Disclaimer: This document is a translation of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original is assumed to be correct.

Securities Report

(Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act

Fiscal year (the 95th) April 1, 2020 to March 31, 2021 (Fiscal 2020)

(The English translation of the Securities Report (“Yukashoken Houkokusho”) for the year ended March 31, 2021)

Sanden Holdings Corporation

(E01913)

The 95th Fiscal Year (April 1, 2020 to March 31, 2021)

Securities Report

This document is based on the data used in the Securities Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, and submitted to the electronic disclosure for Investors' Network (EDINET) prescribed in Article 27, Paragraph 30-2 of the Act. and printed with the table of contents and pages attached.

Sanden Holdings Corporation

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【Document Submitted】	Securities Report (“Yukashoken Houkokusho”)
【Article of the Applicable Law Requiring Submission of This Document】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Law
【Filed to】	Director, Kanto Local Finance Bureau
【Date of Submission】	June 24, 2021
【Business Year】	The 95th Fiscal Year (April 1, 2020 to March 31, 2021)
【Company name】	Sanden Holdings Corporation
【Position and Name of Representative】	Katsuya Nishi, Representative Director
【Address of headquarters】	20 Kotobuki-cho, Isesaki- shi, Gunma, Japan
【Phone No.】	Isesaki: +81-(0)270-24-1211
【Contact for Communications】	Toru Akima, Director & General Manager of Finance & Accounting Division
【Nearest Contact】	10th Floor, Akihabara Daibiru Building, 1-18-13 Soto Kanda, Chiyoda-ku, Tokyo, Japan
【Phone No.】	Tokyo: +81-(0)3-5209-3341
【Contact for Communications】	Toru Akima, Director & General Manager of Finance & Accounting Division
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information
1. Overview of the Company
1. Key financial data and trends

(1) Consolidated financial data

Fiscal Year		91st	92nd	93rd	94th	95th
Year ended		March 31, 2017 (FY2016)	March 31, 2018 (FY2017)	March 31, 2019 (FY2018)	March 31, 2020 (FY2019)	March 31, 2021 (FY2020)
Net sales	Millions of yen	282,061	287,609	273,934	204,880	137,477
Ordinary income (loss)	Millions of yen	(2,262)	4,411	564	(9,735)	(23,237)
Net income (loss) attributable to owners of parent	Millions of yen	(22,488)	4,255	(23,060)	2,287	(45,251)
Comprehensive income	Millions of yen	(24,232)	1,884	(27,070)	335	(41,189)
Net assets	Millions of yen	49,159	50,957	23,538	22,699	(16,956)
Total assets	Millions of yen	280,194	275,649	246,401	187,559	155,081
Net assets per share	Yen	1,576.34	1,633.99	685.04	747.92	(664.58)
Net income (loss) per share	Yen	(814.10)	154.00	(833.58)	82.54	(1,630.38)
Diluted net income per share	Yen	–	–	–	–	–
Capital adequacy ratio	(%)	15.5	16.4	7.7	11.1	(11.9)
Return on equity	(%)	(39.6)	9.6	(71.9)	11.5	–
Price earnings ratio	Times	–	9.9	–	4.4	–
Cash flows from operating activities	Millions of yen	10,048	7,140	3,043	7,219	3,234
Cash flows from investing activities	Millions of yen	(10,371)	4,093	(11,362)	28,452	(5,661)
Cash flows from financing activities	Millions of yen	(2,479)	(6,536)	2,679	(24,677)	(3,632)
Cash and cash equivalents at the end of the year	Millions of yen	14,040	18,776	13,030	23,711	18,203
Number of employees [outside of which, average number of temporally employees]	Persons	10,613 (2,785)	10,106 (3,034)	9,628 (3,055)	6,509 (2,051)	6,246 (2,278)

Notes:
1. Consumption taxes (refer to consumption tax and local consumption tax and the same applies hereinafter) are not included in net sales.
2. Diluted net income per share for the 92nd and 94th fiscal years (fiscal 2017 and 2019) are not stated because there was no dilutive share. Diluted net income per share for the 91st, 93rd and 95th fiscal years (fiscal 2016, 2018 and 2020) are not stated because net loss per share was reported and there was no dilutive share.
3. In calculating the net assets per share, the Company shares held by the executive compensation Board Incentive Plan (BIP) Trust are included in the treasury stock deducted from the total number of issued shares at the end of the term. In calculating the net income per share or net loss, it is included in the number of treasury stock to be deducted in the calculation of the average number of common shares during the term.
4. As of October 1, 2017, company shares are consolidated at a ratio of one out of every five common shares. Net assets per share, net income per share or net loss and diluted net income per share are calculated, assuming that the share consolidation took place at the beginning of the 91st fiscal year (fiscal 2016).
5. Return on equity for the 95th fiscal year (fiscal 2020) is not stated because liabilities exceeded assets.
6. Partial revision of 'Accounting Standards for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, issued on February 16, 2018), etc. have been applied from the beginning of the 93rd fiscal year (fiscal 2018). The major management indicators, etc. for the 92nd fiscal year (fiscal 2017) are the indicators after applying the relevant accounting standards retroactively.

(2) Non-consolidated financial data

Fiscal Year		91st	92nd	93rd	94th	95th
Year ended		March 31, 2017 (FY2016)	March 31, 2018 (FY2017)	March 31, 2019 (FY2018)	March 31, 2020 (FY2019)	March 31, 2021 (FY2020)
Operating Revenue	Millions of yen	12,961	15,583	13,043	7,940	7,984
Ordinary income (loss)	Millions of yen	(3,642)	2,876	4,017	(926)	(13,734)
Net income (loss)	Millions of yen	(24,495)	3,692	2,506	8,312	(42,093)
Capital	Millions of yen	11,037	11,037	11,037	11,037	11,037
[Number of outstanding shares]	Shares	(140,331,565)	(28,066,313)	(28,066,313)	(28,066,313)	(28,066,313)
Net assets	Millions of yen	13,922	14,333	16,883	25,070	(16,950)
Total assets	Millions of yen	118,026	100,207	105,019	111,462	75,725
Net assets per share	Yen	501.83	516.42	607.75	900.29	(608.41)
Dividend per share(of which, interim dividend)	Yen	– (–)	– (–)	– (–)	– (–)	– (–)
Net income (loss)	Yen	(883.05)	133.05	90.27	298.78	(1,510.99)
Diluted net income per share	Yen	–	–	–	–	–
Capital adequacy ratio	(%)	11.8	14.3	16.1	22.5	(22.4)
Return on equity	(%)	(91.9)	26.1	16.1	39.6	–
Price earnings ratio	Times	–	11.5	8.4	1.2	–
Payout ratio	(%)	–	–	–	–	–
Number of employees [outside of which, average number of temporally employees]	Persons	176 (11)	115 (9)	58 (6)	74 (8)	79 (6)
Total shareholder return	(%)	114.9	95.1	46.8	22.5	24.8
[Comparative index: TOPIX]	(%)	(112.3)	(127.4)	(118.1)	(104.1)	(145.0)
Highest stock price	Yen	402	2,580 (456)	1,823	942	507
Lowest stock price	Yen	259	1,397 (288)	642	297	216

Notes:
1. Consumption taxes are not included in operating revenue.
2. Diluted net income per share for the 92nd, 93rd, and 94th fiscal years (fiscal 2017, 2018 and 2019) are not stated because there was no dilutive share. Diluted net income per share for the 91st and 95th fiscal years (fiscal 2016 and 2020) are not stated because net loss per share was reported and there was no dilutive share.
3. In calculating the net assets per share, the Company shares held by the executive compensation Board Incentive Plan (BIP) Trust are included in the treasury stock deducted from the total number of issued shares at the end of the term. In calculating the net income per share or net loss, it is included in the number of treasury stock to be deducted in the calculation of the average number of common shares during the term.
4. As of October 1, 2017, company shares are consolidated at a ratio of one out of every five common shares. Net assets per share, net income per share or net loss and diluted net income per share are calculated, assuming that the share consolidation took place at the beginning of the 91st fiscal year (fiscal 2016).
5. Return on equity for the 95th fiscal year (fiscal 2020) is not stated because liabilities exceeded assets.
6. The highest and lowest stock prices are for the Tokyo Stock Exchange First Section. The stock prices for the 92nd fiscal year (fiscal 2017) are the highest and lowest stock prices after the consolidation of stocks, and the highest and lowest stock prices before the consolidation are listed in parentheses.
7. Partial revision of 'Accounting Standards for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, issued on February 16, 2018), etc. have been applied from the beginning of the 93rd fiscal year (fiscal 2018). The major management indicators, etc. for the 92nd fiscal year (fiscal 2017) are the indicators after applying the relevant accounting standards retroactively.

2. History

Month/Year	Items
July 1943	Established Sankyo Electric Company at No. 20 Kotobukicho, Isesaki-shi, Gunma Prefecture with a capital of ¥198 thousand to manufacture parts for wireless communication devices by synthetic resin molding, mica-condensers and paper-condensers.
March 1948	Started manufacturing the dynamo bicycle lamp.
June 1958	Started producing ice-cream refrigerating stockers, freezing and refrigerating showcases.
October 1961	Started producing fountain-type juice vending machines.
August 1962	Listed on the second section of Tokyo Stock Exchange.
July 1963	Started producing a pot-type oil heater.
December 1964	Established Sankyo Sales Company by spinning off the sales division from Sankyo Electric Company (Company name was changed to Sanden Sales Company in October 1973).
June 1970	Entered a technical collaboration agreement on automotive air-conditioner compressors with Mitchell Corporation in the U.S.
March 1971	Started producing automotive air-conditioner compressors.
April 1973	Established the Yattajima Factory (currently the Yattajima Plant) in the Yattajima Industrial Park in Isesaki-shi and started production of automotive air-conditioner compressors.
August 1973	Listed the Company stocks on the first section of Tokyo Stock Exchange and renamed "Sankyo" trademark to "Sanden."
January 1974	Obtained worldwide marketing rights for automotive air-conditioner compressors from Mitchell.
November 1974	Established Sankyo International (U.S.A.), Inc. as an overseas company (currently Sanden International (U.S.A.), Inc.) in the United States.
November 1974	Established Sankyo International Co., Ltd. (changed the company name to Sanden International Co., Ltd. on October 1, 1982).
December 1977	Established Sankyo International (Singapore) Pte. Ltd. as an overseas company (currently Sanden International (Singapore) Pte. Ltd.) in Singapore
March 1980	Obtained patent rights for automotive air-conditioner compressors owned by Mitchell
April 1980	Established Sankyo International (U.K.) Ltd. as an overseas company (currently Sanden International (Europe) Ltd.) in U. K.
October 1980	Established a plant to manufacture automotive air-conditioner compressor in Sankyo International (U.S.A).
October 1982	Established a plant to manufacture automotive air-conditioner compressors in Sankyo International (Singapore) Pte. Ltd.
	Changed the company name to Sanden Corporation.
July 1987	Established Sanden Logistics Co., Ltd. by making logistics department independent.
August 1987	Established Sanden independent. System Engineering Co., Ltd. by making the computer department
May 1988	Established Sanden of America, Inc. as an overseas corporation in Wiley, Texas, U.S.A. and acquired 100% stake in the Vendo Company as a production and sales base for vending machines in the US and Europe.
August 1989	Sanden International (U.S.A.), Inc. begins operation of its second plant for producing automotive air-conditioner compressors in Wiley, Texas, USA.
July 1990	Opened Sanden Communication Plaza as a training facility in Honjo City, Saitama, Japan.
May 1994	Entered a Technical Assistance Agreement with Ford Motors Corporation (U.S.A.) for manufacturing of automotive air-conditioner compressors.
April 1995	Established Sanden Manufacturing Europe S.A.S. as an overseas company in Tinteniac, France.
October 1996	Awarded EPA prize (contribution to ozone layer preservation) by the US Environment Protection Agency.
April 1997	Absorbed the subsidiary Sanden Sales Co., Ltd. and Sanden International Co., Ltd.

Month/Year	Items
October 1998	Awarded Deming Prize Implementation Award to evaluate companywide quality control.
July 1999	Acquired ISO14001 certification at every business base.
June 2000	Established Sanden (Shanghai) Automotive Air-Conditioning Co., Ltd., a joint venture company with Shanghai EK CHOR General Machinery Co., Ltd. for production and sales base for automobile air- conditioner compressors in Shanghai, China.
September 2000	Established Tianjin Sanden Automotive Air-Conditioning Co., Ltd., which produces automotive air conditioning systems.
April 2002	Completed Sanden Forest and Akagi Plant in Seta Gun (currently Maebashi City), Gunma, Japan.
October 2002	Won a Japan Quality Control Award.
February 2004	Established a joint venture company Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd, (currently Sanden Huayu Automotive Air-Conditioning Co., Ltd.) in china and manufactures automotive air-conditioner compressors. Manufactures automotive air-conditioner compressors.
April 2004	Established Sanden Manufacturing Poland sp. z o.o. in Polkowice, Poland
May 2004	Established Shenyang Sanden Automobile Air-Conditioning Co., Ltd., which produces automotive air-conditioning systems.
September 2004	Sold 25% of the shares of Sanden Shanghai Automotive Air-Conditioning Co., Ltd., a consolidated subsidiary, to a joint venture Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd. (currently Sanden Huayu Automotive Air-Conditioning Co., Ltd.)
March 2005	Established a consolidated subsidiary Sanden Vendo America, Inc. in Dallas, U.S.A.
June 2005	Received "Europe's Best Investment Award" at the third World Investment Conference.
December 2005	Established a consolidated subsidiary, Sanden Shanghai Refrigeration Co., Ltd. in China to produce refrigerating showcases.
June 2006	Built logistics processing center in Sanden Forest.
October 2006	Sanden International (U.S.A.), Inc. and Sanden International (Singapore) Pte. Ltd. received "Deming Prize Implementation Award"
November 2006	Received the third "France-Japan Investment Award"
May 2007	Established Toyohashi Factory in Toyohashi City, Aichi Prefecture and started production of parts for automotive air conditioning systems.
June 2007	Obtained the highest rank in the "DBJ Environmental Rating" of the Development Bank of Japan
September 2008	Opened Sanden Global Center in Isesaki Headquarters, Gunma Prefecture, Japan
	Established a consolidated subsidiary, Sanden (Suzhou) Precision Parts Co., Ltd. and built a die- cast plant of automotive air-conditioner compressors.
	Received "5th Asahi Corporate Citizen Award" for continuous environmental education at Sanden Forest.
March 2010	Established a consolidated subsidiary Sanden Chongqing Automotive Air Conditioning Co., Ltd in China and produces automotive air-conditioning system.
August 2010	Established a consolidated subsidiary, Sanden Shanghai Thermal Environmental System Co., Ltd. in China. Produces CO_2 compressors.
October 2011	Sanden Vikas (India) Private Limited received "Deming Prize"
August 2012	Established a consolidated subsidiary Sanden Vikas Precision Parts Private Limited in New Delhi, India.
October 2012	Sanden Forest Akagi Plant received "Good Design Award"
November 2012	Acquired the second highest rank in “DBJ Environmental Rating” of the Development Bank of Japan
February 2013	Established a consolidated subsidiary Sanden Manufacturing Mexico S.A. DE C.V. in Mexico.
April 2013	Sanden Forest and Akagi Plant receive "2013 Prime Minister's Commendation for Greenery Promotion Personnel"
May 2014	Established 7 companies for preparatory company for transition to holding company structure by company split.

Month/Year	Items
January 2015	Merged Chongqing Huaun Industry Co., Ltd. into Sanden Chongqing Automotive Air Conditioning Co., Ltd.
April 2015	Transferred to a holding company structure and change its company name to Sanden Holdings Corporation
October 2015	Established new production line of HVAC air-conditioning systems in Sanden Manufacturing Poland sp. z o.o.
February 2016	Expanded compressor production line in Sanden Manufacturing Poland sp. z o.o.
May 2016	Moved Tokyo headquarters to Akihabara Daibiru Building.
September 2016	Received Minister of the Environment Award Ozone Layer Protection / Global Warming Prevention in recognition of the development and commercialization of CO_2 system for plug-in and remote type of refrigerator.
January 2017	Sanwa Co., Ltd. acquired 5 domestic subsidiaries of Automotive Systems Business and Sanwa Fabtech co., Ltd. acquired 3 domestic subsidiaries of Retail Store Systems Business.
August 2017	Established Climate Wind Tunnel which enables to produce any weather conditions in Tianjin, China and started operation.
April 2018	Completed construction of a new plant of Sanden Huayu Automotive Air-Conditioning Co., Ltd. in Shanghai, China and started production of electric compressors in August.
April 2019	Executed absorption-type company split through which its wholly owned companies, Sanden Automotive Components Corporation, Sanden Automotive Climate Systems Corporation and Sanden Retail Systems Corporation, succeed to a portion of the rights and obligations concerning shares etc. and their administration business of its subsidiary companies that are conducting Automotive Systems Business and Retail Store Systems Business.
October 2019	Executed transfer of all the issued shares of Sanden Retail Systems Corporation to SDRS Holdings Corporation formed through contributions from affiliated business entities operated by Integral Corporation.
June 2020	Formally applied for business revitalization ADR procedures to the Japanese Association of Turnaround Professionals.
May 2021	Business revitalization ADR procedures commenced.
	Increased capital through third-party allotment to Hisense Japan Automotive Air-Conditioning Systems as the allottee.

3. Businesses

The Group consists of the Company, 41 subsidiaries, and 10 affiliated companies, whose businesses are to manufacture and sell automotive systems and other products, and to develop related businesses such as logistics, research and other services.

The positioning of the Group's businesses are as follows.

