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News release

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## **Notice Concerning the difference between the Consolidated Earnings Forecast and the actual results and the recognition of Extraordinary Incomes and Losses**

Sanden Corporation (hereinafter referred to as the ‘Company’) announces the difference between the earnings forecast for Fiscal 2022 announced on February 25<sup>th</sup>, 2022 and the actual results released today as below.

### **1. The difference between consolidated earnings forecast for Fiscal 2022 and the actual result**

	Net sales	Operating income	Ordinary income	Net income	Net income per share basic
	(Millions of ¥)	(Millions of ¥)	(Millions of ¥)	(Millions of ¥)	( ¥ )
Forecast as announced (A)	161,000	(5,000)	(3,500)	(3,700)	(33.20)
Actual results (B)	175,683	(5,729)	(4,140)	(1,613)	(14.48)
Changes (B-A)	14,683	(729)	(640)	2,086	—
Changes (%)	9.1%	—	—	—	—

### **2. Reasons for the difference**

Because of conflicts in Ukraine and shortages of semiconductors, although there were negative impacts from declining automobile production year on year in Europe, our mainstay market, the net sales increased, because sales in Japan, Asia, China and the US were recovering.

The operating income and the ordinary income decreased due to lingering higher raw material prices and increase in logistic expenses in line with delayed supply despite improved profitability thanks to the higher utilization rate with recovering sales volume.

The net income attributable to owners of the parent increased because impairment losses on fixed assets in Japan and Europe due to the progress of the business revitalization plan, and reversal of provision for business restructuring, among others, in addition to the factors affecting ordinary income.

### **3. Recognition of Extraordinary incomes**

#### **1) Recognition of Extraordinary income (Reversal of provision for business restructuring)**

At bases in China, Europe, the United States, etc., a structure based on building an optimal personnel system through measures such as global production sharing and consolidation of parts procurement according to the product life cycle and sales volume, improving market competitiveness, reorganizing bases, and reducing personnel accordingly. As a result of reviewing the estimated amount of expenses required for the reform provision considering the situation accompanying the implementation of personnel reductions, the difference between the estimated amount and the initial

provision amount was recorded in the consolidated financial statements as 3.7 billion yen for Reversal of provision for business restructuring.

2) Recognition of Extraordinary income (Reversal of allowance for doubtful accounts)

Some consolidated subsidiaries of the Company recorded allowance for doubtful accounts for the receivables destined for the Middle East, but as a result of continuing to collect the receivables, some of the receivables were collected. As a result 2.4 billion yen reversal of allowance for doubtful accounts is recorded in the consolidated financial statements.

3) Recognition of Extraordinary income (Reversal of provision for Loss on Business of Subsidiaries and Associates on a Non-consolidated Basis)

In order to prepare for losses to some consolidated subsidiaries of the Company, we had posted provision for loss on business of subsidiaries and associates. Due to an increase in the amount of loans to consolidated subsidiaries, the amount of reversal of provision for loss on business of subsidiaries and associates amounted to 4.7 billion yen in the non-consolidated financial statements was recorded.

#### 4. Recognition of Extraordinary Losses

1) Recognition of Extraordinary Losses (Impairment Losses)

As the Company and some of its consolidated subsidiaries have decided to record impairment losses on fixed assets, etc., an impairment loss of 2.9 billion yen has been recorded in the consolidated financial statements.

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

Of the stocks of affiliated companies held by the Company, 4.2 billion yen in Loss on Valuation of Shares of Subsidiaries and Associates is recorded in non-consolidated financial statements for shares whose real value has fallen significantly from the acquisition cost.

3) Recognition of Extraordinary loss (Loss on extinguishment of tie-in shares on a Non-consolidated Basis)

we executed an absorption-type merger, with Sanden Holdings Corporation as the surviving company, and 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 as the dissolving companies and executed simple-form absorption-type company split with its wholly-owned subsidiary, Sanden System Engineering Corporation ("SSE"), as the company to be split, and Sanden Holdings Corporation, as the succeeding company, shall succeed to SSE's business conducted towards the group companies. At the same time, we changed our trade name from Sanden Holding Corporation to Sanden Corporation. As a result the company recorded a loss on extinguishment of tie-in shares of ¥2.2 billion in the non-consolidated financial statement.

#### 5. Impact on Financial Results

Extraordinary Incomes and Losses above are reflected in "Summary of Consolidated Financial Statement as of December 31<sup>st</sup>, 2022" released today. At present, the above Reversal of provision for Loss on Business of Subsidiaries and Associates, Loss on Valuation of Shares of Subsidiaries and Associates, and Loss on extinguishment of tie-in shares are eliminated from the consolidated financial statements, and therefore have no impact on the consolidated financial results.

End