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[TRANSLATION]

Date: September 13, 2021

To whom it may concern

Company name:	Sanden Holdings Corporation
Representative:	Zhu Dan, Representative Director & President (Securities code: 6444 TSE First Section)
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Notice Concerning Making of a Decision on the Basic Policy to Execute Merger (absorption-type merger) and Company Split (simple-form absorption-type company split) with Our Wholly-owned Subsidiaries

Sanden Holdings Corporation (the “Company”) hereby announces that its Board of Directors made a resolution at its meeting held today to make a decision on its basic policy for the Company to execute merger (absorption-type merger) and company split (simple form absorption-type company split) (hereinafter collectively referred to as the “Reorganization”) as follows, and to transform the Company from a holding company into an operating company, and for the Company to commence necessary procedures to execute the Reorganization.

(1) Absorption-type merger

The Company, as the surviving company, will execute an absorption-type merger (the “Merger”) respectively between its wholly-owned subsidiaries, Sanden Automotive Components Corporation, Sanden Automotive Climate Systems Corporation, Sanden Advanced Technology Corporation, Sanden Business Associate Corporation, Sanden Living & Environmental Systems Corporation, Sanden Environmental Products Corporation, and Sanwa Corporation (hereinafter individually referred to as the “Target”), as the dissolving companies.

(2) Simple-form absorption-type company split

The Company, as the succeeding company, will execute simple-form absorption-type company split (the “Split”) with its wholly-owned subsidiary, Sanden System Engineering Corporation (“SSE”), as the company to be split, as a result of which the Company shall succeed to SSE’s business conducted towards the group companies.

As the Reorganization concerns merger (absorption-type merger) and company split (simple-form absorption-type company split) to be executed between the Company and each of its wholly-owned subsidiaries, some of the disclosure items and contents have been omitted.

I. The Reorganization

1. Purpose of the Reorganization

Until 2015, the Group was engaged in the businesses of automotive air conditioning systems, automotive air-conditioning compressors, retail systems, living & environment systems, and natural refrigerant compressors, where all of these businesses have significantly different market environment features. However, the Group transformed to a holding company system on April 1, 2015 to enhance its global management functions, increase business competitiveness, strengthen new product development, and to improve efficient management of the Group. After transforming to a holding company system, the Group focused on improving management efficiency on a global scale such as by withdrawing from the living & environment systems business and natural refrigerant compressors business in 2017 to steer through the difficult environment of the constantly changing market such as the surging of yen and imposing of economic sanctions to the Middle East. Furthermore, in October 2019, we sold our retail systems business to concentrate all of our managerial resources to automotive equipment business.

On the other hand, since June 30, 2020, we have been striving for a business turnaround through the specified certified dispute resolution proceedings under the Act on Strengthening Industrial Competitiveness (the “Turnaround ADR Proceedings”) as our profits were falling from sudden change to the automobile market and the impact of the COVID-19 pandemic. On May 31, 2021, we received capital contribution from the Hisense Group and we have commenced steps towards business reconstruction.

In order to further accelerate our business reconstruction in the situation where all of our managerial resources are concentrated on automotive business as described above, the Company decided on its policy to execute the Reorganization with its eight (8) wholly-owned subsidiaries for the purpose to efficiently use managerial resources, achieve a quick decision-making system, and to absolutely respond to the needs of our customers.

2. Summary of the Reorganization

(1) Summary of the Merger

(i) Schedule

Date of public notice on the record date for the extraordinary general meeting of shareholders	August 14, 2021
Record date for the extraordinary general meeting of shareholders	August 29, 2021
Date of resolution by the Board of Directors on the basic policy for the Merger	September 13, 2021
Date of resolution by the Board of Directors	September 28, 2021 (scheduled)

to approve the execution of the agreements for the Merger	
Date of execution of the agreements for the Merger	September 28, 2021 (scheduled)
Date of resolution by the extraordinary general meeting of shareholders	November 25, 2021 (scheduled)
Effective date of the Merger	January 1, 2022 (scheduled)

(Note) As the Merger falls under a short form merger stipulated in Article 748, paragraph 1 of the Companies Act for each Target that will be dissolved as a result of the Merger, each Target is scheduled to execute the Merger without resolution of the general meeting of shareholders.