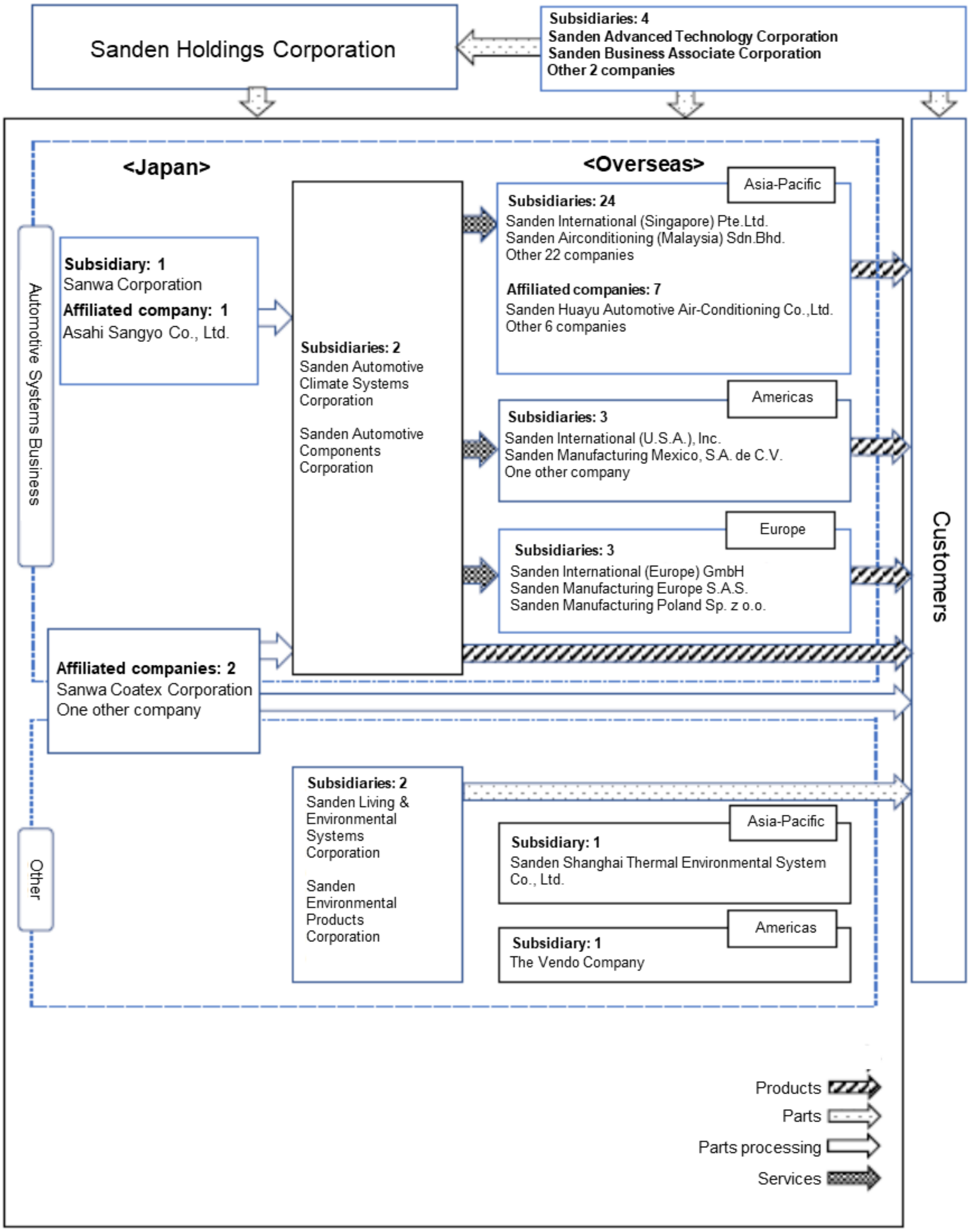
The classification of reporting segments has been changed from the fiscal year under review. Please refer to "Segment information, etc. in (1) Notes to consolidated financial statements, 1. Consolidated Financial Statements, 5. Financial Information" for details.

Segment	Main products	Main manufacturing and sales companies
(1) Automotive Systems Business		
Automotive air-conditioning systems and air-conditioner compressors, Automotive heat exchanger	Automotive air-conditioner compressors Air-conditioning indoor unit Engine heat exchanger Air-conditioner heat exchanger	Sanden Automotive Climate Systems Corporation Sanden Automotive Components Corporation Sanden International (U.S.A.), Inc. Sanden International (Europe) GmbH. Sanden Manufacturing Europe S.A.S. Sanden Manufacturing Poland sp.z o.o. Sanden International (Singapore) Pte.Ltd. Sanden Thailand Co., Ltd. Sanden Vikas (India) Limited. Tianjin Sanden Automotive Air-Conditioning Co., Ltd. Sanden Chongqing Automotive Air Conditioning Co., Ltd
(2) Other		
Home heating, hot water supply, environmental equipment Digital device systems	Eco-Cute heating and ventilation systems Remote monitoring, bidirectional modem	Sanden Living & Environmental Systems Corporation Sanden Environmental Products Corporation Sanden Manufacturing Europe S.A.S. Sanden International (Australia) Pty, Ltd

Note that the Company falls under the classification of a specified listed company, and of the minor criteria of important facts regarding insider trading regulations, the numerical criteria determined by comparison with the size of the listed company will be judged based on consolidated figures.

The overview of the business structure is as follows.

(As of March 31, 2021)



4. Information of subsidiaries and affiliates

(1) Consolidated subsidiaries

Name	Location	Capital or investment (Millions of yen)	Principal businesses	Percentage of voting rights	Relationships with Sanden Holdings		
					Business transactions	Concurrent officer Yes/None	Other relationships
Sanden Automotive Climate Systems Corporation Note 2, 5	Isesaki- shi, Gunma, Japan	1,985	Automotive equipment systems	100.0%	Mainly manufacture and sell products and parts	Yes	Lending Debt excess ¥2,775 million
Sanden Automotive Components Corporation Note 2	Isesaki- shi, Gunma, Japan	2,283	Automotive equipment systems	100.0%	Mainly manufacture and sell products and parts	Yes	Lending Debt excess ¥15,325 million
Sanden Living & Environmental Systems Corporation	Isesaki- shi, Gunma, Japan	100	Other	100.0%	Mainly manufacture and sell products	–	Lending Debt excess ¥5,286 million
Sanden Environmental Products Corporation	Isesaki- shi, Gunma, Japan	100	Other	100.0%	Mainly manufacture and sell products and parts	–	Lending Debt excess ¥5,789 million
Sanden Advanced Technology Corporation	Isesaki- shi, Gunma, Japan	10	Automotive equipment systems Other	100.0%	Research and development of the Group's products	Yes	
Sanden Business Associate Corporation	Isesaki- shi, Gunma, Japan	20	Other	100.0%	Professional functions such as general affairs, accounting, human resources, and logistics of the Group, factory facility management, energy supply, facility operation, human resource brokerage, vehicle insurance agency business, office equipment leasing and rental business	–	
Sanwa Corporation Note 3	Isesaki- shi, Gunma, Japan	10	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture parts	–	
Sanden System Engineering Corporation	Isesaki- shi, Gunma, Japan	30	Other	100.0%	Mainly information system development and operation	–	
Sanden Manufacturing Europe S.A.S. Note 2, 3	Tinteniac France	EUR 21,000 thousand	Automotive equipment systems Other	100.0% (100.0%)	Mainly manufacture and sell products and parts	–	Debt guarantee
Sanden Manufacturing Poland sp.z o.o. Note 2, 3	Polkowice Poland	PLN 152,000 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture and sell products and parts	–	
Sanden International (Europe) GmbH Note 2, 3, 5	Bad Nauheim Germany	EUR 25 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture products	Yes	Lending Debt guarantee
Sanden International (U.S.A.),Inc. Note 2, 3	Wylie Texas U.S.A.	USD 18,000 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture and sell products	Yes	Lending Debt guarantee

Name	Location	Capital or investment (Millions of yen)	Principal businesses	Percentage of voting rights	Relationships with Sanden Holdings		
					Business transactions	Concurrent officer Yes/None	Other relationships
Sanden Manufacturing Mexico S.A. de C.V. Note 2, 3	Saltillo Coahuila Mexico	USD 66,785 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture parts	–	
The Vendo Company Note 2	Wylie Texas U.S.A	USD 3,445 thousand	Other	100.0%	Other	Yes	
Sanden Vikas (India) Private Limited. Note 3, 4	Haryana State India	INR 296,250 thousand	Automotive equipment systems	50.0% (46.7%)	Mainly manufacture and sell products	–	Debt guarantee
Sanden International (Singapore) Pte. Ltd.	Singapore	SGD 6,000 thousand	Automotive equipment systems	100.0%	Mainly manufacture and sell products	–	Lending
Sanden Automotive Systems (Singapore) Pte. Ltd. Note 3	Singapore	SGD 9,625 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture products	–	
Sanden Airconditioning (Malaysia) Sdn. Bhd. Note 3	Shah Alam Selangor Darul Ehsan Malaysia	MYR 5,600 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture and sell products and parts	–	Lending
Tianjin Sanden Automotive Air-Conditioning Co., Ltd. Note 2	Tianjin, People's Republic of China	CNY 143,629 thousand	Automotive equipment systems	51.5%	Mainly manufacture and sell products	–	Lending Debt guarantee
Sanden (Suzhou) Precision Parts Co., Ltd. Note 2	Suzhou City, Jiangsu, People's Republic of China	CNY 74,942 thousand	Automotive equipment systems	65.0%	Mainly manufacture parts	–	Lending
Sanden Chongqing Automotive Air Conditioning Co., Ltd	Chongqing, the People's Republic of China	CNY 65,124 thousand	Automotive equipment systems	100.0%	Mainly manufacture and sell products and parts	–	Lending
Sanden International Taiwan Corporation Note 3	Taoyuan City, Taiwan	TWD 150,527 thousand	Automotive equipment systems	100.0% (100.0%)	Mainly manufacture and sell products	–	
Sanden International Philippines Inc. Note 3	Calamba Laguna Philippines	USD 3,138 thousand	Automotive equipment systems	99.4% (99.4%)	Mainly manufacture and sell products and parts	–	Lending
P.T. Sanden Indonesia Note 3	Bekashi Indonesia	IDR 5,197 million	Automotive equipment systems	99.7% (99.7%)	Mainly manufacture and sell products and parts	–	Lending
Sanden International (Australia) Pty. Ltd. Note 3	Condell Park Nsw Australia	AUD 1,500 thousand	Automotive equipment systems Other	100.0% (100.0%)	Mainly manufacture products	–	
Sanden Thailand Co., Ltd. Note 3	Ayutthaya Thailand	THB 100,000 thousand	Automotive equipment systems	95.0% (95.0%)	Mainly manufacture and sell products and parts	–	Lending
Sanden Shanghai Thermal Environmental System Co., Ltd. Note 2	Shanghai, the People's Republic of China	CNY 120,117 thousand	Other	100.0%	Mainly manufacture and sell products	–	
Other 11 companies	–	–	–	–	–	–	–

Notes: 1. The segment names are listed in the "Businesses" column.

2. It is a specified subsidiary.
3. The percentage of voting rights held in parentheses is the percentage of indirect ownership as an internal number.
4. Although the ownership is 50% or less, it is a consolidated subsidiary because Sanden has substantial control.
5. Of the consolidated subsidiaries, the following companies account for more than 10% of consolidated sales in net sales (excluding internal sales between consolidated companies).

(Millions of yen)

	Main income or loss information				
	Net sales	Ordinary income	Net income	Net assets	Total assets
Sanden Automotive Climate Systems Corporation	15,420	(1,260)	(4,341)	(2,775)	8,817
Sanden International (Europe) GmbH	62,255	(3,108)	(3,537)	9,951	49,770

(2) Affiliated companies accounted for by the equity method

Name	Location	Capital or investment (Millions of yen)	Principal businesses	Percentage of voting rights	Relationships with Sanden Holdings		
					Business transactions	Concurrent officer Yes/None	Other relationships
Asahi Sangyo Co., Ltd.	Honjou-shi, Saitama, Japan	96	Automotive equipment systems	30.3%	Mainly manufacture parts	–	
Sanwa Coatex Co., Ltd.	Isesaki- shi, Gunma, Japan	12	Automotive equipment systems Other	31.7%	Mainly manufacture parts	Yes	
Sanden Al Salam LLC Note 2	Dubai United Arab Emirates	USD 1,000 thousand	Automotive equipment systems	43.0% (43.0%)	Mainly manufacture products	–	
Iranian Sanden Industries Note 2	Tehran Iran	IRR 5,000,000 million	Automotive equipment systems	17.0% (17.0%)	Mainly manufacture and sell products	–	
Shenyang Sanden Automotive Air-Conditioning Co. Ltd.	Shenyang, the People's Republic of China	CNY 82,766 thousand	Automotive equipment systems	47.5%	Mainly manufacture and sell products	–	
Sanden Huayu Automotive Air- Conditioning Co., Ltd.	Shanghai, the People's Republic of China	CNY 834,090 thousand	Automotive equipment systems	43.0%	Mainly manufacture and sell products	Yes	

Notes: 1. The segment names are listed in the "Businesses" column.
2. The percentage of voting rights held in parentheses is the percentage of indirect ownership as an internal number.

5. Employees

(1) Consolidated group companies

(As of March 31, 2021)

Segment	Number of employees (Persons)
Automotive Systems Business	6,246 (2,278)
Total	6,246 (2,278)

Notes: 1. The Group's reporting segments have been changed from the fiscal year under review to one reporting segment, "Automotive Systems Business."

2. The number of employees reflects the number of permanent employees; the number of temporary employees is stated in the parentheses as an external number using the average number of temporary employees for the year.

3. The five corporate officers are not included in the number of employees.

(2) The Company

(As of March 31, 2021)

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Yen)
79 (6)	45.5	17.0	7,352,348

Segment	Number of employees (Persons)
Automotive Systems Business	79 (6)
Total	79 (6)

Notes: 1. The number of employees reflects the number of permanent employees; the number of temporary employees is stated in the parentheses as an external number using the average number of temporary employees for the year.

2. Six part-time employees are included in the above number of temporary employees.

3. The five corporate officers are not included in the number of employees.

4. Average annual salary includes bonus and non-standard wage.

(3) Trade union

The labor union of the submitting company is referred to as JAM Sanden Labor Union, and the number of Sanden Group members is 1,090 (of which 28 are members of the submitting company). The following subsidiaries have labor unions: Sanden Manufacturing Mexico SA de CV, a consolidated subsidiary in Mexico, Sanden Manufacturing Europe S.A.S., a consolidated subsidiary in France, Sanden Manufacturing Poland sp. z o. o., a consolidated subsidiary in Poland, Tianjin Sanden Automotive Air-Conditioning Co., Ltd., Suzhou Sanden Precision Zero Co., Ltd., and Chongqing Sanden Automobile Air Conditioning Co., Ltd., the consolidated subsidiaries in China, and Sanden Airconditioning (Malaysia) Sdn. Bhd., a consolidated subsidiary in Malaysia, have labor unions. The relationship between labor and management has remained favorable, and there are currently no matters to note.

2. Business Overview

1. Management policy, management environment, and issues to be tackled, etc.

Sanden Holdings Corporation (the “Company”) officially commenced its business revitalization ADR procedures on May 7, 2021 after obtaining consent to the proposed business revitalization plan from all the financial institutions that had transactions with the Company and fell under applicable creditors and receiving their letter of consent as an evidence of their consent at the meeting held on the same day as continuation to the third meeting of the Company’s creditors. The business revitalization plan is based on the mid-term management plan, SCOPE2023, which will end in fiscal 2023 and was announced on April 26, 2019.

For the Sanden Group to continue achieving sustainable growth, we recognize that further structural reforms, improving business profitability, ensuring business growth, and restructuring our financial base are important management issues.

To achieve the business revitalization plan, we will continue working on five reform plans, which are “Comprehensive reorganization of production system,” “Enhancement of basic earning power,” “Growth by actively promoting ‘collaborative creation,’” “Cash flow generation through capital enhancement and reform in assets structure,” and “Reform in system for implementation.” At the same time, we will maximize synergy from the capital and business alliance with Hisense Home Appliances Group Co., Ltd. to create new corporate values.

(1) Comprehensive reorganization of production system

We will work on a comprehensive reorganization of our production system by concentrating production bases for products used in internal combustion engines, which are mature products, and by aiming to establish an optimum production structure that enables us to demonstrate our strengths in relation to our growth products which are products used in electric vehicles.

(2) Enhancement of basic earning power

In addition to the existing initiatives, we will promote cost cutting measures such as joint purchases with entities including the Hisense Home Appliances Group and the Hisense Group where the former belongs to.

(3) Growth by actively promoting “collaborative creation”

a. Expand sales of electric compressors and integrated thermal management systems used in electric vehicles (EVs)

We will launch new businesses related to electric compressors and integrated thermal management systems used in EVs produced by our major clients to improve our marginal profit.

b. Reduce development expenses

We will work on reducing development expenses by selecting and focusing on target businesses in relation to electric compressors for EVs and by shifting our focus to the development of applications through the standardization of more affordable versions of swash plate piston compressors in relation to compressors for internal combustion vehicles.

(4) Enhancement of cash flow generation measures (improvement to operating capital)

We will promptly work on recovering long overdue claims and endeavor to reduce inventory through supply chain management reforms.

(5) Reform in system for implementation

We will select transactions with a focus on earnings as the criterion for accepting orders and manage our budget and actual results under the initiative of Corporate based on conservative sales assumptions. With respect to important matters such as cost and expense management, Corporate will confirm progress for each activity. In addition, we will monitor the implementation status of measures concerning long overdue claims, inventory, and investments, under the governance of Corporate, and provide support from Japan to any entities having problems to assist them in implementing measures.

Our vision is to “Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized.”

The Company’s contribution of SDGs through the business are:

- Solving social issues and improving customer satisfaction through technological development, and
- Invigorate business activities by implementing work style reforms.

Especially for technological development, we will continue to contribute to society by supplying an integrated thermal management system.

In the working style reform, the Sanden Group has been recognized as a company with excellent health management, because our efforts to enable our employees to achieve a healthy lifestyle by creating an environment that assures their health and safety, according to corporate philosophy article of safety and health, were evaluated.

Since its completion in 2002, Sanden Forest has promoted the seamless coexistence of industry and the environment and acquired Social and Environmental Green Evaluation System (SEGES) Stage 3 recognition in 2008. Since then, we have continued to promote our activities, and in 2020 we were certified as the highest rated “Green Legacy”.

The Sanden Forest philosophy has been evaluated as being the embodiment of ESG management.

Please note that the above matters regarding the future description were determined by the Group as of the end of the consolidated fiscal year.

2. Business and other risks

The following is an overview of major business and other risks faced by the Sanden Group that may significantly affect investors' decisions. The Sanden Group examines risks and takes appropriate measures to control risks.

Please note that forward-looking statements below are based on the Sanden Group's judgments made at the end of the fiscal year under review.

