



[TRANSLATION]

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Progress under the Plan toward Compliance with the Listing Maintenance Criteria

On September 26, 2023, the company submitted and disclosed our plan to comply with the Standard Market's listing maintenance criteria. The progress of the plan as of December 2023 has been prepared as follows.

○ Compliance with the Company's Listing Maintenance Criteria and Plan Period

As of the base date, the Company's compliance status with the listing maintenance criteria of the Standard Market, including its transition, is as shown in the table below, and it does not meet the criteria for the ratio of circulating shares. The Company will continue to make various efforts to meet the criteria for maintaining its listing by the end of December 2025 (the base date for determining the Company's listing maintenance criteria) with respect to the ratio of circulating shares.

		Number of shareholders (People)	Number of shares in circulation (Unit)	Total market capitalization of circulating shares (Billion)	Ratio of circulating shares (%)	Net Assets
The compliance status of our company and its transition	As of the end of Dec 2022	10,556 people	255,190 unit	¥5.4 billion	22.8%※	Net assets are positive.
	As of the end of Dec 2023	9,975 people	259,393 unit	¥4.4 billion	23.22%※	Net assets are positive.
Criteria for maintaining the listing		400 people	2,000 unit	¥1 billion	25%	Net assets are positive.
Compliance Status			Conformed	Conformed	Not conformed	Conformed
Planned Period		—	—	—	By the end of Dec 2025	—

※The company's compliance status was calculated based on the distribution status of our share certificates, etc. as of the record date of the Tokyo Stock Exchange.

○ Status of Implementation and Evaluation of Efforts to Comply with Listing Maintenance Criteria (January 2023 – December 2023)

In the plan announced on September 26, 2023, our company had planned to improve its corporate value by promoting 5 reform plans("Fundamental review of production system", "Improvement of basic profitability", "Growth through proactive "collaborative creation" "Generation of cash flow through recapitalization and asset reform", and "Reform of the framework for

implementation”) based on the business revitalization plan that was agreed upon at the recurring meeting of creditors held on May 7, 2021, for the resolution of the proposed business revitalization plan. The ratio of shares in circulation was then planned to be met while comprehensively considering capital policies and other factors, including methods such as new issuance of shares through public offering and sale of shares held by the Hisense Japan Automotive Air-Conditioning Systems limited liability company, considering the execution status of the business revitalization plan and the need for financing.

In FY2023, the company continued to work under the above business revitalization plan and strengthened our integrated thermal management system area, centering on electric compressors, by proactively investing in technologies and product areas for new energy vehicles (NEVs) in line with the electrification of the automobile market. As a result, in addition to global OEMs in Europe, which is our main market, we have also been able to leverage the synergies of the Hisense Group to win new commercial rights in China, the largest automobile market, with our new products, resulting in a 37% increase in new commercial rights won globally in 2023 compared to the previous year. Under these circumstances, to enhance our corporate value and achieve sustainable growth, we recognize that our key management issues are continuous investment in growth to ensure that acquired commercial rights are converted into sales, the development of thorough regional strategies, further improvement of profitability, and the development of human resources and organizational management efficiency to support these strategies. Based on this recognition, we have revised our mid-term business plan to accelerate business growth, and have formulated a new mid-term business plan with fiscal 2024 as the first year. Under this mid-term business plan, we will strive to achieve sustainable growth as a leading company in integrated thermal management systems by transforming ourselves from a component supplier to a “full solution system supplier” and enhance our corporate value.

The details of this mid-term business plan were disclosed on February 14, 2024.

【Key measures to achieve the mid-term business plan】

- ① Expand market share by strengthening sales of thermal management systems to global OEMs in Europe
- ② Maximize group synergies to capture growth in the Chinese thermal management system market
- ③ Expand North American business by enhancing investment in the North American market for products for NEVs
- ④ Promote product platforming and leverage our strength as an independent company to flexibly support a wide range of customer needs
- ⑤ Optimize global production layout and supply chain and realize sustainability
- ⑥ Enhancement of human resource development and streamlining of organizational operations through the promotion of standardization and digitalization

○ Future challenges and actions to be taken to comply with the criteria for maintaining listing

As of December 31, 2023, the Company does not meet the criteria for maintaining its listing with respect to the ratio of shares in circulation. However, the ratio of circulating shares has been improving due to efforts to date to comply with listing maintenance criteria. In FY2024, we will improve the liquidity of our shares by enhancing our corporate value based on our mid-term business plan and by enhancing IR activities and other measures, and then we will comprehensively consider our capital policy and other factors, including methods such as the sale of shares held by Hisense Japan Automotive Air-Conditioning Systems limited liability company, to make specific improvements in the ratio of shares in circulation.

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