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News release



[TRANSLATION]
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(Securities code: 6444 TSE First Section)
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Plan for Compliance with the Criteria for Listing in New Market Segment

Regarding the review of the market category of the Tokyo Stock Exchange, Inc. scheduled for April 2022, the Company applied to select the Prime Market today. As the Company does not meet the criteria for listing in the Prime Market as of the transition record date (June 30, 2021), the Company hereby announces that it has prepared a plan to comply with the listing maintenance standards of the new market category (the “Plan”) as described below.

The Company’s Status on the compliance of Criteria of Listing and Planning Period

The Company's status of complying with the criteria of listing in the prime market as of the record date for the transition is as follows. The Company does not meet the standards for the market capitalization of shares in circulation.

In addition, on May 31, 2021, payment was completed for the issuance of common stocks to Hisense Japan Automotive Air Conditioning Systems Corporation through a third-party allotment. The ratio of shares in circulation became 20.0%*. As a result, the Company is no longer compliant with the listing requirements.

The Company will take various measures to meet the criteria of listing in the market capitalization of shares in circulation and the ratio of shares in circulation by the end of 2027.

	Number of Shareholders (People)	Number of shares in circulation (Unit)	Market capitalization of shares in circulation (Billion yen)	The ratio of shares in circulation (%)	Daily average trading value (Billion yen)
Status of the Company (As of the record date for the transition)	9,291 people	219,138 units	8.1 billion yen	78.0%*.	130 million yen
Criteria for maintaining listing		20,000 units	10 billion yen	35%.	0.2 billion yen
In the plan. items mentioned			○	○	

N.B. The Company's compliance status is calculated based on the distribution of the Company's stock certificates, and so on., ascertained by the TSE as of the record date. The distribution of stock certificates, etc. of Company is as of the end of March 2021, the impact of the capital increase on May 31, 2021, is not reflected. The ratio of shares in circulation calculated based on the shareholders' register as of the record date of September 30, 2021, is 20.0%. This is reflected by the capital increase on May 31, 2021. According to our calculations, the market capitalization of shares in circulation is approximately 7.01 billion yen.

Basic Policy, Issues, and Details of Efforts to Comply with Criteria of Listing

(1) Basic Policy and Issues

As announced in the press release titled "Notice of the Second Creditors' Meeting for the Business Revitalization Plan", the second creditors' meeting was held on the same day to discuss the proposed business revitalization plan. The Company addressed to all creditors its proposed business revitalization plan (the "Business Revitalization Plan"), formulated through consultations with Hisense Home Appliance Group and the special purpose company established by Hisense Home Appliance Group, Hisense Japan Automotive Air Conditioning Systems Corporation.

At a subsequent meeting of creditors held on May 7, 2021, to deliberate the proposed Business Revitalization Plan, the Company received the approval of all creditors to the proposed Business Revitalization Plan. The business revitalization ADR procedures were approved.

Based on the Business Revitalization Plan, the Company is currently undertaking initiatives to revitalize its business and plans to increase its corporate value by achieving the Business Revitalization Plan goals by the end of the fiscal year ending March 2026. This will improve our company values, so the Company aims to meet the criteria for maintaining listing concerning market capitalization of shares in circulation.

To meet the criteria for maintaining listing the ratio of shares in circulation and to raise funds, the Company plans to issue new shares with comprehensively considering future capital policies, including methods of a public offering, selling shares, etc. held by Hisense Japan Automotive Air Conditioning Systems Corporation, taking into consideration the business

situation after the completion of the Business Revitalization Plan.

Regarding compliance with the listing maintenance standards for the ratio of shares in circulation, taking into consideration the status of the business after the completion of this business revitalization plan and the need for financing, new issuance of shares through public offering, owned by Hisense Japan Automotive Air Conditioning Systems GK We plan to meet the criteria while comprehensively considering future capital policies, including methods for selling shares.

(2) Details of initiatives

Outline of the Business Revitalization Plan

The outline of the Business Revitalization Plan, which is set forth as an initiative to be achieved in the Plan, is as follows.

The outline of the Business Revitalization Plan announced in the "Notice of Submission of Business Revitalization Plan to Tokyo Stock Exchange, Inc." dated May 7, 2021, obtained consent from all financial institutions that are creditors of the Company.

The progress of the Business Revitalization Plan has been disclosed in the Summary of Financial Results and the Disclosure of Progress in Eliminating Excessive Liabilities, so please refer to those documents.

【Restructuring Measures (Outline)】

1) Drastic review of the production system

The Company will undertake a fundamental review of the production system. With a basic policy of consolidating production bases for mature products for internal combustion engines and aiming for an optimal production system, this enables us to leverage our strengths for products for electric vehicles, which are growth products.

2) Improve fundamental profitability

In addition to the previous initiatives, the Company will promote cost reductions through joint purchasing with Hisense Home Appliance Group or Hisense Group, to which the Company belongs.

3) Growth through proactive collaborative creations

(a) Expand sales of electric compressors and integrated thermal management systems for EVs.

The Company aims to improve marginal profit by launching new business relating to electric compressors for EV and integrated thermal management for major customers.

(b) Development cost reduction

For EV electric compressors, we will reduce development costs by focusing on business selections.

We will shift focus for internal combustion vehicles by applying development by standardizing low-cost swash plate piston compressors.

4) Strengthen measures to generate cash flow (improve working capital)

The Company will make early efforts to collect overdue account receivables and reduce

inventories by switching from prospective production to replenishment production through supply chain management reform.

5) Reform of the system for implementation

We will select projects based on order criteria that emphasize profitability, implement global forecast and actual management based on conservative sales assumptions on a company level. In terms of cost management, expense management, and other vital items, the Company has established a system whereby the corporate entity checks the progress of each activity. In addition, under corporate governance, the Company will monitor the implementation status of measures for retained loans, inventories, investments. Furthermore, we will support the implementation measures from the Japanese side for subsidiaries that have problems.

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