(1) Important events related to going concern assumption

In the fiscal year ended March 31, 2020 (fiscal 2019), the Sanden Group posted ¥204,880 million in net sales, down 25% from the fiscal year ended March 31, 2019 (fiscal 2018), ¥3,401 million in operating loss, and ¥9,735 million in ordinary loss, due to the impact of the sale of all the outstanding shares issued of Sanden Retail Systems Corporation (SDRS), a key subsidiary in the Retail Store Systems Business, declining vehicle sales especially in European and Chinese markets in the Automotive Systems Business, and the global spread of the COVID-19 pandemic. The total amount of borrowings and corporate bonds at the end of fiscal 2019 was ¥100,252 million. This was at a higher level than cash on hand of ¥23,711 million and current liabilities exceeded current assets.

In the fiscal year under review (fiscal 2020), the Company posted ¥137,477 million in net sales, down 32.9% year on year, ¥18,456 million in operating loss, and ¥23,237 million in ordinary loss, due to the impact of the sale of SDRS shares and the impact of the global spread of the COVID-19 pandemic on the Automotive Systems Business. The total amount of borrowings and corporate bonds at the end of fiscal 2020 was ¥100,846 million. This was at a higher level than cash on hand of ¥18,203 million and current liabilities exceeded current assets. The total amount of liabilities at the end of fiscal 2020 was ¥172,037 million and exceeded the total amount of assets which was ¥155,081 million.

As a result of the above, we are aware that there are circumstances that may cast significant doubt on our ability to continue as a going concern.

To overcome this difficult situation, on June 30, 2020, the Company and some of its subsidiaries (hereinafter, collectively referred to as the "Company, etc.") made an official request to commence the business revitalization ADR procedures to establish a robust earnings basis for future regrowth and to fundamentally improve our financial position. In addition, on March 1, 2021, the Company signed a share subscription agreement with Hisense Home Appliances Group Co., Ltd. (hereinafter, "Hisense Home Appliances Group") for the Company to issue common shares worth approximately ¥21.4 billion in total by means of third-party allotment (hereinafter, the "Third-party Allotment") to a special purpose company to be established by Hisense Home Appliances Group.

Thereafter, at the second meeting held on March 22, 2021 as continuation to the second meeting of creditors (meeting of creditors to discuss a proposed business revitalization plan), the Company, etc. explained to the financial institutions with which they had transactions a business revitalization plan proposal that had been prepared following consultations with Hisense Home Appliances Group and Hisense Japan Automotive Air-Conditioning Systems, a special purpose company established by Hisense Home Appliances Group, based on the content of the above-mentioned share subscription agreement, asking the financial institutions to consider the plan's details including the waiver of the Company's debts. The business revitalization ADR procedures commenced on May 7, 2021 as all the financial institutions that had transactions with the Company and fell under applicable creditors gave their consent to the business revitalization plan and submitted a letter of consent as an evidence of their consent at the meeting held on the same day as continuation to the third meeting of creditors (meeting of creditors to approve the proposed business revitalization plan).

The debt waiver was subject to the completion of payment in relation to the Third-party Allotment. At the Company's Extraordinary General Meeting of Shareholders held on May 27, 2021, it was approved to revise the part of the Company's Article of Incorporation related to increasing the total number of authorized shares. All the agenda items concerning the Third-party Allotment were also approved at the same meeting. The payment for capital increase by means of the Third-party Allotment was completed on May 31, 2021. As a result, the debt waiver took effect. For the number of shares issued, issue price and other details, and the details of the debt waiver, please refer to "Completion of payment in relation to Third-party Allotment" and "Commencement of business revitalization ADR procedures and start of effectiveness of debt waiver" in the notes to consolidated financial statements, "1. Consolidated Financial Statements, 5. Financial Information." With respect to the Company's debts to applicable creditors that will remain outstanding after the debt waiver, the Company needs to repay the principal of the entire amount of the remaining debts promptly (at least within three months) after the date on which the payment related to the Third-party Allotment was completed (which coincided with the date on which the debt waiver took effect). The Company will therefore raise funds to repay the principal of all the remaining debts in cooperation with Hisense Home Appliances Group.

Of these measures, however, fundraising to repay the principal of the remaining debts has not been completed. The Company therefore recognizes that there are significant uncertainties related to the going concern assumption.

Note that the consolidated financial statements have been prepared on a going concern basis and do not reflect the effect of significant uncertainties related to the going concern assumption.

(2) Natural disasters

The Group is developing business in 48 bases in 23 countries and regions around the world. There is a risk of unforeseen circumstances, including harm to employees, and damage to offices and production facilities due to natural disasters such as unforeseen large-scale earthquakes, heavy rains, floods and the spread of infectious diseases; an accident during product transportation or storage at an external warehouse; and the suspension of operations due to a significant drop in the employee attendance rate.

These events may adversely affect the Group's business performance and financial position due to them hindering factory operations and supply to customers. Furthermore, by hindering the product supply to customers it may lead to a decline in the social evaluation of the Group.

We take measures such as preparation of an initial response plan at the time of disaster, formulation of standards for supply chain business continuity management, establishment of an employee safety confirmation system, earthquake resistance measures, and disaster prevention drills. With regard to the spread of infectious diseases such as COVID-19, we have created a system that can respond promptly on a global basis with rigorous infection prevention measures, placing the highest priority on the health and safety of all stakeholders and on efforts to prevent the spread of infections, while continuing our business activities. It is, however, not possible to completely eliminate damage caused by natural disasters, infectious diseases, and so on that escalate beyond our expectations and such events may adversely affect the Group's business performance and social evaluation.

(3) Economic conditions

The Sanden Group mainly sells automotive air-conditioning systems, and air-conditioner compressors throughout the world. Demand for these products is affected by economic conditions in the various countries and regions in which these products are sold.

In particular, automotive market trends in North America, Europe, Asia, and China, where we operate the Automotive Systems Business, may affect the Sanden Group’s business results and financial position.

(4) Fluctuations in exchange rates

The Sanden Group’s global operations involve foreign currency transactions. In particular, exchange rate fluctuations in the Sanden Group’s major transaction currencies, the U.S. dollar and the euro, and currency fluctuations in China and other parts of Asia may affect the Sanden Group’s business results and financial position.

In addition, the currencies stated in the financial statements of consolidated overseas subsidiaries and companies accounted for by the equity method have been translated into Japanese yen and recorded in the Company’s consolidated financial statements. Therefore, the translation rate may affect the value of the assets that make up the financial statements.

(5) Changes in raw material and parts market conditions

The Sanden Group engages in the manufacture and sale of products and systems. Although we promote bulk purchases of parts and materials to control rising costs and avoid supply shortages, rises in market prices of raw materials and parts, including aluminum, copper, resin, and electronic parts, may result in higher manufacturing costs, and supply shortages may affect the Sanden Group’s business results and financial position.

(6) Price competition

The Sanden Group’s operating conditions are marked by increasingly fierce price competition and intensifying demands from automobile manufacturers to lower prices.

In addition, quality competition among local competitors is escalating each year in some geographic areas, which is leading to severer cost competition.

The Sanden Group believes that our products possess competitive advantages in terms of quality, cost, and technology. However, there is no guarantee that the Group can maintain such advantages given intensifying competition fueled by the market entries of new competitors, and this may affect the Group's business results and financial position.

(7) Dependence on sales performance

The Sanden Group sells its products to automobile makers worldwide. This is considered to reduce the risk of dependence on specific buyers. However, factors that are beyond the Group's control, such as the business performance of our customers, may affect the Group's business results and financial position.

(8) Potential risks associated with international operations and entry into overseas markets

The Group's Business encompasses development, manufacturing, and sales bases located in 23 countries and regions in North America, Europe, Asia, and China. Business activities in these countries and regions are subject to the following risks: changes in and revisions to laws and regulations in countries, changes in the political and economic climate, unstable political situations, including wars, labor disputes, and supply chain disruptions. Any of the aforementioned events may affect the Sanden Group's business results and financial position. We have established risk management regulations and monitor transactions involving country risk as one of the risk management items.

(9) New product development

The Sanden Group conducts R&D activities at bases located throughout the world in order to create new values such as integrated thermal management systems through proactive collaborative creation with other companies in relation to our key technologies of "cooling and heating." Our R&D activities also aim to achieve a "comfortable space that enriches people's lives." If, however, we fail to forecast and respond to rapid changes in the diverse national markets all over the world in an adequate manner and are unable to smoothly develop and launch new products, this may affect the Group's business results and financial position.

(10) Limitations on intellectual property protection

Since its founding, the Group has independently developed technology and accumulated it as intellectual property rights and know-how, and has taken measures against intellectual property rights owned by third parties based on its own intellectual property guarantee system. The accumulated intellectual property rights and know-how are subject to the intellectual property system in the countries and regions in which the Group does business, but there is a possibility the Group cannot completely protect them in certain countries or regions due to legal restrictions. This may prevent a third party from completely controlling the manufacture or sale of similar products that use our technology. In addition, the Group is taking measures to deal with intellectual property rights owned by third parties that have used intellectual property information published based on the intellectual property disclosure system of each country. However, there is a possibility that we may not be able to fully grasp the situation with the intellectual property rights of third parties due to environmental constraints for each country and region. As a result, it may not be possible to completely judge whether or not there is a conflict with the intellectual property rights of a third party.

The decrease in sales in the area due to the manufacture and sale of similar products by these third parties and the occurrence of disputes due to allegations of infringement in intellectual property rights of third parties will affect the Group's business performance and financial condition. To minimize such risks, the Group will strengthen cooperation with the law and patent offices of each country to form an intellectual property portfolio of our own technological strengths, while we will continue to expand our capabilities to collect information on the intellectual property held by third parties in our company.

(11) Risk concerning quality

The Sanden Group is continuing quality control initiatives based on its Sanden Total Quality Management (STQM).

In addition, we mitigate the risks of large-scale recalls caused by unpredictable defaults in products or large amounts of product liability through the purchase of insurance policies, among other measures.

If, however, any case that cannot be covered by these measures occurs due to the greater customer demand for quality, this may affect the Group’s business results and financial position.

(12) Legal and regulatory risks

The Sanden Group is subject to various laws and regulations in the countries and regions in which it operates, including permits and licenses relating to businesses and investments, export restrictions, taxation, the environment, antitrust laws, and competition laws. If any laws and regulations applicable to the Group’s business activities are introduced, or if the Group’s business activities violate any of applicable laws and regulations, our business activities may be restricted, or the Group may receive a criminal or administrative punishment, and lose the trust of society. This may affect the Group’s business results and financial position.

By appointing legal personnel to major overseas bases, the Group endeavors to accurately understand the laws and regulations related to the Group and any revisions to these laws and regulations. In addition, the Group takes necessary measures such as establishing internal regulations and providing employee training to ensure that our business activities comply with all laws and regulations.

(13) Litigation, etc.

In the event of unfavorable results for the Group in relation to the Group's business activities, by litigation and legal procedures in which the Group is or may become a party, it may affect the Group’s business performance and financial condition.

The Sanden Group endeavors to reduce the risk of disputes and the likelihood of adverse outcome for the Group in the event any dispute occurs through measures such as the preliminary review of contracts before signing and adjustments to their contents. We strive to reduce the risk of dispute escalation by, for instance, requiring group companies to report to the Company any sign of dispute.

In addition, we have established a system to appropriately protect the Company's interests in litigations and so on through everyday collaboration with Japanese and overseas law firms.

(14) Employee compliance

The Group positions compliance as the most important management issue and strives to ensure it. More specifically, we have established a compliance system in each entity appointing the persons responsible for compliance and for its promotion, organized internal regulations that include the separation of duties to enable the appropriate granting of job authorities and mutual checking, and created and operated internal control systems consisting of a compliance education system for employees offering training for each job level, whistle-blowing system, internal audit system, among others. In addition, we strive to eliminate the so-called triangle of misconduct (three factors), namely motivation, opportunity, and justification, by appropriately organizing and operating a fair and well-accepted performance evaluation and personnel evaluation system and a strict disciplinary system, to remove the risk of employee misconduct.

The Group operates in many countries and regions, and it is not impossible for employees of the Group to engage in acts that violate the laws or regulations of any of these countries or regions. If this occurs, the relevant employee will receive a criminal or administrative punishment as a result of his or her misconduct. The damage caused by the employee’s misconduct may also directly, or indirectly through the loss of the Group’s social credibility, affect the Group’s business results and financial position.

(15) Risk related to securing human resources

The Group strives to secure diverse and excellent human resources to achieve its global business goals. On the other hand, with the growth of the digital revolution, the declining birthrate and aging population, and the promotion of ESG, the employment situation and the values of working styles are changing.

If it is not possible to systematically promote the recruitment, development, and allocation of human resources and leaders with the expertise required in each field and the ability to respond to changes in the environment, there is a possibility that business performance may be adversely affected by stagnation of business activities.

(16) Matters related to information security

The Sanden Group efficiently conducts our businesses and operations using information technology and uses advanced information technology for our in-vehicle products.

We endeavor to continuously enhance the security of our networks, hardware, software, and various data, pursuant to the Basic IT Security Policy. Furthermore, to raise an information security awareness in workplaces, we offer IT security education programs each year to all IT users and have created the Sanden Computer Security Incident Response Team (CSIRT) for regular IT security checks to speed up our responses to IT incidents including cyber attacks.

The threat of cyber attacks and so on, however, is increasing. If we become a target of cyber attack or has an accident that escalates beyond our expectations, this may result in information leakage, system stoppage, suspension of important operations, or a negative impact on the functions of in-vehicle products. Such incident may adversely affect the Group’s business results and social evaluation.

3. Analysis of financial position, operating results, and cash flows by management

(1) Overview of the operating results, etc.

The overview of the Group’s (the Company, its consolidated subsidiaries and equity method affiliate) financial position, operating results and cash flows (hereinafter the “operating results, etc.”) for the fiscal year under review is as follows:

1) Financial position and operating results

The Sanden Group develops state-of-the-art products that accurately capture the customers’ environmental interests, and provides valuable products for customers, centering on compact, lightweight, and energy-saving features. To achieve our medium-term management plan, SCOPE2023, which will finish at the end of fiscal 2023, we are currently working on five reform plans which are “Comprehensive reorganization of production system,” “Enhancement of basic earnings power,” “Growth by actively promoting ‘collaborative creation,’” “Cash flow generation through capital enhancement and reform in assets structure,” and “Reform in system for implementation.” As a result of our review of global production that began in the previous fiscal year, we are especially accelerating headcount optimization and the joint development of products for electric vehicles, which is one of our collaborative creation strategies, and stepping up our efforts on integrated thermal management systems.

The Company and some of our group companies requested on June 30, 2020 the commencement of the business revitalization ADR procedures. As all the financial institutions that had transactions with the Company and fell under applicable creditors gave their consent to the business revitalization plan at the meeting held on May 7, 2021 as continuation to the third meeting of creditors, we are currently in the process of undergoing the ADR procedures.

During the consolidated fiscal year under review, the global economy plunged into simultaneous recessions due to the spread of COVID-19 infections. Countries worldwide, however, gradually resumed their economic activities and vehicle demand rapidly recovered especially in the second half of the fiscal year. The economic conditions, however, remain extremely unstable with problems such as the supply shortage of parts including semiconductors and rising physical distribution costs, in addition to the lingering threat of the COVID-19 pandemic all around the world.

During the fiscal year under review, COVID-19’s impact resulted in a considerable decline in our revenue in the first quarter due to the continued closure of the manufacturing sites of our customers and the Company from April onward and the temporary closure of our bases in Japan, the United States, and elsewhere in response to the falling demand. From the second quarter onward, however, all our facilities resumed operations and demand started to recover. The third and fourth quarters saw the greater-than-expected recovery in demand. While demand has recently returned to the same level as the previous year, our revenue fell significantly for the fiscal year under review.

In addition, Sanden Retail Systems Corporation (SDRS), which had been a core company of the Retail Store Systems Business, was deconsolidated from the third quarter of fiscal 2019. This led to a year-on-year ¥43,275-million decline in revenue in the fiscal year under review.

As a result, the Group’s net sales on a consolidated basis for fiscal 2020 were ¥、137,477 million (down 32.9% year on year).

Under this environment, the Sanden Group steadily reaped the fruit of the structural reforms implemented in fiscal 2019 and implemented measures to further improve variable expenses and reduce fixed expenses. However, the significant fall in demand due to the COVID-19 pandemic during the first quarter, rising logistics expenses following a rapid recovery in demand from the third quarter onward, and an increase in air transport to address a parts shortage, among other factors, had a material impact. As a result, the Group posted ¥18,456 million in operating loss (an operating loss of ¥3,401 million in the previous fiscal year). In addition to an operating loss, the Group posted ¥23,237 million in ordinary loss, (an ordinary loss of ¥9,735 million in the previous fiscal year), due to the posting of expenses related to the business revitalization ADR procedures and so on. Due to an ordinary loss and the impairment losses posted on non-current assets in Japan and Europe mainly based on the business revitalization plan, the Group posted ¥45,251 million in net loss attributable to owners of parent (a net income attributable to owners of parent of ¥2,287 million in the previous fiscal year).

From the fiscal year under review, the Group’s reporting segments have been changed from the Automotive Systems Business and Retail Store Systems Business to the Automotive Systems Business only. We therefore do not provide segment-specific information.

Total assets as of the end of fiscal 2020 declined by ¥32,478 million from the end of fiscal 2019 to ¥155,081 million, mainly due to declines in deposits, inventory, and so on resulting from smaller sales attributable to the impact of COVID-19.

Liabilities rose by ¥7,177 million from the end of fiscal 2019 to ¥172,037 million, mainly due to an increase in accounts payable, accounts payable--other, and provisions. There was no major fluctuation in borrowings as a whole.

Net assets fell by ¥39,655 million from the end of fiscal 2019, resulting in a negative net worth of ¥16,956 million, due to the impact of net loss attributable to owners of the parent.

2) Cash flows

Cash and cash equivalents at the end of the fiscal year under review shrank by ¥5,507 million from the end of the previous fiscal year to ¥18,203 million.

Net cash provided by operating activities was ¥3,234 million (down ¥3,984 million year on year), reflecting factors such as the smaller operating capital due to the smaller size of sales and a net loss before income taxes.

Net cash provided by investing activities was ¥(5,661) million (an increase in net cash used in investing activities of ¥34,114 million year on year), due to factors such as the spending of ¥7,076 million for the acquisition of property, plant and equipment.

Net cash provided by financing activities was ¥(3,632) million (a year-on-year decrease in net cash used in financing activities of ¥21,045 million), due to factors such as the repayment of ¥2,662 million for lease obligations.

3) Production, orders and sales results

A. Production results

The production results for the fiscal year under review are as follows.

