to be incorporated by Hisense Home Appliances Group Co., Ltd., as announced in the “Completion of Payment for Issuance of New Shares through Third-Party Allotment and Withdrawal of Shelf Registration” dated the same day. In addition, debt forgiveness totaling 63 billion yen from financial institutions went into effect on May 7, 2021 on the fulfillment of the condition that the Company receive the capital increase through third-party allotment, as announced in “Notice on Submission of the ‘Business Revitalization Plan’ to the Tokyo Stock Exchange, Inc.” dated the same day. As a result, it became possible to post the extraordinary income, as announced in “Recording of Extraordinary Income Pertaining to Gain from Debt Forgiveness” dated May 31, 2021.

Upon completion of the capital increase through third-party allotment, the Company becomes part of the Hisense Group, of which Hisense Group Holdings Co., Ltd. is the ultimate parent company, and to which Hisense Home Appliances Group belongs. The Company is changing its fiscal term with the aim of aligning of the Company’s fiscal year with Hisense Group’s fiscal year will lead to strengthening and streamlining of its accounting and management systems, as announced in “Change in Fiscal Period and Partial Amendments to the Articles of Incorporation” dated May 27, 2021. Due to the change of the fiscal year, the Company’s fiscal year will henceforth begin on January 1 and end on December 31, and the settlement of the consolidated fiscal year that is currently in progress will cover a nine-month period from April 1, 2021 to December 31, 2021.

The Company’s Group is currently promoting business initiatives in line with the business revitalization plan that was outlined in the Turnaround ADR Proceedings. Net sales are forecast to be 120 billion yen, on the assumption that sales are expected to remain at the level before COVID-19 in markets throughout the world, except China, although there remains the possibility of the customers reducing production and other unforeseeable challenges due to the renewed spread of COVID-19 in regions throughout the world and supply chain uncertainties stemming from the global shortage of semiconductors and resin parts and disruptions in logistics.

Operating income is forecast at –12 billion yen and ordinary income is forecast at –14 billion yen due to postings of the higher logistics costs that stem from insufficient supply of parts and disruptions in logistics and of the costs that are needed for ensuring implementation of the business revitalization plan.

This term’s net income attributable to the parent company stockholders is 16.5 billion yen, due to the posting of extraordinary profits from the debt forgiveness by the creditor banks and extraordinary losses such as the restructuring costs outlined in the business revitalization plan as well as reversal of deferred tax assets.

The exchange rate for the fiscal year ending December 31, 2021 is forecast to be 1 US\$ = 106.50 yen and 1 EURO = 127.00 yen.

The Company is steadily moving forward with its business revitalization plan, and it is committing to a comprehensive turnaround, with the executive management and the employees working with firm conviction as one to ensure the Company’s turnaround and sustainable growth. The Company appreciates in advance the continued support and cooperation.

2. Revision of the Dividend Forecast

1) Revision of the Dividend Forecast for the Fiscal Year Ending December 2021 (from April 1, 2021 to December 31, 2021)

	Annual Dividends (yen, sen)		
	End of the Second Quarter	End of this Fiscal Year	Total
Previous forecast	—	—	—
Revised forecast	0.00	0.00	0.00
Results for the previous fiscal year	0.00	0.00	0.00

2) Reasons for revision of the dividend forecast

The Company regards the return of profits to shareholders as one of its important management policies, and its basic policy is to pay stable and continuous dividends based on profit distribution in accordance with consolidated results.

Although the insolvency has been resolved, the Company regrets to announce that there will be no dividends for the fiscal year ending December 31, 2021 due to the impact of the renewed spread of COVID-19 and the posting of the restructuring costs outlined in the business revitalization plan.

By maximizing synergistic effect with the Hisense Group, the Company will accelerate activities for business revitalization and make every effort to realize an early resumption of dividend payments.

3. Posting of extraordinary losses

1) Posting of extraordinary losses (impairment losses)

Extraordinary losses (impairment losses) of approximately 10.7 billion yen are posted due to the posting of the impairment losses incurred by fixed assets of the bases in Asia, Europe, and elsewhere.

2) Posting of extraordinary losses (restructuring costs)

Extraordinary losses (restructuring costs) estimated at approximately 15 billion yen are posted. These are the costs that are associated with the establishment of an optimal personnel structure that resulted from the reorganization of the bases in China, Europe, Americas, and elsewhere and the accompanying reduction in the number of employees. These initiatives include elevating competitiveness in the market by applying global production sharing in ways that align with the product lifecycle and sales volume while consolidating parts procurement.

3) Posting of extraordinary losses (provision of damage compensation)

Extraordinary losses (provision of damage compensation) estimated at 2.4 billion yen to compensate potential damage claims are posted in preparation of payment of settlements that are related to the violations of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in the area of past transactions of specified automotive parts by the Company and consolidated subsidiaries.

4. Reversal of deferred tax assets

Deferred tax assets of 1.1 billion yen were returned for a portion of the deductible temporary difference after exactly estimating the future taxable income of the Company's consolidated subsidiaries.

5. Posting of deferred tax liabilities

Deferred tax liabilities of 1.5 billion yen were posted for a portion of the taxable temporal difference at the Company due to the application of the corporate turnaround tax system that accompanies the establishment of the Turnaround ADR Proceedings.

6. Impact on business performance

The aforementioned posting of extraordinary losses, reversal of deferred tax assets, and posting of deferred tax liabilities are included in the "Summary of the Consolidated Financial Statements of the First Quarter of the Fiscal Year Ending in December 2021 (Japanese standard)" dated today and the above "Revision of the Consolidated Earnings Forecast for the Fiscal Year Ending December 2021 (from April 1, 2021 to December 31, 2021)".

End of document

(Cautionary statement regarding forward-looking statements)

The earnings forecast and other forward-looking statements contained here are based on information currently available to the Company and certain assumptions that are deemed reasonable. These statements are not promises by the Company regarding future performance.

Actual results may differ significantly from these forecasts due to various factors.