(ii) Method of the Merger

The Merger is an absorption-type merger in which the Company will be the surviving company and each Target will be the dissolving company.

(iii) Allocation of shares in association with the Merger

As each Target is the Company's wholly-owned subsidiary, no shares or money, etc. will be allotted as a result of the Merger.

(iv) Handling of stock acquisition rights and bonds with stock acquisition rights in association with the Merger

Not applicable

(v) Description of the parties to the Merger

As per attached.

(2) Summary of the Split

(i) Schedule

Date of resolution by the Board of Directors on the basic policy for the Split	September 13, 2021
Date of resolution by the Board of Directors to approve the execution of the agreement for the Split	September 28, 2021 (scheduled)
Date of execution of agreement for the Split	September 28, 2021 (scheduled)
Effective date of the Split	January 1, 2022 (scheduled)

(Note) As the Split falls under a simple form split stipulated in Article 796, paragraph 2 of the Companies Act for the Company, the succeeding company in the Split, and the Split falls under a short form split stipulated in Article 784, paragraph 1 of the Companies Act for SSE, the company to be split, both parties are scheduled to execute the Split without resolution of its general meeting of shareholders.

(ii) Method of the Split

The Split is a simple-form absorption-type split in which SSE is the company to be split and the Company is the succeeding company.

(iii) Allocation of shares associated with the Split

As SSE is the Company's wholly-owned subsidiary, no shares or money, etc. will be allotted as a result of the Split.

(iv) Handling of stock acquisition rights and bonds with stock acquisition rights in association with the Split

Not applicable

(v) Increase or decrease in capital stock due to the Split

The Company's share capital will not increase or decrease as a result of the Split.

(vi) Rights and obligations succeeded to the succeeding company

As a result of the Split, the Company, as the succeeding company, will succeed to the assets, liabilities, and rights and obligations incidental thereto that are held by SSE in relation to its business conducted towards the group companies.

(vii) Outlook on performance of liabilities

The Company will promptly announce the outlook on performance of liabilities of the Company after the rights and liabilities to be succeeded to the Company are fixed.

(viii) Description of the parties to the Split

As per attached.

(ix) The contents, etc. of the business to be split

The details concerning the contents of the business to be split, the results of performance of the business to be split, the items of assets and debts to be split, and book values, etc. shall be promptly announced when these are fixed.

3. Actions to be taken after the Reorganization

The Company's location, name and title of representative, amount of share capital, and fiscal term will not change in association with the Reorganization. However, the Company intends to change its trade name and business contents by convening an extraordinary general meeting of shareholders which is scheduled to be held on November 25, 2021. The change of

the Company's trade name and business contents is scheduled to take effect from January 1, 2022. The details shall be promptly announced when these are fixed.

4. Future outlook

The Reorganization concerns an absorption-type merger and simple-form absorption-type company split by the Company of its wholly-owned subsidiaries and the effects thereof on the consolidated earnings are minor.

(Reference) Consolidated earnings forecast for the Fiscal Year Ending December 2021 (from April 1, 2021 to December 31, 2021) (announced on August 12, 2021) and consolidated results for the previous fiscal year

(Millions of yen)

	Net sales	Operating income	Ordinary income	This term's net income attributable to the parent company stockholders
Consolidated earnings forecast (Fiscal Year Ending December 2021)	120,000	(12,000)	(14,000)	16,500
Results for the previous fiscal year (Fiscal Year Ended March 31, 2021)	137,477	(18,456)	(23,237)	(45,251)

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(1) Description of the parties to the Merger