Segment	FY2020 (April 1, 2020 to March 31, 2021)	
	(Millions of yen)	Change year on year (%)
Automotive Systems Business	122,693	81.5
Other	1,839	4.3
Total	124,533	64.5

Notes: 1. The Group’s reporting segments have been changed from the fiscal year under review to one reporting segment, “Automotive Systems Business.” The Retail Store Systems Business is included in “Other” for the calculation of year-on-year change.
2. The price is based on the selling price.
3. Consumption taxes are not included in the amount.
4. The main factor of change in the Automotive Systems Business is the impact of the suspension of operations at major factories of the Group following the global spread of the COVID-19 pandemic.
5. The main factor of change in “Other” is the impact of the transfer of the Retail Store Systems Business in fiscal 2019.

B. Product purchase records

The results of product purchases for the fiscal year under review are as follows.

Segment	FY2020 (April 1, 2020 to March 31, 2021)	
	(Millions of yen)	Change year on year (%)
Automotive Systems Business	2,040	44.8
Other	542	6.8
Total	2,582	20.7

Notes: 1. The Group’s reporting segments have been changed from the fiscal year under review to one reporting segment, “Automotive Systems Business.” The Retail Store Systems Business is included in “Other” for the calculation of year-on-year change.

2. The price is based on the actual purchasing price.
3. Consumption taxes are not included in the amount.
4. The main factor of change in the Automotive Systems Business is the impact of the suspension of operations at major factories of the Group following the global spread of the COVID-19 pandemic.
5. The main factor of change in “Other” is the impact of the transfer of the Retail Store Systems Business and the Vehicles Sales Business in fiscal 2019.

C. Orders received

The Group (the Company and its consolidated subsidiaries) conducts make-to-stock production based on information such as the status of orders received in Japan and overseas, recent sales results, and sales prospects.

D. Sales results

The sales results for the fiscal year under review are as follows.

Segment	FY2020 (April 1, 2020 to March 31, 2021)	
	(Millions of yen)	Change year on year (%)
Automotive Systems Business	134,814	87.7
Other	2,662	5.2
Total	137,477	67.1

Notes: 1. The Group’s reporting segments have been changed from the fiscal year under review to one reporting segment, “Automotive Systems Business.” The Retail Store Systems Business is included in “Other” for the calculation of year-on-year change.
2. Consumption taxes are not included in the amount.
3. Sales results by main customer and percentage of total sales results.

Partner company	FY2019 (April 1, 2019 to March 31, 2020)		FY2020 (April 1, 2020 to March 31, 2021)	
	(Millions of yen)	Percentage share (%)	(Millions of yen)	Percentage share (%)
Volkswagen Group	21,592	10.5	18,537	13.5
Daimler A.G.	–	–	16,638	12.1

4. The main factor of change in the Automotive Systems Business is the impact of the suspension of operations at major factories of the Group following the global spread of the COVID-19 pandemic.
5. The main factor of change in “Other” is the impact of the transfer of the Retail Store Systems Business and the Vehicles Sales Business in fiscal 2019.

(2) Analysis and discussions of the operating results from the viewpoint of management

The following analysis and discussions of the Group’s operating results from the viewpoint of management are as follows.

Note that the future descriptions in the text are based on judgment as of the end of the consolidated fiscal 2020.

1) Significant accounting policies and estimate

The consolidated financial statements of the Group are prepared in accordance with accounting standards generally accepted in Japan. In preparing these consolidated financial statements, it is necessary to make estimates and forecasts that will affect the financial condition, operating results, and cash flow situation in the fiscal 2020. The Group makes continuous estimates and forecasts based on assumptions that are judged to be reasonable based on past performance values and circumstances. The Group believes that the following significant accounting policies have a considerable impact on the estimates and judgments used in the preparation of consolidated financial statements.

The Company’s significant accounting policies and estimates are described in “Significant accounting estimates” in (1) Notes to consolidated financial statements, “1. Consolidated Financial Statements, 5. Financial Information.” We consider that the following significant accounting policies especially have a material impact on the estimates used and decisions made for the preparation of consolidated financial statements.

Please refer to “Additional Information” in the notes to consolidated financial statements, “1. Consolidated Financial Statements, 5. Financial Information” and “Additional Information” in the notes to consolidated financial statements, “2. Non-consolidated Financial Statements, 5. Financial Information,” for the impact of the COVID-19 pandemic on accounting estimates.

A. Allowance for doubtful accounts

To prepare for losses due to the credit loss of monetary claims, the Company and its domestic consolidated subsidiaries consider the actual loan loss rate for general claims and the collectability of specific claims such as doubtful debts individually and record the estimated uncollectible amount. Overseas consolidated subsidiaries have provided an allowance for doubtful accounts at the estimated amounts of possible losses mainly for specific receivables.

Therefore, if the customer's financial condition deteriorates and their solvency declines, re-calculation of allowance for doubtful accounts may be required.

B. Provision for product warranties

To cover the free post-sales service costs of products, the Group records a provision for product warranties for costs that can be estimated individually in addition to the amount by the accrual rate in the past fiscal years for sales.

If the product defect rate or warranty cost estimate of the Group differs from the actual estimate, the product warranty cost estimate may need to be revised.

C. Impairment of investment

The Group may be required to post a valuation loss when it is determined that the significant decline in the investment value of the stocks held is not temporary considering the future deterioration of market conditions and poor performance of investees.

D. Impairment of non-current assets

The Group holds non-current assets and calculates the recoverable amount of non-current assets based on assumptions such as future cash flows, discount rate, and net selling price. Therefore, there is a possibility that non- current assets may be impaired if the initially expected earnings are not obtained or if assumptions such as future cash flows are changed.

E. Deferred tax assets

The Group records deferred tax assets by analyzing and examining future taxable income and highly probable ongoing tax planning.

If it is determined that all or part of deferred tax assets cannot be recovered in the future, deferred tax assets will be reduced during the period when the decision is made. On the other hand, if it is determined that the deferred tax assets can be newly recovered in the future, the deferred tax assets will be increased by recording the amount of income taxes—deferred.

F. Accounting method for retirement benefits

To prepare for employee retirement benefits, the Group records a retirement benefit liability based on the estimated amount of retirement benefit obligations and plan assets at the end of the consolidated fiscal year.

If the assumptions such as the discount rate, retirement rate, salary increase rate, and investment interest rate in the calculation of the Group's retirement benefit obligation change in the future, there is a possibility that it will affect the costs recognized in the future period and the debt recorded.

- Method of attributing expected retirement benefits to periods
  In calculating retirement benefit obligations, the method of attributing expected retirement benefits to the period until the end of the consolidated fiscal year under review is based on the benefit formula standard.
- Expense processing method for actuarial differences and past service costs
  Past service cost is amortized by the straight-line method over a certain number of years within the average remaining service period of the employee at the time of occurrence.

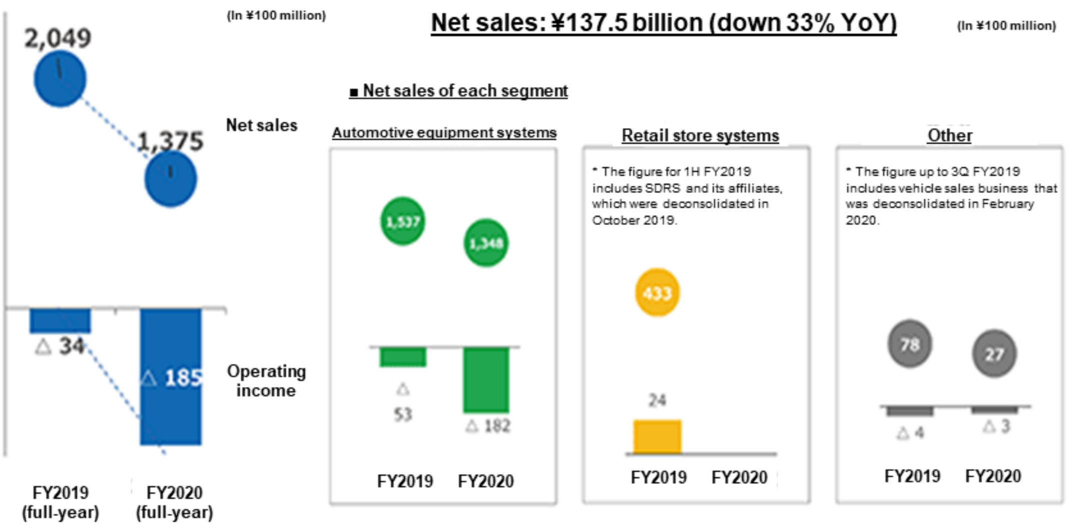
Actuarial differences are amortized by the straight-line method over a certain number of years within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year. Actuarial differences are treated as a lump-sum expense in the fiscal year of occurrence.

G. Provision for environmental measures

To cover the costs of cleaning the soil and water pollution of the location of the old factory of The Vendo Company, the consolidated subsidiary in the US, and the neighboring areas, it records the allowance calculated by deducting the balance of the fund that can be used for environmental cleanup costs from the estimated amount generated in future. There is a possibility that additional or reduced provisions may be required depending on the progress of the cleaning process.

2) Analysis and discussions of the operating results for the fiscal year under review

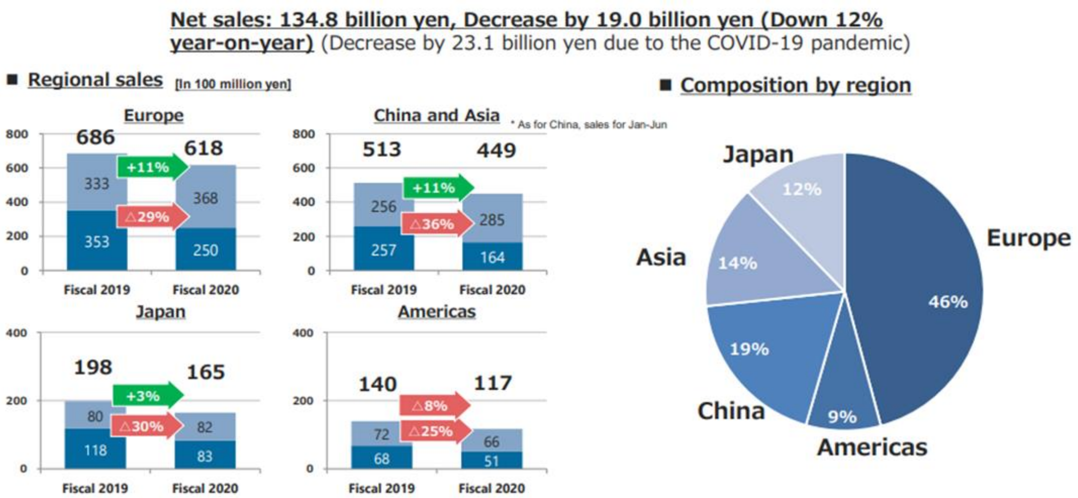
Major factors of change in net sales



The breakdown of net sales by segment is as follows:

Net sales for the Automotive Systems Business declined by ¥19.0 billion to ¥134.8 billion year on year. In the Retail Store Systems Business, net sales fell by ¥43.3 billion from the previous fiscal year due to the transfer of all the issued shares of Sanden Retail Systems Corporation as of October 1, 2019.

In the Other Business, net sales amounted to ¥2.7 billion, a decrease of ¥5.1 billion compared to the previous fiscal year. This was mainly attributable to the transfer of shares of the Vehicle Sales Business as of February 1, 2020.



In the Automotive Systems Business, as mentioned above, net sales shrank by ¥19.0 billion year on year to ¥134.8 billion. Excluding the impact of foreign exchange, which was ¥1.3 billion, the actual decline was ¥20.3 billion.

In Europe, net sales contracted significantly in the first half of the fiscal year under review due to the closure of manufacturing bases of the Group and our customers from late-March 2020 as a response to the COVID-19 pandemic. In the second half of the fiscal year, however, net sales rose year on year as a result of rapid recovery in demand partly thanks to the national governments' subsidies provided to electric vehicles. Net sales for the whole fiscal year in Europe, however, declined year on year due to the large decline in net sales in the first half of fiscal 2020.

In China and Asia, China recovered relatively fast from the impact of the COVID-19 pandemic. As the Chinese entities of the Group close their accounts at the end of December, however, their financial results included February and March 2020 when there was a serious impact from COVID-19. As a result, their net sales for the whole fiscal year declined from the previous fiscal year. In Asia, almost the entire region experienced a lockdown in the first half of the fiscal year under review, while countries such as Indonesia, the Philippines, and Malaysia experienced sporadic lockdowns in the second half of the fiscal year as well. As a result, while some countries began moving toward recovery, the markets in general were stagnant, leading to a significant drop in revenue.

Japan was relatively unscathed from the impact of COVID-19 compared to other regions. However, net sales declined due to factors such as a drop in sales following the expiry of some trading rights, combined with the impact of COVID-19.

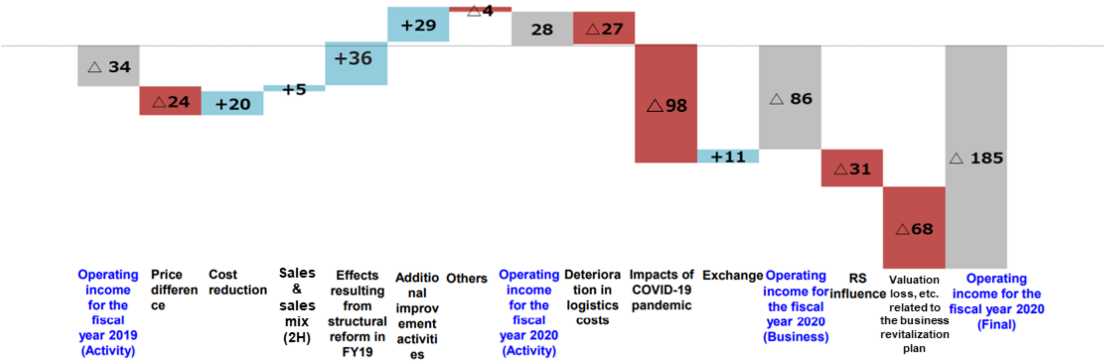
In the Americas, sales stagnated and revenue fell due to the impact of COVID-19 in the first half of the fiscal year under review and the impact of supply chain instability caused by parts shortages and disruptions in physical distribution in the second half.

By region, net sales overseas accounted for 88% of total net sales. In particular, net sales in Europe represented approximately 50% of total net sales.

Major factors of change in operating income

	FY2019	FY2020	Difference
Net sales	2,049	1375	-674
Operating income	(34)	(185)	-151

[In 100 million yen]



The operating loss for fiscal 2020 was ¥18.5 billion, a decrease in profit of ¥15.1 billion compared with the previous fiscal year. This was attributable to minus ¥2.4 billion resulting from the lower prices and the slower-than-expected progress in cost cutting measures, partly due to the COVID-19 impact in the first half, whose impact was limited to only ¥2.0 billion. In the second half of the fiscal year, the market recovered and net sales grew year on year. As a result, ¥0.5 billion was added as the impact of sales and sales mix. In terms of cost, structural reforms implemented in fiscal 2019 led to a ¥3.6-billion reduction in variable and fixed costs and the cost cutting activities during fiscal 2020 had an impact of ¥2.5 billion. Our efforts to improve earning fundamentals therefore have steadily produced results. Nonetheless, these factors were not enough to offset an increase in air transport and the rising logistics expenses in the second half of the fiscal year caused by parts shortages and logistics disruptions following the market recovery as well as the falling revenue and profits in the first half of the fiscal year due to the impact of COVID-19. As a result, we posted an operating loss of ¥8.6 billion. In addition, a closer inspection of our accounts based on the business revitalization plan prepared in the business revitalization ADR procedures and the impact of the previous fiscal year's transfer of the Retail Store Systems Business resulted in a loss. As a result, our operating loss increased to ¥18.5 billion.

Source of capital and liquidity of funds

The Group's working capital is used for the purchase of materials and parts for manufacturing products, as well as for operating expenses such as manufacturing costs, selling, general and administrative expenses.

The main capital investments include the investments for local and in-house production and development facilities along with strengthening of the global production system; the maintenance and renewal of facilities along with rationalization; and the acquisition of production dies. The major capital investment for fiscal 2020 was related to the Automotive Systems Business in Japan and overseas.

We normally raise the funds necessary for investments by cash flow from operating activities and our own funds, as well as financing such as borrowings from financial institutions and the issuance of corporate bonds. However, at present, our current liabilities are exceeding current assets.

Financing

The Group decides financing according to the purpose of the funds and the time, period, and region where the funds are needed.

Each Group company basically raises their working capital through loans or debt instruments that mature within a year. They may also obtain loans from Sanden Holdings Corporation depending on the situation.

The U.S. dollar and euro are the main currencies used in the ¥56,986 million of the balance of short-term borrowings at the end of the fiscal 2020. On the other hand, our basic policy is to procure the long-term funds required for production equipment investment, etc. with long-term loans.

Major portion of the ¥43,860 million in long-term borrowings and bonds outstanding at the end of the fiscal year ended March 31, 2020 were fixed-rate borrowings from financial institutions.

Means of procuring long-term funds is determined by comprehensively examining of, in addition to the interest rate conditions and market environment, the ratio of direct and indirect financing and the status of transactions with financial institutions.

The Group posted ¥137,477 million in net sales, down 32.9% year on year, ¥18,456 million in operating loss, and ¥23,237 million in ordinary loss, due to the impact of the sale of SDRS shares and the impact of the global spread of the COVID-19 pandemic on the Automotive Systems Business. The total amount of borrowings and corporate bonds at the end of fiscal 2020 was ¥100,846 million. This was at a higher level than cash on hand of ¥18,203 million and current liabilities exceeded current assets. The total amount of liabilities at the end of fiscal 2020 was ¥172,037 million and exceeded the total amount of assets which was ¥155,081 million.

To overcome this difficult situation, on June 30, 2020, the Company and some of its subsidiaries (hereinafter, collectively referred to as the "Company, etc.") made an official request to commence the business revitalization ADR procedures to establish a robust earnings basis for future regrowth and to fundamentally improve our financial position. In addition, on March 1, 2021, the Company signed a share subscription agreement with Hisense Home Appliances Group Co., Ltd. (hereinafter, "Hisense Home Appliances Group") for the Company to issue common shares worth approximately ¥21.4 billion in total by means of third-party allotment (hereinafter, the "Third-party Allotment") to a special purpose company to be established by Hisense Home Appliances Group.

Thereafter, at the second meeting held on March 22, 2021 as continuation to the second meeting of creditors (meeting of creditors to discuss a proposed business revitalization plan), the Company, etc. explained to the financial institutions with which they had transactions a business revitalization plan proposal that had been prepared following consultations with Hisense Home Appliances Group and Hisense Japan Automotive Air-Conditioning Systems, a special purpose company established by Hisense Home Appliances Group, based on the content of the above-mentioned share subscription agreement, asking the financial institutions to consider the plan's details including the waiver of the Company's debts. The business revitalization ADR procedures commenced on May 7, 2021 as all the financial institutions that had transactions with the Company and fell under applicable creditors gave their consent to the business revitalization plan and submitted a letter of consent as an evidence of their consent at the meeting held on the same day as continuation to the third meeting of creditors (meeting of creditors to approve the proposed business revitalization plan).

The debt waiver was subject to the completion of payment in relation to the Third-party Allotment. At the Company’s Extraordinary General Meeting of Shareholders held on May 27, 2021, it was approved to revise the part of the Company’s Article of Incorporation related to increasing the total number of authorized shares. All the agenda items concerning the Third-party Allotment were also approved at the same meeting. The payment for capital increase by means of the Third-party Allotment was completed on May 31, 2021. As a result, the debt waiver took effect. For the number of shares issued, issue price and other details, and the details of the debt waiver, please refer to “Completion of payment in relation to Third-party Allotment” and “Commencement of business revitalization ADR procedures and start of effectiveness of debt waiver” in the notes to consolidated financial statements, “1. Consolidated Financial Statements, 5. Financial Information.” With respect to the Company’s debts to applicable creditors that will remain outstanding after the debt waiver, the Company needs to repay the principal of the entire amount of the remaining debts promptly (at least within three months) after the date on which the payment related to the Third-party Allotment was completed (which coincided with the date on which the debt waiver took effect). The Company will therefore raise funds to repay the principal of all the remaining debts in cooperation with Hisense Home Appliances Group.

4. Important business contracts

At the Board of Directors meeting held on March 1, 2021, the Company approved a resolution to sign a share subscription agreement (hereinafter, the “Subscription Agreement”) with Hisense Home Appliances Group Co., Ltd. (hereinafter, “Hisense Home Appliances Group”) for the Company to issue common shares in the total value of ¥21,408,512,000 by means of third-party allotment to a special purpose company (hereinafter, the “Scheduled Allottee”) to be established by Hisense Home Appliances Group. The Company signed the Subscription Agreement as of the same date. Following the establishment of Hisense Japan Automotive Air-Conditioning Systems Corporation, the special purpose company that is the Scheduled Allottee, on March 9, 2021, the contractual status of Hisense Home Appliances Group under the Subscription Agreement as well as all their rights and obligations related to the Subscription Agreement were transferred to the Scheduled Allottee as of March 19, 2021.

Please refer to “Completion of payment in relation to Third-party Allotment” in “Significant subsequent events” and “Commencement of business revitalization ADR procedures and start of effectiveness of debt waiver” in (1) Notes to consolidated financial statements, “1. Consolidated Financial Statements, 5. Financial Information.”

5. Research and development activities

Our vision is to “Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized.” We promote R&D activities to achieve a “comfortable space that enriches people’s lives” and to create new values by proactively incorporating outside innovative technologies into our key technologies of “cooling and heating.”

The Group is concentrating resources in the environmental products field and accelerating speed of research and development through active cooperation with other companies. In the advanced development, we are conducting researching and developing of the integrated thermal management system for next-generation eco-friendly vehicles and environment-friendly hygiene management equipment and other new products, and research and development of the elemental technology that is the basis for them.

On the other hand, to respond to the diversifying global markets in recent years and to ensure that the value of customers into products, we are actively taking initiative in developing basic new technologies, focusing on new product and technology proposals to customers, through development activities in four global poles (Japan, Europe, North America, Asia/China) and development departments of the Group companies in Japan. At the same time, we are striving to further increase customer value through globally integrated development that broadly expands technical support such as material technology, reliability technology and production technology.

The total amount of R&D expenses in the fiscal year under review was ¥5,686 million. Their outline and outcome are as follows.

In the Automotive Systems Business, we have strengthened and continued cooperation with the Sanden Technical Centers located in Japan, China, the United States, and Germany and the development departments in France, and enhanced the global development system to accelerate the development of air-conditioning systems and components for electric vehicles.

To become an essential system partner for environmental cars, we are developing state-of-the-art environmental products using the technologies we have cultivated to date with our integrated thermal management systems at the core. These products include small, light and highly efficient compressors, electric compressors, electric coolant heaters (ECH), small and light HVAC systems for automobiles, and heat pump systems. Please note that our reporting segments have been changed from the fiscal year under review to one segment, the “Automotive Systems Business.” We therefore do not provide segment-specific information.

On May 31, 2021, we received payment for the issuance of common shares by means of third-party allotment to Hisense Japan Automotive Air-Conditioning Systems Corporation, a special purpose company established by Hisense Home Appliances Group. The funds raised through the Third-party Allotment will partly be used for R&D activities concerning integrated thermal management systems as growth investment. Going forward, we will generate technological synergies with the Hisense Group receiving various types of business support such as technological know-how and necessary resources in areas such as integrated thermal management systems for electric vehicles, internet connection of vehicles, and air-conditioning control systems using AI.

3. Equipment and Facilities

1. Overview of capital expenditures

The Group made a total capital investment of ¥7.6 billion for the purpose of strengthening the global production system, local procurement, and in-house production.

In the Automotive Systems Business, a total of ¥7.6 billion in capital investments were made mainly for the production facilities of automotive air-conditioning compressors and automotive air-conditioning systems, including ¥3.6 billion in Japan, ¥3.0 billion in Asia, and ¥0.9 billion in Europe.

In Japan, we mainly made capital investments for increasing the production of air-conditioning electric compressors for environmental cars and electric coolant heaters. In Asia, we made capital investment for the production facilities of air-conditioning compressors to consolidate their production bases.

2. Major equipment and facilities

The major equipment and facilities in the Group are as follows.

(1) The Company

(As of March 31, 2021)

Location (Address)	Segment	Description	Net book value (Millions of yen)						Number of employees (Persons) [Number of temporary employees in parentheses]
			Buildings and structures	Machinery, equipment and vehicles, etc.	Land [Area: m^2]	Leased assets	Other	Total	
Headquarters (Isesaki-shi, Gunma)	Automotive Systems Business, Other	Office facilities Rental facilities	94	–	91 (2,862)	–	76	263	18 (4)
Sanden Global Center (Isesaki-shi, Gunma)	Automotive Systems Business, Other	Office facilities Rental facilities	1,336	5	74 (26,529)	–	2	1,418	–
Yattajima Plant (Isesaki-shi, Gunma)	Automotive equipment systems	Office facilities Rental facilities	1,312	12	789 (87,776)	–	20	2,134	6 (–)
Akagi Plant (Isesaki-shi, Gunma)	Automotive Systems Business, Other	Office facilities Rental facilities	3,771	6	5,309 (687,654)	–	19	9,107	–

(2) Domestic subsidiaries

(As of March 31, 2021)

Company	Location (Address)	Segment	Description	Net book value (Millions of yen)						Number of employees (Persons) [Number of temporary employees in parentheses]
				Buildings and structures	Machinery, equipment and vehicles, etc.	Land [Area: m^2]	Leased assets	Other	Total	
Sanden Automotive Climate Systems Corporation	Manufacturing plant of Automotive equipment parts (Isesaki-shi, Gunma)	Automotive equipment systems	Production facility	–	14	–	0	19	34	286 (8)
Sanden Automotive Components Corporation	Manufacturing plant of automotive equipment parts (Isesaki- shi, Gunma, Japan)	Automotive equipment systems	Production facility	–	136	–	0	32	168	774 (63)

(3) Overseas subsidiaries

(As of March 31, 2021)

Company	Location (Address)	Segment	Description	Net book value (Millions of yen)						Number of employees (Persons) [Number of temporary employees in parentheses]
				Buildings and structures	Machinery, equipment and vehicles, etc.	Land [Area: m^2]	Leased assets	Other	Total	
Sanden Manufacturing Poland sp.z o.o.	Headquarters plant (Polkowice Poland)	Automotive equipment systems	Production facility	2,179	1,237	54 (174,561)	553	541	4,567	958 (–)
Sanden Manufacturing Europe S.A.S.	Headquarters plant (Tinteniac France)	Automotive equipment systems	Production facility	312	2,641	30 (330,602)	352	449	3,786	704 (238)
Sanden International (Europe) GmbH	Headquarters plant and sales office (Bad Nauheim, Germany, etc.)	Automotive equipment systems	Facilities for sales, etc.	281	560	152 (15,571) [1,526]	102	296	1,393	175 (–)
Sanden International (U.S.A.),Inc.	Wylie plant (Wylie Texas, U.S.A.)	Automotive equipment systems	Production facility	681	794	199 (365,471)	50	44	1,768	278 (–)
Sanden (Suzhou) Precision Parts Co., Ltd.	Headquarters plant Suzhou City, Jiangsu, People's Republic of China	Automotive equipment systems	Production facility	850	1,122	–	–	955	2,928	223 (112)
Tianjin Sanden Automotive Air-Conditioning Co., Ltd.	Headquarters plant Tianjin, People's Republic of China	Automotive equipment systems	Production facility	480	1,004	–	179	115	1,780	310 (40)
Sanden Thailand Co., Ltd	Headquarters plant (Ayutthaya Thailand)	Automotive equipment systems	Production facility	249	117	124 (30,955)	–	2,665	3,156	173 (22)
Sanden Vikas (India) Private Limited	Headquarters plant (Haryana State India)	Automotive equipment systems	Production facility	364	1,597	50 (20,786)	228	744	2,986	571 (1,321)

Notes:
1. “Other” in the book value is tools, furniture and fixtures and includes construction in progress.
2. The number of employees reflects the number of permanent employees; the number of temporary employees is stated in the parentheses as an external number using the average number of temporary employees for the year.
3. The Company leases part of the building and land of the Akagi Plant to companies other than the consolidated companies.
4. Sanden International (Europe) GmbH, an overseas subsidiary, rent a part of the land. The area of rented land is stated in parentheses along with the net book value of the land.
5. The domestic subsidiary Sanden Business Associate Corporation leases a part of the buildings and land it owns to companies other than the consolidated companies.
6. The Company rents a part of land and buildings from the domestic subsidiaries.

3. Plans for new additions or disposals

The Group plans sustainable capital investment for growth, taking into consideration industry trends and equipment efficiency.

For fiscal 2021, we plan to invest a total of ¥11.7 billion, mainly for the purpose of strengthening the production system and localizing/in-house production.

Of this amount, we plan to make capital investments of ¥7.3 billion in Japan, ¥2.6 billion in Asia, ¥1.5 billion in Europe, and ¥0.2 billion in the Americas.

The planned capital investments in Japan include an investment to strengthen our production system of electric compressors.

4. Corporate Information

1. Information on the Company's shares

(1) Number of shares and other

1) Number of shares

Type	Number of shares authorized to be issued
Common stock	79,200,000
Total	79,200,000

(Note) Our Articles of Incorporation was partially amended at the Extraordinary General Meeting of Shareholders held on May 27, 2021 to increase the number of shares authorized to be issued by 33,000,000 shares to 112,200,000 shares at the same date.

2) Number of outstanding shares

Type	Number of shares issued as of the end of fiscal 2020 (March 31, 2021)	Number of shares issued as of the filing date of this Securities Report (June 24, 2021)	Stock exchanges on which the Company is listed or authorized financial instruments business association in which the Company is registered	Description
Common stock	28,066,313	111,693,313	First Section of the Tokyo Stock Exchange	It is a standard stock in the Company with no restrictions on rights and the number of shares constituting a standard unit is 100.
Total	28,066,313	111,693,313	–	–

(2) Status of the share subscription rights

1) Stock option plans

Not applicable

2) Right plans

Not applicable

3) Other share subscription rights

Not applicable

(3) Exercise status of bonds with share subscription rights containing a clause for exercise price adjustment

Not applicable

(4) Changes in the number of shares issued and the amount of common stock

Period	Changes in the number of shares issued (Share)	Balance of the number of shares issued (Shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in capital surplus (Millions of yen)	Balance of capital surplus (Millions of yen)
October 1, 2017 Note 1	(112,265,252)	28,066,313	–	11,037	–	4,453

Notes: 1. This is due to the five to one stock consolidation.

2. The capital increase through paid third-party allotment with the payment date of May 31, 2021 increased the number of total outstanding shares issued by 83,627,000 shares and also increased capital and capital surplus respectively by ¥10,704 million.

(5) Details of shareholders

(As of April 12, 2021)

Classification	Status of shares (1 unit = 100 shares)								Stocks of less than a standard unit
	National and governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals only			
Total Number of shareholders (Persons)	1	29	24	148	65	28	9,067	9,362	–
Number of shares held (Units)	6	83,560	5,411	20,985	51,716	258	118,002	279,938	72,513
Shareholding ratio (%)	0.00	29.85	1.93	7.50	18.47	0.09	42.15	100.00	–

Notes: 1. Treasury stock of 13,982 shares is included in "Individuals and other" at 139 units, and in "Stocks of less than a standard unit" at 82 shares.

2. The above "Financial institutions" includes 1,926 units of shares held by the Master Trust Bank of Japan, Ltd. (Executive compensation Board Incentive Plan (BIP) Trust Account / 75837).

3. The above "Other corporations" includes 4 units of shares under the name of Japan Securities Depository Center, Inc.

(6) Major shareholders

(As of April 12, 2021)

Name	Address	Number of shares owned (Shares)	Number of shares (excluding treasury stock) held as a percentage of total shares issued (%)
BBH (LUX) for Fidelity Funds Pacific Fund (Standing agent: MUFG Bank, Ltd.)	2A Rue Albert Bors Chette Luxembourg L-1246	2,150,000	7.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	1,868,900	6.66
Sanden's Business Partner Share Holding Association	20 Kotobuki-cho, Isesaki- shi, Gunma, Japan	1,319,005	4.70
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY (Standing agent: MUFG Bank, Ltd.)	1 Angel Lane London - North of the Thames United Kingdom EC4R 3AB	1,144,528	4.08
Mizuho Bank, Ltd.	1-5-5, Otemachi, Chiyoda-ku, Tokyo	1,017,622	3.63
The Gunma Bank, Ltd.	194 Motosojamachi, Maebashi-shi, Gunma, Japan	1,017,540	3.63
Daido Life Insurance Company	1-2-1, Edobori, Nishiku, Osaka-shi, Osaka, Japan	694,200	2.47
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuoku, Tokyo, Japan	593,100	2.11
Custody Bank of Japan, Ltd. (Trust account 5)	1-8-12 Harumi, Chuoku, Tokyo, Japan	427,500	1.52
Clearstream Banking S.A. (Standing agent: Custody Business Department, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation Limited)	42, Avenue JF Kennedy, L-1855 Luxembourg	389,640	1.39
Total	–	10,622,035	37.86

Notes: 1. Of the above major shareholders, all shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Custody Bank of Japan, Ltd. (Trust account) and Custody Bank of Japan, Ltd. (Trust account 5) are shares relating to trust business.

2. The large-scale shareholding report that became available for public inspection on July 5, 2019 states that Mizuho

Bank, Ltd. and Asset Management One Co., Ltd. owned the following shares as of June 28, 2019. Notwithstanding the statement in the report, the Company could not confirm the actual number of shares held by Asset Management One Co., Ltd. as of April 12, 2021, and therefore did not include them in the above list of major shareholders.

The details of large-scale shareholding report are as follows.

Name	Number of shares held (Shares)	Ratio of shareholding (%)
Mizuho Bank, Ltd.	1,017,622	3.63
Asset Management One Co., Ltd.	524,900	1.87
Total	1,542,522	5.50

3. The large-scale shareholding report that became available for public inspection on July 22, 2020 states that Fidelity Investment Trust Co., Ltd. owned the following shares as of July 15, 2020. Notwithstanding the statement in the report, the Company could not confirm the actual number of shares owned by Fidelity Investment Trust Co., Ltd. as of April 12, 2021, and therefore did not include them in the above list of major shareholders.

The details of large-scale shareholding report are as follows.

Name	Number of shares held (Shares)	Ratio of shareholding (%)
Fidelity Investment Trust Co., Ltd.	2,639,500	9.40

4. The large-scale shareholding report that became available for public inspection on April 7, 2021 states that Nomura Securities Co., Ltd., Nomura International PLC, and Nomura Asset Management Co., Ltd. owned the following shares as of April 12, 2021. Notwithstanding the statement of the report, the Company could not confirm the actual number of shares held by Nomura International PLC and Nomura Asset Management Co., Ltd. as of April 12, 2021, and therefore did not include them in the above list of major shareholders.

The details of large-scale shareholding report are as follows.

Name	Number of shares held (Shares)	Ratio of shareholding (%)
Nomura Securities Co., Ltd.	39,600	0.14
Nomura International PLC	1,157,328	4.12
Nomura Asset Management Co., Ltd.	812,800	2.90
Total	2,009,728	7.16

5. Following the payment made on May 31, 2021 in relation to the capital increase through third-party allotment, Hisense Japan Automotive Air-Conditioning Systems Corporation became the largest shareholder as of the same date (holding 83,627,000 shares, which represented 74.88% of the total number of outstanding shares issued (excluding the treasury stock)).

(7) Status of voting rights

1) Shares issued

(As of April 12, 2021)

Classification	Number of shares (Shares)		Number of voting rights (Units)	Description
Shares without voting rights	–		–	–
Shares with restricted voting rights (Treasury stock, etc.)	–		–	–
Shares with restricted voting rights (Other)	–		–	–
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock	13,900	–	–
	(Crossholding stock) Common stock	103,200	–	–
Shares with full voting rights (Other)	Common stock	27,876,700	278,767	–
Stocks of less than a standard unit	Common stock	72,513	–	–
Total shares issued		28,066,313	–	–
Total voting rights held by all shareholders	–		278,767	–

Note: The “Shares with full voting rights (Other)” include 400 shares under the name of Japan Securities Depository Center, Inc. (4 voting rights).

2) Treasury stock, etc.