	Surviving company	Dissolving company 1
(1) Company name	Sanden Holdings Corporation	Sanden Automotive Components Corporation
(2) Location	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan
(3) Name and title of representative	Zhu Dan Representative Director & President	Hideyuki Kobayashi Representative Director & President
(4) Business activities	Management of subsidiaries that engage in automotive systems business, etc.	Manufacture and sale of compressor for automotive air conditioning system, etc.
(5) Amount of share capital	21,741 million yen	2,282 million yen
(6) Date of incorporation	July 30, 1943	May 13, 2014
(7) Number of issued shares	111,693,313 shares	17,081 shares
(8) Fiscal term	December 31	December 31
(9) Major shareholders and shareholding ratio	<p>Hisense Japan Automotive Air Conditioning Systems Corporation</p> <p style="text-align: right;">78.88%</p> <p>BBH(LUX) FOR FIDELITY FUNDS PACIFIC FUND (Standing agent: MUFG Bank, Ltd.)</p> <p style="text-align: right;">1.93%</p> <p>The Master Trust Bank of Japan, Ltd. (Trust account)</p> <p style="text-align: right;">1.85%</p> <p>Sanden's Business Partner Share Holding Association</p> <p style="text-align: right;">1.11%</p> <p>Mizuho Bank, Ltd.</p> <p style="text-align: right;">0.91%</p> <p style="text-align: right;">(As of August 29, 2021)</p>	Sanden Holdings Corporation 100%
(10) Financial position and results for the recent fiscal year (in million yen unless otherwise noted)		
Fiscal term	March 2021 (Consolidated)	March 2021 (Unconsolidated)
Net assets	(16,956)	(15,325)
Total assets	155,081	29,946
Net assets per share (yen)	(664.58)	(897,211.22)
Net sales	137,477	45,629
Operating income	(18,456)	(8,368)
Ordinary income	(23,237)	(8,806)
Profit attributable to owners of parent	(45,251)	(26,682)
Net income per share (yen)	(1,630.38)	(1,562,115.38)

	Dissolving company 2	Dissolving company 3
(1) Company name	Sanden Automotive Climate Systems Corporation	Sanden Advanced Technology Corporation
(2) Location	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan
(3) Name and title of representative	Tadashi Kondo Representative Director & President	Toshiyuki Kikuchi Representative Director & President
(4) Business activities	Manufacture and sale of automotive air conditioning system, etc.	Research and development, etc. of automotive air conditioning system, etc.
(5) Amount of share capital	1,985 million yen	10 million yen
(6) Date of incorporation	May 13, 2014	May 13, 2014
(7) Number of issued shares	15,941 shares	200 shares
(8) Fiscal term	December 31	December 31
(9) Major shareholders and shareholding ratio	Sanden Holdings Corporation 100%	Sanden Holdings Corporation 100%
(10) Financial position and results for the recent fiscal year (in million yen unless otherwise noted)		
Fiscal term	March 2021 (Unconsolidated)	March 2021 (Unconsolidated)
Net assets	(2,775)	285
Total assets	8,817	629
Net assets per share (yen)	(174,098.35)	1,429,730.48
Net sales	15,420	1,606
Operating income	(1,951)	119
Ordinary income	(1,260)	118
Profit attributable to owners of parent	(4,341)	77
Net income per share (yen)	(272,343.84)	386,146.64