(As of April 12, 2021)

Shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Ratio of number of shares owned to total number of issued shares (%)
(Treasury stock) Sanden Holdings Corporation	20 Kotobuki-cho, Isesaki-shi, Gunma, Japan	13,900	–	13,900	0.05
(Crossholding stock) Sanwa Corporation	224-1, Naganuma-machi, Isesaki-shi, Gunma, Japan	103,200	–	103,200	0.37
Total	–	117,100	–	117,100	0.42

Notes: The Company's shares held by the Master Trust Bank of Japan, Ltd. (Executive compensation Board Incentive Plan (BIP) Trust Account/75837) are not included in the above-mentioned treasury stock.

(8) Details of the executive and employee stock ownership system

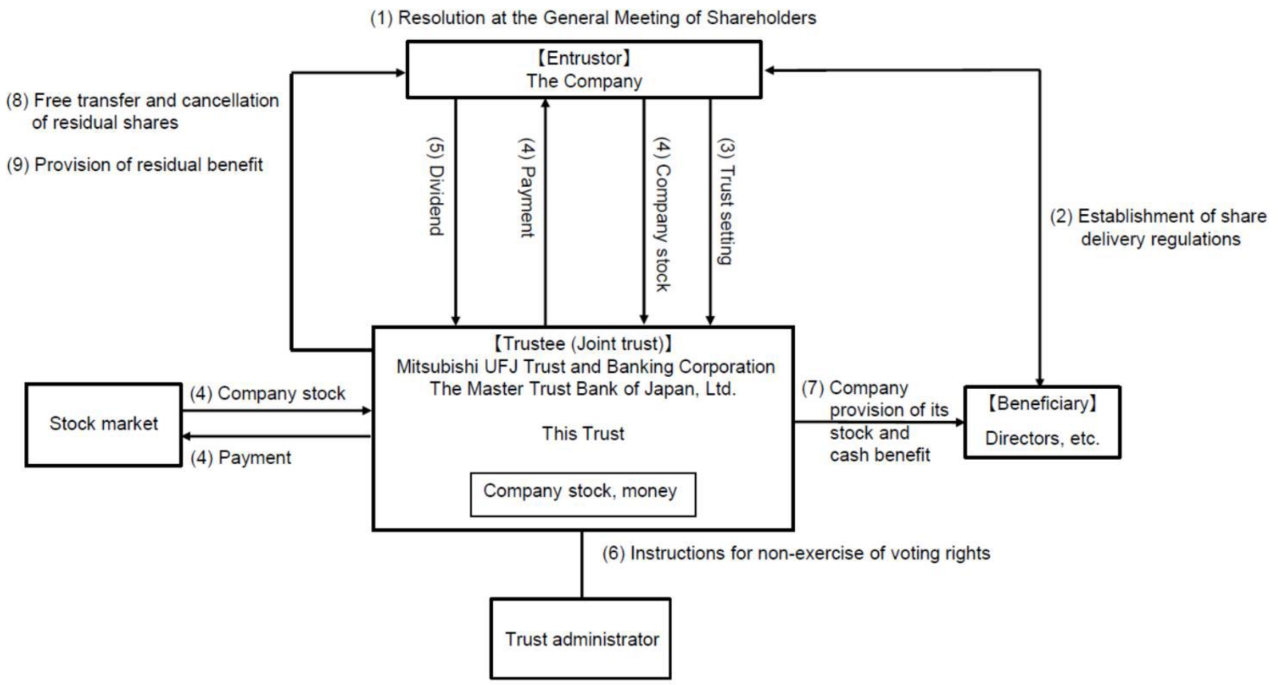
Details of performance-linked stock compensation plan for executives

A. Overview of performance-linked stock compensation plan for executives

The Company has introduced the system targeting directors and executive officers and senior advisors who have signed delegation contracts with the Company (excluding overseas residents, outside directors and part time directors. Hereinafter referred to as "directors, etc."), aiming to raise awareness of contributions to improving our medium to long term business performance and increasing corporate value.

Under this system, compensation for directors, etc. consists of "basic compensation," "bonuses," and "stock compensation." As a general rule, directors, etc. will actually receive shares when they retire.

<Outline of performance-linked stock compensation plan for executives>



1) Regarding the introduction of this system, the Company obtained a resolution to approve the compensation of directors at the General Meeting of Shareholders held on June 19, 2015 and has been operating the system. Furthermore, at the 92nd General Meeting of Shareholders held on June 21, 2018, the content was partially revised and the approval resolution was obtained.
2) Regarding the introduction of this system, the Company has established stock delivery regulations for executive compensation at the Board of Directors.
3) The Company will entrust money within the scope approved by the resolution of the shareholders' meeting of (1) and will set up a trust (this trust) in which the beneficiaries are directors who meet the beneficiary requirements.
4) The Trust will acquire the Company's shares from the Company (disposal of treasury stock) or the stock market according to the instructions of the trust administrator, using the money entrusted in (3) as a source of funds.
5) Dividends will be paid to the Company's stocks in the Trust just like any other Company's stocks.
6) Regarding the shares of the Company in the Trust, voting rights shall not be exercised throughout the trust period.
7) During the trust period, certain points will be awarded to directors, etc., depending on the achievement level of the performance target and the position in each fiscal year. Upon the retirement of directors, the Company's shares and the cash equivalent of the Company's shares (hereinafter referred to as "the Company's shares, etc.") will be provided or paid (hereinafter referred to as "grant, etc.") to the directors who meet certain beneficiary requirements in accordance with the points.
8) If residual stocks are generated at the end of the trust due to failure to achieve the performance targets during the trust period, the residual stocks will be transferred to the Company free of charge from the trust and will be canceled by resolution of the Board of Directors.
9) At the end of this trust, the residual property after being distributed to the beneficiaries will be attributable to the Company within the trust cost reserve, which is obtained by deducting the funds to acquire the shares from the trust money.

(Reference) This system is scheduled to be terminated when the trust period expires on August 31, 2021.

B. Total number or total amount of stocks scheduled to be acquired by directors, etc.

323,800 shares

C. Scope of person who can receive beneficiary rights and other rights

Those who have retired from the Board of Directors and meet the beneficiary requirements

2. Acquisition of treasury stock

Type of stock: Acquisition of shares of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of the shareholders

Not applicable

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Not applicable

(3) Acquisition of treasury stock not based on a resolution approved at the annual general meeting of the shareholders or on a resolution approved by the Board of Directors

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired during the fiscal year under review	1,110	380,122
Treasury stock acquired during the period for acquisition	180	65,650

Notes: 1. Treasury stock acquired during the period for acquisition does not include the number of shares of less than a standard unit purchased during the period from June 1, 2021, to the filing date of this securities report.

2. Treasury stock does not include the number of stocks acquired by the executive compensation Board Incentive Plan (BIP) Trust.

(4) Current status of the disposition and holding of acquired treasury stock

Classification	Fiscal 2020		Period for acquisition	
	Number of shares (Shares)	Total disposition amount (Yen)	Number of shares (Shares)	Total disposition amount (Yen)
Acquired treasury stock for which subscribers were solicited	–	–	–	–
Acquired treasury stock that was disposed of	–	–	–	–
Acquired treasury stock for which transfer of shares was conducted in association with a merger, share exchange, share issuance, or company split	–	–	–	–
Other (the number of shares of less than a standard unit sold subject to a demand for sale)	–	–	–	–
Number of shares of treasury stock held	13,954	–	14,134	–

Notes: 1. Number of shares of treasury stock disposed of during the period for acquisition does not include the number of shares of less than a standard unit sold subject to a demand for sale during the period from June 1, 2021, to the filing date of this securities report.

2. Number of shares of treasury stock held during the period for acquisition does not include the number of shares of less than a standard unit purchased or sold during the period from June 1, 2021, to the filing date of this securities report.

3. The above number of treasury stocks disposed of and number of treasury stocks held do not include the number of the Company's shares (192,639 shares at the end of the fiscal year under review) owned by the Master Trust Bank of Japan, Ltd. (Executive Compensation Board Incentive Plan (BIP) Trust Account/75837 Accounts)

3. Dividend Policy

The Company positions returning profits to our shareholders as one of our important management policies, and our basic policy is to pay stable and continuous dividends based on profit distribution according to consolidated operating performance.

With respect to the financial results of the fiscal year ended March 31, 2021, however, we posted ¥45,251 million in net loss attributable to owners of parent due to the impact of the resurgence of COVID-19 infections and revisions to asset valuations and liability estimates following the preparation of the business revitalization plan. As a result, our liabilities temporarily exceeded assets, placing us in an extremely difficult financial position. Based on this situation, we have regrettably made a decision not to pay a year-end dividend for the fiscal year ended March 31, 2021.

We have not yet made any decision on the dividend for the term ending March 31, 2022, because we expect the difficult business environment to continue, although the situation of negative net worth will likely be resolved.

In view of this difficult business environment, we will continue enhancing our financial position and striving to improve our corporate value and make utmost effort to promptly resume dividend payment based on the new business revitalization plan that focuses on the “implementation of structural reforms” and “collaborative creation” to achieve sustainable growth.

4. Corporate Governance

(1) Status of corporate governance

1) Basic corporate governance policy

Since its founding in 1943, Sanden's Founding Spirit of, "Let Us Develop with Wisdom and Prosper in Harmony" has formed the basis of corporate culture. In 2003, we newly established our Corporate Philosophy—which includes "Basic Principles (Universal Values Shared by the Global Community)" and "Basic Stance toward Stakeholders." In accordance with this "Corporate Philosophy," which has been embraced throughout Sanden Group, Sanden has been working to enhance corporate governance from the perspective of improving the quality of its management, including fairness, transparency and efficiency.

Sanden is committed to creating new corporate value in line with our "Vision" of "Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized".

2) Summary of the Company's corporate governance system and the reason for adopting this system

Employing the "Company with Audit & Supervisory Board Member," Sanden has established the Board of Directors and the Audit & Supervisory Board and appointed the Audit & Supervisory Board Members and Accounting Auditor.

As of June 24, 2021 (filing date of the annual securities report), our Board of Directors has eight Directors, including two Outside Directors. This system ensures accountability of management, strengthens the supervisory function and ensures the objectivity and independence of our corporate governance. The Audit & Supervisory Board has 4 members, including 2 Outside Audit & Supervisory Board Members. To strengthen management oversight functions, Sanden has established and disclosed the "Independence Criteria for Outside Officers", and based on the Criteria, we have designated four Outside Directors/Audit & Supervisory Board Members and notified the Tokyo Stock Exchange of the designation.

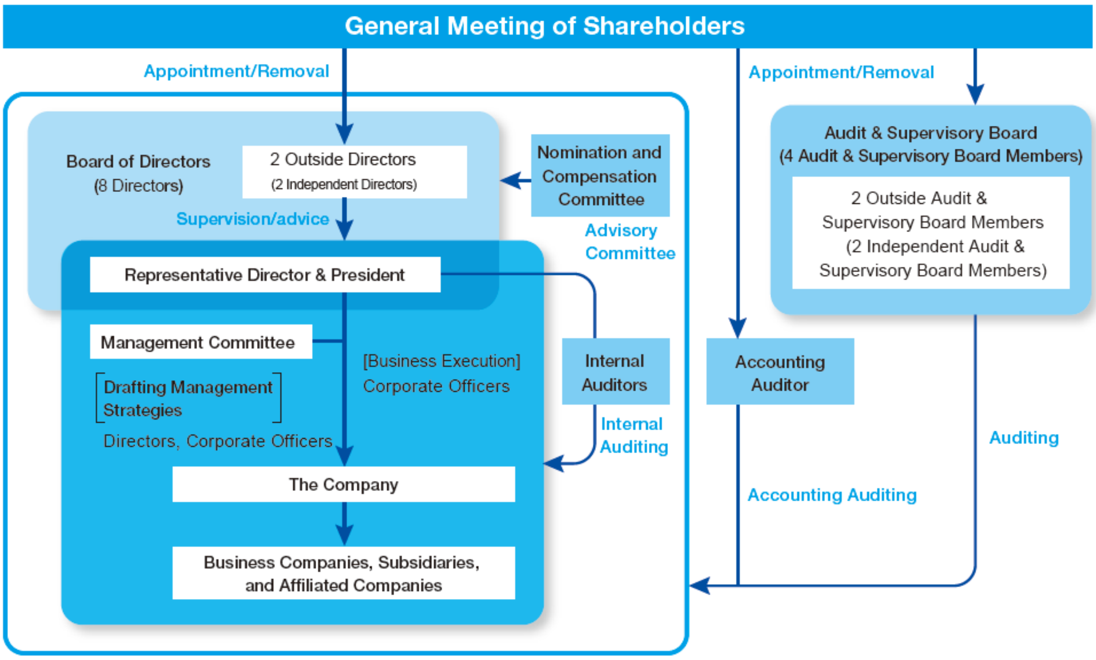
Sanden has established the Nomination and Compensation Committee, which advises and makes recommendations to the Board of Directors in consultation with the Board of Directors, to ensure the transparency and objectivity of the decision-making process of appointing Directors and determining their compensation. As of June 24, 2021 (filing date of the annual securities report), the Committee consists of four members, including two independent Outside Directors (Outside Director Hideto Ozaki (chairman), Outside Director Yuzo Ushiyama, Representative Director & President Katsuya Nishi, and Representative Director Tsuguo Ito). In addition, by setting Directors' terms to one year, Sanden has put in place a system to ensure management transparency and one that enables quick responses to changes in the market environment. Also, by adopting a corporate officer system, Sanden aims to strengthen business execution functions and increase management efficiency. Moreover, the Management Committee and Board of Directors deliberate in a timely fashion on important matters in compliance and risk management. Furthermore, by putting in place internal and external hot lines as an internal reporting system, Sanden is working to strengthen risk management, corporate ethics, and legal compliance.

As an agenda item (for resolution) submitted to the annual general meeting of shareholders to be held on June 25, 2021, the Company has proposed the appointment of seven Directors. With the approval of this agenda item, the Board of Directors will consist of seven Directors, including two Outside Directors. At the Board of Directors to be held after the annual general meeting of shareholders, four members of the Nomination and Compensation Committee, including two independent outside directors, are scheduled to be appointed (Duan Yuebin, Zhu Dan, Zhao Fuquan, and Ju Dongying).

We believe that Sanden's current system is fully capable of demonstrating the effectiveness of corporate governance in light of the actual conditions of our business type, history and corporate culture.

The diagram below shows the relationships among Sanden's organs and internal controls as of June 24, 2021 (filing date of the annual securities report). As mentioned earlier, if the agenda item (for resolution) submitted to the annual general meeting of shareholders to be held on June 25, 2021, which is the appointment of seven Directors, is approved, the number of Directors constituting the Board of Directors in the diagram below will be seven.

Sanden's Corporate Governance and Internal Control Organization Units and Their Interrelationships



3) Other matters concerning corporate governance

A. Status of the Company's internal control systems and risk management systems

The details of the decisions made by the Board of Directors as a system for ensuring the appropriateness of business (Basic Policy for Internal Control System) and the operational status of the system are as follows.

<Basic Policy for Internal Control System>

Sanden Holdings Corporation (Sanden) streamlines the Group's global Management Structure and sets forth the following policies for implementation by the Group's Management and Supervision:

a. Structures/systems to ensure that Directors and Employees carry out their operation and practices in full compliance with laws, regulations and corporate by-laws

Recognizing "Compliance" is one of the most important management issues, we clearly declare so in the regulations, and define the Group's Compliance Management in order to make certain that it is fully implemented, we establish the following structure:

1) Compliance shall be a fundamental principle of actions in daily operations and practices. Sanden's Legal Department shall be responsible for ensuring compliance. Important matters related to compliance shall be discussed and decided at the Management Meeting and the Board of Directors meetings.
2) We shall appoint responsible Compliance officers and persons for each Company, who shall make sure the Company maintains full Compliance.
3) The contents of Compliance are described in "The Handbook of Company Principles (Handbook)".
4) The Legal Division shall provide education and guidance on Compliance at various levels to Directors, Corporate Officers and Employees on a periodic basis. We shall also establish internal and external "hot-lines" so that an employee can immediately and easily report a Compliance issue through the "hot-line".
5) We shall periodically report progress on Compliance promotion activity to the Board of Directors Meeting and the Audit & Supervisory Board.
6) We shall establish the Internal Audit Division and conduct Compliance audits on a periodic basis.

b. Structures/systems to save and control information related to the execution of the duties of Directors

To fully implement proper storage and control/management of Sanden's documents and electronic data, we shall establish the following system, and clearly stipulate regulations:

1) The Administration Division shall be responsible for documents and electronic data respectively. Each

division shall designate persons who shall be responsible for documents and also for electronic data. They shall be accountable for control and management of documents and electronic data, covering their creation, storage and disposal.

2) The storage and management of such documents and/or electronic data shall be filed in a manner such that Directors and Audit & Supervisory Board Members shall have access, whenever and wherever it is necessary.

c. Structures/systems to manage risks that could lead to losses

We recognize Risk Management as an important management issue. We clearly declare so in the regulations, and define the Group's Risk Management Structure in order to make certain that it is fully implemented, we establish the following structure:

1) To ensure full implementation of risk management by identifying overall Enterprise Risks that affect total management control. The Business Administration Division shall be appointed as the responsible division.
2) Each Group Company shall be responsible for Risk Management. Each Group Company shall designate persons who shall perform periodic risk assessment and risk control activities and promote preventive risk avoidance through normal business practices.
3) We shall establish a business continuity plan and structure based on regulations, in preparation for unforeseen and unplanned circumstances which could significantly impact management of the company. We shall discuss and decide on important risk control issues at the Management Meeting and the Board of Directors Meeting.
4) Administration Division shall be responsible for Crisis Management and for streamlining the Crisis Management Structure.
5) The Internal Audit division shall audit effectiveness of risk control and risk management activities, and shall report the result in the Board of Directors Meeting, Audit & Supervisory Board Members meeting and Management Meeting.

d. Structures/systems that assure Directors execute their duties/jobs efficiently

1) We appoint a number of external Directors in order to ensure appropriateness and to enhance the transparency of our decision-making process.
2) To assure the effective execution of the Board of Directors' duties, the Board of Directors authorizes Corporate Officers to promote speedy decision making and timely execution of duties in terms of operations.
3) We recognize the Mid-Term Plan and the annual Execution Plan as most important management tools as means to realize our Corporate Vision. The plan target and action items shall be determined based on "Sanden Total Quality Management - STQM" - Corporate-wide management quality innovation system - so that Operating Officers shall be able to perform their assigned activities and carry out operations and duties efficiently.
4) With the previous directions as guides, we shall constantly promote efficiency of operational execution utilizing business process reviews, continuous improvement activities and IT tools.

e. Structures that assure operations/practices are carried out with full appropriateness at Sanden and its subsidiary companies (Subsidiaries) - collectively The Sanden Group (G-SDC)

Sanden Holdings Corporation shall decide various basic policies of Management Control for Group Companies as well as the Sanden Holdings Corporation. We shall develop the following structures and systems to ensure full implementation:

1) We shall develop systems/structures to ensure that operations and practices at Group Companies are in full Compliance with laws, regulations and corporate by-laws. The Handbook and a Whistle-blower System (WBS) shall be utilized commonly throughout Sanden Group Companies. We shall ensure that the same level of Compliance is implemented throughout the Sanden Group.
2) To ensure that Affiliates are properly managed, we shall assign our officers and staff to Affiliates as board members. We shall appoint the Business Administration Division to be responsible for Affiliates management control. Important issues and problems related to Affiliates' Management Control shall be discussed and decided at the Management Meeting and Board of Directors Meeting.
3) DGMs of Sanden Group (GMs of HQ Divisions, Presidents of Business Companies, and Presidents of Affiliates) shall have full responsibility and authority for establishing and implementing internal control systems to ensure appropriateness of operations at Divisions and Affiliates.
4) The Schedule of Approvals of each Group Company is described in the Decision-Making Policy and the Affiliates Management Policy. We shall exchange the information and discuss important management issues.
5) We shall streamline the Internal Control as and assure the sound and creditability of Financial Report.
6) The Internal Audit division shall conduct internal audits. It shall issue the Audit Report to the President

and each DGM of Divisions/ Subsidiaries, as well as provide guidance and recommendations for improvement of internal controls.

f. Employees assisting Audit & Supervisory Board Members and their independence

1) Directors, in accordance with requests from Audit & Supervisory Board Members, shall appoint appropriate employees as Audit & Supervisory Board staff to assist Audit & Supervisory Board Members in increasing overall effectiveness and timely execution of audits.
2) Audit & Supervisory Board's Office shall be placed in the Business Administration Division which will provide administrative support as necessary for the Audit & Supervisory Board Members and Audit & Supervisory Board.
3) Audit & Supervisory Board Members shall oversee Audit & Supervisory Board staff. Audit & Supervisory Board staff shall be empowered to collect data and information for audits.
4) Audit & Supervisory Board staff shall have primary roles/duties other than assisting Audit & Supervisory Board Members, and they shall not be directed by Directors in their role of assistance to Audit & Supervisory Board Members. Anticipated transfer, performance evaluation, or disciplinary action of the Audit & Supervisory Board staff shall not be decided without prior consultation to Audit & Supervisory Board Members.

g. Structures/systems for Director and Employee reporting to Audit & Supervisory Board Members

1) Directors, Corporate Officers and Employees (including Group Companies) shall periodically report Company performance, business circumstances, financial status, and other important management issues to Audit & Supervisory Board Members.
2) Directors, Corporate Officers and Employees (including Group Companies) shall report immediately to Audit & Supervisory Board Members, when they become aware of any fact which may cause a substantial loss; any fraudulent act of a Director while performing their duties; important facts related to Compliance with laws, regulations or corporate by-laws; any facts made known to management through the WBS; or any occurrence of other important relevant facts.
3) We shall streamline the preventive structure so that anyone who reports to Audit & Supervisory Board Members about the issues of 1) or 2) above will not be treated unfairly subjected to retaliatory actions and/or disadvantage June 30, 2020 because of such reporting.

h. Structures/systems that assure Audit & Supervisory Board Members shall be able to perform audit effectively

1) Audit & Supervisory Board Members shall have periodical meetings with Representative Directors and external auditors.
2) Audit & Supervisory Board Members shall have periodical meetings with the Internal Audit division and Statutory Auditors of Affiliates to exchange information and enhance cooperation.
3) When Audit & Supervisory Board Members receive reports, which may have significant detrimental impact on the company, the Audit & Supervisory Board Members shall conduct necessary investigations, and provide recommendation to Directors, or take appropriate corrective actions depending on the circumstances.

<Status of operation of our basic policy>

Based on the Basic Policy for Internal Control System," the Company is striving to develop a system for ensuring the appropriateness of business and to operate it appropriately, and a summary of the operating status for the fiscal year under review is as followings.

a. Compliance system

The Company has revised basic rules concerning the Group's compliance and rolled them out through the Group companies. The Company is implementing various measures for compliance officers and promotion officers of each company that have been newly selected based on the revised regulations, and through dedicated legal staff assigned at headquarters for overseas offices. Efforts were made to reduce compliance risk of the entire Group through compliance education (prevention of insider trading, compliance with anti-monopoly laws, compliance with copyright laws, protection of trade secrets, prevention of bribery).

b. Risk management system

The Company has a basic risk management system in place and operate based on this. During the fiscal year under review, we also conducted regular risk assessments for the Company and Group companies. The Company also held "risk review meetings" organized by the holding company's Business Administration Division to comprehend and address risks. Risks include not only risks that directly affect business continuity such as large earthquakes, natural disasters, and pandemics, but also risks related to corporate credit and management strategies.

With respect to information risk, the Company re-educated all IT users on IT security, ran a comprehensive check of IT security in important bases in Japan and overseas, and implemented countermeasures against the risks identified.

In addition, the general status of risk management was reported to the Board of Directors by the Business Administration Division, and the measures to address important risks were deliberated at the monthly meeting of the Management Committee to reduce risks.

c. Efficient business execution system

The Company's Board of Directors is composed of eight directors, including two outside directors. The Board of Directors supervises the execution of duties by directors, while ensuring the transparency of management and prompt response to environmental changes. In addition, the Board of Directors appoints corporate officers, and each corporate officer executes his/her duties within the scope of his/her authority and responsibility.

With respect to major subsidiaries, the Company strives to ensure that they understand the Group's management policy and so on through reports and discussions at the meetings in which their corporate officers attend (Management Committee, Managing Directors' meetings, and Corporate Officers' Meetings) to ensure the unity of group management.

The Company requested the commencement of the business revitalization ADR procedures on June 30, 2020, and a meeting of creditors held on May 7, 2021 agreed on the proposed business revitalization plan. At the extraordinary general meeting of shareholders held on May 27, 2021, the issuance of new shares by means of third-party allotment, which was necessary for this business revitalization, was approved.

Currently, the Company conducts its business activities based on an action plan for the current fiscal year under the business revitalization plan that promotes the five key strategies, namely, "Comprehensive reorganization of production system," "Enhancement of basic earnings power," "Growth by actively promoting 'collaborative creation,'" "Cash flow generation through capital increase and reform in assets structure," and "Reform in system for implementation."

d. Group management system

With respect to the subsidiaries, the Company received reports from subsidiaries based on the "Business Company Management Regulations" and "Affiliated Company Management Regulations" and deliberated on important matters at the Management Committee and the Board of Directors of the Company, and worked for proper management and operation of the subsidiary. In accordance with these regulations that require the subsidiary to seek prior agreement from the Company, or stipulate matters to be reported, subsidiaries have submitted applications and reports to the Company for prior consultation. In the fiscal year under review, the Company further strengthened and improved its global management functions, business competitiveness, and new product development capabilities by unifying and improving the efficiency in line with the business content of the command system at the operating companies.

B. Outline of the limited liability contract

Based on the provisions of Article 427, Paragraph 1, of the Companies Act, the Company, each outside director, and each Audit & Supervisory Board Member has entered into an agreement limiting liability for damages under Article 423, Paragraph 1 of the same act. The maximum amount of liability for damages under the agreement is the amount stipulated by law for each outside director and each corporate auditor. Note that the limitation of liability will be granted only when each outside director or each auditor is in good faith and have no gross negligence in performing the duties that caused the liability.

C. Directors and officers (D&O) liability insurance

The Company has purchased from an insurance company a directors and officers (D&O) liability insurance policy stipulated in Article 430-3, Paragraph 1 of the Companies Act to pay statutory damages and legal costs in the event any claim for compensation is made against the insured during the insurance period as a result of an action taken by the insured in relation to his or her duties as an officer of the Company. The insurance policy, however, has certain exclusions: for instance, it does not cover damages arising from an act committed by the insured with an awareness that such an act violates laws and regulations.

The insured covered by the D&O liability insurance policy are Directors, Audit & Supervisory Board Members, Corporate Officers, and all employees in managerial positions of the Company and its subsidiaries. The Company fully pays insurance premiums for all the insured.

The D&O liability insurance policy is scheduled to be renewed in December 2021.

D. Basic policy regarding company control

Outline of the Company's basic policy regarding corporate control “Other matters” listed in Article 118, Item 3 of the Ordinance for Enforcement Regulation of Corporate Act are as follows.

a. Basic policy regarding company control

The Company is based on mutual relationships with various stakeholders such as shareholders/investors, customers, business partners, local communities, employees, etc. Mutual relationships with stakeholders are the Company’s important component for the source of corporate value. Therefore, the Company will strive to build and strengthen relationships of trust with our stakeholders and conduct balanced management in all aspects of society, environment and economy. At the same time as fulfilling our social responsibility to all stakeholders, the Company will strive to secure and improve its corporate value and the common interests of our shareholders.

Since Sanden is a listed company, we understand that all shareholders who have invested in the Company agreed with our thoughts, and in so doing, entrust the management to the Company’s management team. Based on this understanding, we believe that, ultimately, the judgment of our shareholders should also determine who should control our financial and business decisions. Therefore, in the event that a large-scale purchase of the Company's shares occurs, the decision on how to respond to the purchase will ultimately be based on the will of the shareholders.

However, amid large-scale purchases in Japan's capital market, there is no opportunity to provide the necessary and sufficient disclosure of information and consideration for shareholders and investors, In some cases, sufficient amount of information and time is not provided to the Board of Directors of the Company to form an opinion and propose an alternative plan, and a sudden large-scale purchase of shares is implemented forcibly.

We believe that it would be inappropriate for control of the decisions of the Company’s financial and business policies to be determined by those who conduct large-scale purchases or purchase offers that may damage the corporate value of the Company and, in turn, the common interests of its shareholders.

Going forward, the Company will continue to implement various measures to achieve the medium-term management goals and sustainable growth, and further strengthen corporate governance to improve our corporate value and the common interests of our shareholders. In addition, those who intend to make a large-scale purchase of the Company's shares, will requested to provide necessary and sufficient information in order for the shareholders to properly judge the propriety of the large-scale purchase. In addition, while respecting the opinions of the independent outside directors and outside corporate auditors, the Company will disclose the opinion of the Board of directors and take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations, while also striving to secure the time and information necessary for shareholders to consider.

b. Initiatives contributing to the realization of the Company’s basic policy regarding company control such as the effective use of the Company’s properties and creation of an appropriate corporate group

The Company implements the following measures as initiatives to secure and improve our corporate value and the common interests of the Company’s shareholders so that many of our investors will continue investing in the Company for a medium- to long-term.

1) Initiatives to improve corporate value through management strategy

As described in “1. Management policy, management environment, and issues to be tackled, etc.” in “2. Business Overview.”

2) Initiatives to improve corporate value through enhancement and improvement to corporate governance

Since its founding in 1943, Sanden’s Founding Spirit of, “Let Us Develop with Wisdom and Prosper in Harmony” has formed the basis of corporate culture. In 2003, we newly established our Corporate Philosophy—which includes “Basic Principles (Universal Values Shared by the Global Community)” and “Basic Stance toward Stakeholders.” In accordance with this "Corporate Philosophy,“ which has been embraced throughout Sanden Group, Sanden has been working to enhance corporate governance from the perspective of improving the quality of its management, including fairness, transparency and efficiency.

The Sanden Group is committed to steadily implementing our medium-term management plan and creating new corporate values in line with our "Vision" of "Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized."

c. Initiatives to prevent parties that are deemed inappropriate in light of our basic policy regarding company control from dominating decision-making concerning the Company’s finance and business

The Company had introduced countermeasures (anti-takeover measures) against the large-scale acquisition of its shares as initiatives to prevent parties deemed inappropriate in light of the above basic policy regarding company control from making decisions on the Company’s financial and business policies, thereby securing and improving the corporate value of the Company and common interests of its shareholders. Due to the expiration of their effective period, these countermeasures expired at the end of the 94th Ordinary General Meeting of Shareholders of the Company held on July 29, 2020.

d. Outline of decisions made by the Board of Directors concerning initiatives to prevent inappropriate control

The initiatives contributing to the realization of the Company’s basic policy regarding company control such as the effective use of the Company’s properties and creation of an appropriate corporate group in b. above are specific measures to increase the Company’s corporate value and subsequently the common interests of its shareholders. They are not designed to maintain the positions of the Company’s officers and are aligned with the Company’s basic policies.

E. Number of directors

The Company’s Articles of Incorporation stipulates that the number of directors of the Company be 20 or less.

F. Requirements for resolutions to appoint directors

The Company’s Articles of Incorporation stipulate that resolutions to appoint directors shall be attended by the shareholders who have one-third or more of the voting rights and who are able to exercise their voting rights at the general meeting of shareholders. It is also stipulated that the majority of the voting rights are exercised. The Company’s Articles of Incorporation stipulate that resolutions for the election of directors do not depend on cumulative votes.

G. Items to be resolved at the general meeting of shareholders that can be resolved by the Board of Directors

Based on the provisions of Article 454, Paragraph 5 of the Companies Act, the Company's Articles of Incorporation stipulate that an interim dividend can be paid by resolution of the Board of Directors. This is intended to flexibly return profits to shareholders. Based on the provisions of Article 165, Paragraph 2 of the Companies Act, the Company’s Articles of Incorporation stipulate that the Company's shares can be acquired through market transactions, etc. by resolution of the Board of Directors. This is to allow for the flexible acquisition of treasury stock. In addition, in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act, the Company’s Articles of Incorporation stipulate that the Company can exempt liabilities of directors (including those who were directors) and Audit & Supervisory Board Members (including those who were Audit & Supervisory Board Members) in relation to behavior outlined in Article 423, Paragraph 1 within the limits of laws and regulations by the resolution of the Board of Directors. The purpose is to create an environment in which directors and Audit & Supervisory Board Members can fully exercise their capabilities and fulfill their expected roles in performing their duties.

H. Requirements for special resolutions at general meetings of shareholders

The Company’s Articles of Incorporation stipulate that the special resolution of the general meeting of shareholders, Article 309, Paragraph 2 of the Companies Act, requires the attendance of shareholders who have one-third or more of the voting rights of shareholders who are able to exercise their voting rights, and two-thirds or more of such attended voting rights are exercised. This is intended to facilitate the smooth conduct of the general meeting of shareholders by relaxing the quorum of special resolutions at the general meeting of shareholders.

(2) Members of the Board of Directors and Audit & Supervisory Board Members

1) List of executives

a. The situation concerning the Company's Directors as of June 24, 2021 (filing date of the annual securities report) is as follows.

12 males, 0 females (Out of the directors, female ratio of 0%)

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Representative Director	Katsuya Nishi	August 3, 1964	April 1985 July 2008 June 2009 June 2012 June 2013 June 2015 July 2015 June 2016 June 2017 April 2018 June 2019 June 2020 June 2021	Joined the Company General Manager of Corporate Planning Office Director and Corporate Officer, General Manager of Corporate Planning Office Director and Executive Corporate Officer in charge of Corporate Planning, Accounting, Finance, General Affaires Executive Corporate Officer Director and Executive Corporate Officer, General Manager of Accounting Division Director and Executive Corporate Officer, General Manager of Accounting Division, Representative Director and President of Sanden of America Inc. Director and Vice President Director and Vice President in charge of Planning, Administration, Finance, and Accounting Representative Director and Executive Vice President in charge of Planning, Finance, Accounting, Administration, Development and Manufacturing Strategy Representative Director and President Outside Director, GTV Co., Ltd. (Current position) Representative Director (current position)	Note 3	17,100
Representative Director	Tsuguo Ito	September 26, 1956	April 1980 July 1997 August 2002 August 2012 December 2014 January 2015 April 2015 June 2017 June 2018 June 2019 April 2020 June 2021	Joined Mitsubishi Motors Corporation Vice President, Mitsubishi Motor Sales of America, Inc. President, The US Business Initiatives, Inc. Vice President, ITOCHU Automobile America Inc. Joined the Company General Manager of Compressor Department Representative Director and President, Sanden Automotive Components Corporation Senior Executive Corporate Officer, Management of Global Compressor Business Director and Senior Executive Corporate Officer, Management of Global Compressor Business Representative Director and Executive Vice President, Management of Automotive Compressor Business Representative Director & Executive Vice President in charge of Compressor Business Representative Director (current position)	Note 3	8,400

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Director	Mark Ulfig	November 14, 1956	May 1978 August 1985 May 1988 October 2009 October 2010 June 2013 June 2015 June 2016 June 2017 October 2017 April 2018 June 2019 June 2021	General Electric Co. Research Engineer KPMG Peat Marwick Senior Management Consultant Sanden International (U.S.A.), Inc. Plant Manager Representative of Sanden International (U.S.A.), Inc. Corporate Officer of the Company Representative of Sanden International (U.S.A.) Inc. and Representative of Sanden Mexicana, S.A. DE C.V. Senior Executive Corporate Officer Director and Senior Executive Corporate Officer Director and Vice President Director and Vice President in charge of Global Business Director and Vice President in charge of Global Business Chairman of the Sanden International (U.S.A.), Inc. Director and Executive Vice President in charge of Global Compliance Representative Director and President of Sanden International (U.S.A.), Inc. (Current position) Director and Executive Vice President in charge of Overseas Business and Compliance Director (current position)	Note 3	–
Director Vice President and Corporate Officer In charge of legal affairs, strategic management, and business innovation / General Manager of Corporate Planning Office	Hideyuki Kobayashi	April 26, 1967	April 1991 September 2012 June 2013 April 2015 January 2016 June 2017 June 2019 April 2020 June 2021 [Major double-hatting positions]	Joined the Company Plant Manager of Compressor Business Plant Deputy General Manager of Compressor Business Plant General Manager of Product Strategy Department, Business Division, Sanden Automotive Components Corporation General Manager of Business Strategy Department, Corporate Planning Office Corporate Officer, General Manager of Corporate Planning Office Director and Executive Corporate Officer, General Manager of Corporate Planning Division and in charge of Business Development Director, Executive Corporate Officer, in charge of corporate strategy and public relations/SDGs, General Manager of Corporate Planning Office Director, Vice President, Corporate Officer, in charge of legal affairs, strategic management, and business innovation, General Manager of Corporate Planning Office (current position) Representative Director and President, Sanden Automotive Components Corporation (current positions) Representative Director and President, Sanden Automotive Components Corporation	Note 3	6,000