	Dissolving company 4	Dissolving company 5
(1) Company name	Sanden Business Associate Corporation	Sanden Living & Environmental Systems Corporation
(2) Location	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan
(3) Name and title of representative	Shigenori Sasaki Representative Director & President	Hideyasu Kamioka Representative Director & President
(4) Business activities	Shared service center for Group companies	Living & environmental system business, etc.
(5) Amount of share capital	20 million yen	100 million yen
(6) Date of incorporation	May 2, 1990	May 13, 2014
(7) Number of issued shares	200 shares	2,000 shares
(8) Fiscal term	December 31	December 31
(9) Major shareholders and shareholding ratio	Sanden Holdings Corporation 100%	Sanden Holdings Corporation 100%
(10) Financial position and results for the recent fiscal year (in million yen unless otherwise noted)		
Fiscal term	March 2021 (Unconsolidated)	March 2021 (Unconsolidated)
Net assets	862	(5,286)
Total assets	1,909	343
Net assets per share (yen)	4,313,701.60	(2,643,174.82)
Net sales	4,644	520
Operating income	370	(409)
Ordinary income	386	(455)
Profit attributable to owners of parent	226	(512)
Net income per share (yen)	1,130,748.55	(256,202.58)

	Dissolving company 6	Dissolving company 7
(1) Company name	Sanden Environmental Products Corporation	Sanwa Corporation
(2) Location	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan	224-1, Naganuma-machi, Isesaki-shi, Gunma, Japan
(3) Name and title of representative	Tatsuro Hirose Representative Director & President	Takuya Saito Representative Director & President
(4) Business activities	Natural refrigerant products	Manufacture and sale, etc. of parts for compressor for automotive air conditioning system
(5) Amount of share capital	100 million yen	10 million yen
(6) Date of incorporation	May 13, 2014	July 27, 1965
(7) Number of issued shares	2,000 shares	20,000 shares
(8) Fiscal term	December 31	March 31
(9) Major shareholders and shareholding ratio	Sanden Holdings Corporation 100%	Sanden Automotive Components Corporation 100%
(10) Financial position and results for the recent fiscal year (in million yen unless otherwise noted)		
Fiscal term	March 2021 (Unconsolidated)	March 2021 (Unconsolidated)
Net assets	(5,789)	825
Total assets	10	1,498
Net assets per share (yen)	(2,894,908.33)	41,252.87
Net sales	9	4,001
Operating income	(12)	(141)
Ordinary income	(73)	(91)
Profit attributable to owners of parent	(71)	(101)
Net income per share (yen)	(35,832.55)	(5,086.50)

(2) Description of the parties to the Split

	Company to be split	Succeeding company
(1) Company name	Sanden System Engineering Corporation	Sanden Holdings Corporation
(2) Location	3450-8, Miyako-machi, Isesaki-shi, Gunma, Japan	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan
(3) Name and title of representative	Makoto Suzuki Representative Director	Zhu Dan Representative Director & President
(4) Business activities	Development and operating services for information system, system integration service, network & security service, IT solution service, research and development of embedded system, sale of computer equipment, etc.	Management of subsidiaries that engage in automotive systems business, etc.
(5) Amount of share capital	30 million yen	21,741 million yen
(6) Date of incorporation	August 1, 1987	July 30, 1943
(7) Number of issued shares	600 shares	111,693,313 shares
(8) Fiscal term	December 31	December 31
(9) Major shareholders and shareholding ratio	Sanden Holdings Corporation 100%	Hisense Japan Automotive Air Conditioning Systems Corporation 78.88% BBH(LUX) FOR FIDELITY FUNDS PACIFIC FUND (Standing agent: MUFG Bank, Ltd.) 1.93% The Master Trust Bank of Japan, Ltd. (Trust Account) 1.85% Sanden's Business Partner Share Holding Association 1.11% Mizuho Bank, Ltd. 0.91% (As of August 29, 2021)
(10) Financial position and results for the recent fiscal year (in million yen unless otherwise noted)		
Fiscal term	March 2021 (Unconsolidated)	March 2021 (Consolidated)
Net assets	566	(16,956)
Total assets	1,208	155,081
Net assets per share (yen)	944,791.82	(664.58)
Net sales	3,924	137,477
Operating income	447	(18,456)
Ordinary income	449	(23,237)
Profit attributable to owners of parent	294	(45,251)
Net income per share (yen)	490,264.56	(1,630.38)