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Director General Manager of CSE Division	Hiroshi Takahashi	April 14, 1958	April 1979 July 2002 May 2007 April 2014 April 2015 July 2017 November 2018 June 2019 April 2020 June 2021	Joined the Company General Manager of Production Control Department, Air-Conditioner Plant General Manager of Information and Technology Division Corporate Officer, General Manager of Yattajima Plant Corporate Officer, General Manager of Production Control Division Corporate Officer, General Manager of Akagi Plant Corporate Officer in charge of Gunma Area, Project Manager of Manufacturing Process Standardization Director and Executive Corporate Officer, General Manager of SCE Division, in charge of Manufacturing Director and Executive Corporate Officer in charge of Manufacturing, Human Resources and General Affairs General Manager of CSE Division (Current position) Director, General Manager of CSE Division (current position)	Note 3	2,300
Director General Manager of Finance and Accounting Division	Toru Akima	December 1, 1969	April 1992 July 2008 June 2015 June 2017 April 2018 June 2019 June 2021	Joined the Company Principal, Corporate Planning Office Director and Vice President, Sanden International (U.S.A.), Inc. Principal, Accounting Division Corporate Officer, General Manager of Accounting Division Director and Corporate Officer, General Manager of Finance and Accounting Division Director, General Manager of Finance and Accounting Division (current position)	Note 3	1,700
Director	Hideto Ozaki	December 26, 1945	April 1968 June 1999 July 2000 June 2008 June 2011 June 2013 July 2014 June 2015 July 2018 March 2020 June 2020	Joined Toyota Motor Sales Co., Ltd. Director, Toyota Motor Corporation Representative Director and President, Toyota Financial Services Corporation Representative Director and Chairman, Aioi Insurance Co., Ltd. (Current Aioi Nissay Dowa Insurance Co., Ltd.) Special Advisor, Aioi Nissay Dowa Insurance Co., Ltd.) Outside Director of the Company (Current position) Member of Management Advisory Committee, SVP Global Asia LLC Outside Director, Mito Securities Co., Ltd. Director, Shanghai College of Education Lean Management Academy (Current position) External Corporate Auditor, Broadleaf Co., Ltd. (Current position) Outside Director, UCC Holdings Co., Ltd. (Current position)	Note 3	2,200

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Director	Yuzo Ushiyama	June 10, 1950	April 1974 July 2000 June 2004 June 2010 June 2015 June 2019	Joined Toyota Motor Corporation Senior Vice President, Toyota Motor Sales, USA, Inc. Managing Director, Toyota Motor Corporation Director and Vice President, Tokai Rika, Co., Ltd. (Registered company name: Tokai Rika Electric Co., Ltd.) Senior Adviser, Tokai Rika, Co., Ltd. Outside Director of the Company (current position)	Note 3	10,000
Full-time Audit & Supervisory Board Member	Shinji Ichikawa	October26, 1955	November 2001 June 2005 June 2007 June 2010 June 2012 July 2014 June 2016 June 2017	Joined the Company Director Managing Director Executive Corporate Officer Senior Executive Corporate Officer CEO, Sanden International (Europe) Ltd. Executive Corporate Officer Audit & Supervisory Board Member (Current position)	Note 4	27,400
Audit & Supervisory Board Member	Ichiro Yumoto	April 24, 1951	April 1975 April 2002 April 2004 April 2005 June 2006 June 2012 June 2016	Joined the Fuji Bank, Ltd. General Manager of Secretariat Office, Mizuho Holdings, Inc. Executive Officer, Mizuho Corporate Bank, Ltd. Managing Executive Officer, responsible for Risk Management Group and Human Resources Group, Mizuho Corporate Bank, Ltd. Senior Managing Director, Japan Carlit Co., Ltd. Audit & Supervisory Board Member, Taiyo Nippon Sanso Corporation Outside Director, JK Holdings Co., Ltd. Outside Audit & Supervisory Board Member of the Company (current position)	Note 4	–
Audit & Supervisory Board Member	Kazumichi Matsuki	August 17, 1951	April 1976 January 2003 June 2015 June 2011 June 2013 June 2015 June 2016 June 2017 June 2018 March 2019 March 2020	Joined Mitsubishi Corporation General Manager of Legal Department, Mitsubishi Corporation Senior General Manager, Mitsubishi Corporation Corporate Officer, Hokuetsu Kishu Paper Co., Ltd. Managing Director, Hokuetsu Kishu Paper Co., Ltd. Part-time senior counselor, Hokuetsu Kishu Paper Co., Ltd. Outside Director, Dream Incubator Inc. Outside Audit & Supervisory Board Member of the Company (Current position) Commissioner, Japan Criminal Policy Society (Current position) Outside Director, Anest Iwata Corporation (Current position) Outside Director, Nissha Co., Ltd. (Current position) Commissioner, Japan International Dispute Resolution Center (current position)	Note 4	–

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Audit & Supervisory Board Member	Tomisaburo Igarashi	December 23, 1950	April 1974 February 2002 June 2007 June 2009 June 2011 June 2014 June 2015 July 2017 July 2020	Joined Gunma Bank, Ltd. General Manager of Management Support Office, Credit Department, Gunma Bank Ltd. Director and Executive Officer of Gunma Bank, Ltd. Managing Director, Gunma Bank, Ltd. Senior Managing Director, Gunma Bank, Ltd. Senior Advisor, Gunma Bank Representative Director and President, Gunma Land Co., Ltd. Outside Director, Fujita Engineering Co., Ltd. (Current position) Joined the Company, Senior General Manager Audit & Supervisory Board Member of the Company (Current position)	Note 4	–
Total						75,100

Notes: 1. Directors Mr. Hideo Ozaki and Mr. Yuzo Ushiyama are outside directors stipulated in Article 2, Paragraph 15 of the Companies Act.

2. Audit & Supervisory Board Members Mr. Ichiro Yumoto and Mr. Kazumichi Matsuki are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act.
3. One year from the close of the annual general meeting of shareholders held on July 29, 2020
4. Four years from the close of the annual general meeting of shareholders held on July 29, 2020. All Audit & Supervisory Board Members are scheduled to resign as of the close of the annual general meeting of shareholders scheduled on June 25, 2021.
5. The Company has introduced a Corporate Officer system to strengthen the business execution function and improve management efficiency, and has appointed one President & Corporate Officer (Zhu Dan), two Vice Presidents & Corporate Officers (Hideyuki Kobayashi and Stanka Pejanovic), one Senior Executive Corporate Officer (Tadashi Kondo), four Corporate Officers (Junya Takahashi, Toshiyuki Kikuchi, Yoshio Hashimoto, and Tsuneki Fujikura).

b. As agenda items (for resolution) submitted to the annual general meeting of shareholders to be held on June 25, 2021, the Company has proposed the appointment of seven Directors and the appointment of four Audit & Supervisory Board Members. With the approval of these agenda items, the status of the Company's officers will be as follows. Resolutions on titles and so on will be made at the Board of Directors meeting to be held after the close of the annual general meeting of shareholders.

10 males, 1 female (Out of the directors, female ratio of 9.1%)

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Director	Duan Yuebin	November 27, 1980	July 2003	Deputy General Manager of Engineering Department, Assistant to General Manager of Industry Department, General Manager of Quality Department, Assistant to President, Hisense （Beijing）Electric Co., Ltd.	Note 3	–
			October 2013	Assistant to President, Vice President, Hisense Rongsheng (Yangzhou) Refrigerator Co., Ltd.		
			May 2014	Vice President of Hisense (Shandong) Refrigerator Co., Ltd.		
			January 2019	Vice President of Hisense Home Appliances Group Co., Ltd. President of Hisense (Shandong) Refrigerator Co., Ltd.		
			February 2020	Vice President of Hisense Group Co., Ltd. President of Hisense Home Appliances Group Co., Ltd. (current position) President of Hisense (Shandong) Refrigerator Co., Ltd. (current position)		
			December 2020	Vice President of Hisense Group Holding Co., Ltd. (current position)		
			June 2021	Director of the Company (current position)		
			[Major double-hatting positions]	President of Hisense Home Appliances Group Co., Ltd. President of Hisense (Shandong) Refrigerator Co., Ltd. Vice President of Hisense Group Holdings Co., Ltd.		

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Director President and Corporate Officer	Zhu Dan	November 12 1974	June 2003	Hisense International Co., Ltd Manager and General Manager of North African Office of African Sales Department, General Manager in charge of sales in African Sales Department	Note 3	–
			February 2010	President of South Africa Development Company, Hisense International Co., Ltd.		
			December 2010	General Manager of Middle East / Africa Sales Department, President of South Africa Development Company, Hisense International Co., Ltd.		
			February 2012	Assistant to President, General Manager of Middle East / Africa Sales Department, Hisense International Co., Ltd.		
			January 2014	Vice President, General Manager in charge of Middle East / Africa, Hisense International Co., Ltd.		
			December 2017	Vice President, General Manager in charge of Middle East / Africa, President of the Russian branch, General Manager in charge of the Americas, General Manager in charge of Africa, Chief of the American Research and Development Center, General Manager in charge of the United States, General Manager in charge of Argentina, Hisense International Co., Ltd. Vice President of Hisense Electric Co., Ltd.		
			February 2020	Hisense International Co., Ltd President (current position), General Manager in charge of Europe (current position), European region representative		
			June 2021	Corporate Officer of the Company		
			June 2021	Representative Director and Corporate Officer of the Company (current position)		
			[Major double-hatting positions]	Hisense International Co., Ltd President and General Manager in charge of Europe		
Director	Tang Yeguo	October 25, 1963	October 1997	Vice President and Chief Accountant, Qingdao Hisense Electric Co., Ltd.	Note 3	–
			October 1999	President, Qingdao Hisense Electric Co., Ltd.		
			January 2004	Vice President of Hisense Group Co., Ltd. President, Qingdao Hisense Air-conditioning Co., Ltd.		
			September 2005	Vice President of Hisense Group Co., Ltd. Representative Director, Hisense Kelon Electrical Holdings Co., Ltd.		
			December 2020	Director, Hisense Group Holdings Co., Ltd. (current position), Secretary of the Board of Directors (current position)		
			June 2021	Director of the Company (current position)		
			[Major double-hatting positions]	Director, Hisense Group Holdings Co., Ltd., Secretary of the Board of Directors		

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned (Shares)
Director	Xiong Hao	July 9, 1982	August 2004	Quality control and production control, Qingdao Hisense Hitachi Air Conditioning Systems Co., Ltd.	Note 3	–
			February 2008	Deputy Manager / Manager of Manufacturing Section, Qingdao Hisense Hitachi Air Conditioning Systems Co., Ltd.		
			August 2014	General Manager of Manufacturing Department, Qingdao Hisense Hitachi Air Conditioning Systems Co., Ltd.		
			July 2018	Deputy General Manager of Quality and Manufacturing Control Department, Hisense Home Appliances Group Co., Ltd. President of Manufacturing Department, Qingdao Hisense Hitachi Air Conditioning Systems Co., Ltd.		
			February 2019	Assistant to President, General Manager of Manufacturing Center, General Manager of Process Department, General Manager of Chip Business Department, Hisense Broadband Multimedia Technologies, Ltd.		
			February 2020	Vice President of Hisense Broadband Multimedia Technologies, Ltd. (current position), General Manager of Manufacturing Center, General Manager of Process Department, General Manager of Chip Business Department		
			June 2021	Director of the Company (current position)		
			[Major double-hatting positions]	Vice President of Hisense Broadband Multimedia Technologies, Ltd.		
Director Vice President and Corporate Officer In charge of legal affairs, strategic management, and business innovation / General Manager of Corporate Planning Office	Hideyuki Kobayashi	April 26, 1967	April 1991	Joined the Company	Note 3	6,000
			September 2012	Plant Manager of Compressor Business Plant		
			June 2013	Deputy General Manager of Compressor Business Plant		
			April 2015	General Manager of Product Strategy Department, Business Division, Sanden Automotive Components Corporation		
			January 2016	General Manager of Business Strategy Department, Corporate Planning Office		
			June 2017	Corporate Officer, General Manager of Corporate Planning Office		
			June 2019	Director and Executive Corporate Officer, General Manager of Corporate Planning Division and in charge of Business Development		
			April 2020	Director, Executive Corporate Officer, in charge of corporate strategy and public relations/SDGs, General Manager of Corporate Planning Office		
			June 2021	Director, Vice President, Corporate Officer, in charge of legal affairs, strategic management, and business innovation, General Manager of Corporate Planning Office (current position) Representative Director and President, Sanden Automotive Components Corporation (current positions)		
			[Major double-hatting positions]	Representative Director and President, Sanden Automotive Components Corporation		

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned Shares
Director	Zhao Fuquan	December 23, 1963	April 1992	Post doctoral researcher, mechanical engineering, Hiroshima University	Note 3	–
			July 1993	Research Fellow, Imperial College London		
			May 1994	Post doctoral researcher and assistant to Professor in mechanical engineering, Wayne State University		
			September 1997	Product engineer, Chrysler (USA) / Daimler Chrysler		
			November 1998	Process expert, Chrysler (USA) / Daimler Chrysler		
			September 1999	Senior process expert, Chrysler (USA) / Daimler Chrysler		
			June 2003	Research Executive, Technology Center, Chrysler (USA) / Daimler Chrysler		
			April 2004	Vice President of Brilliance Jinbei Automotive Co. Ltd. / General Manager of R&D Center Assistant to President of Brilliance Group		
			November 2006	Vice President of Zhejiang Geely Group Holding Co., Ltd.		
			May 2013	Professor, School of Vehicle and Mobility, Tsinghua University (current position), supervisor of PhD students (current position), Director of the Tsinghua Automotive Strategy Research Institute (TASRI) (current position)		
			June 2021	Outside Director of the Company (current position)		
			[Major double-hatting positions]	Professor, School of Vehicle and Mobility, Tsinghua University, supervisor of PhD students Director of the Tsinghua Automotive Strategy Research Institute (TASRI)		
Director	Ju Dongying	July 17, 1954	April 1992	Special researcher, Kyoto University	Note 3	–
			December 1992	Lecturer, Saitama Institute of Technology		
			December 1996	Assistant Professor, Saitama Institute of Technology		
			April 2002	Professor, Saitama Institute of Technology		
			April 2011	Vice President, Saitama Institute of Technology		
			April 2014	Director, Hitech Technology Research Center, Saitama Institute of Technology		
			June 2017	Managing Director, Japan China Science, Technology and Culture Center (current position)		
			April 2020	Guest member, Engineering Academy of Japan (current position)		
			June 2021	Outside Director of the Company (current position)		
			[Major double-hatting positions]	Managing Director, Japan China Science, Technology and Culture Center Guest member, Engineering Academy of Japan		

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned Shares
Audit & Supervisory Board Member	Sun Jiahui	September 11, 1988	February 2012 October 2012 September 2014 August 2017 January 2019 June 2020 June 2021 [Major double-hatting positions]	Assistant Accountant, TMF Group Auditor, Tianzhi International Accounting Firm Auditor, Audit Department, Hisense Group Co., Ltd. Management analysis, Management and Financial Administration Department, Hisense Group Co., Ltd. Deputy General Manager, Management and Financial Administration Department, Hisense Visual Technology Co., Ltd. Deputy General Manager, Management and Financial Administration Department, Hisense Group Holdings Co., Ltd. (current position) Audit & Supervisory Board Member of the Company (current position) Deputy General Manager, Management and Financial Administration Department, Hisense Group Holdings Co., Ltd.	Note 4	–
Full-time Audit & Supervisory Board Member	Shoichi Kaneko	May 17, 1963	April 1988 September 2003 March 2004 April 2008 December 2013 June 2019 June 2021	Joined the Company General Manager, Sanden System Engineering Corporation In charge of IT Division Sanden International (Europe) Ltd. Deputy General Manager General Manager of Management Audit Department, Business Administration Division General Manager, Audit Department, Business Administration Division Full-time Audit & Supervisory Board Member (current position)	Note 4	800
Audit & Supervisory Board Member	Katsuhiko Kato	April 3, 1961	April 1984 November 1991 December 1994 November 1997 August 1998 November 2003 May 2012 May 2013 April 2016 April 2020 June 2021	Joined Mitsubishi Corporation First General Manager of the South American automotive business office established in Chile President, MMC Chile S.A. Manager, Automotive Business Division, Mitsubishi Corporation Deputy President, Isuzu Philippines Corporation Team Leader, Isuzu Business Division, Mitsubishi Corporation Internal Audit Department, Mitsubishi Corporation General Manager, International Business Division, Kansai Paint Co., Ltd. Executive Officer / Corporate Business Division, Kansai Paint Co., Ltd. Director / assistant to chief technology officer, Kansai Paint Co., Ltd. Outside Audit & Supervisory Board Member of the Company (current position)	Note 4	–

Position	Name	Date of birth	Career profile		Term of office (Period)	Number of shares owned Shares
Audit & Supervisory Board Member	Masahiko Imura	March 27, 1957	April 1980 April 2000 April 2001 August 2004 April 2007 April 2008 April 2009 April 2010 April 2014 April 2017 June 2021	Joined Daiwa Securities Co., Ltd. General Manager, SMBC Corporate Business Division IV, Daiwa Securities Co., Ltd. General Manager, Mito Branch, Daiwa Securities Co., Ltd. General Manager, SMBC Nagoya Corporate Business Division I, Daiwa Securities Co., Ltd. Deputy General Manager, Nagoya Branch / General Manager Corporate Business Division I, Daiwa Securities Co., Ltd. General Manager in charge of overseeing corporate business, Daiwa Securities Co., Ltd. Director, Daiwa Investor Relations Co., Ltd. Managing Director, Daiwa Investor Relations Co., Ltd. Managing Director, Daiwa Office Services Co., Ltd. Director, Hikari Business Form Co., Ltd. Outside Audit & Supervisory Board Member of the Company (current position)	Note 4	–
Total						6,800

Notes:
1. Directors Zhao Fuquan and Ju Dongying are outside directors stipulated in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Katsuhiko Kato and Masahiko Imura are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act.
3. One year from the close of the annual general meeting of shareholders held on June 25, 2021
4. Four years from the close of the annual general meeting of shareholders held on June 25, 2021
5. The Company has introduced a Corporate Officer system to strengthen the business execution function and improve management efficiency, and has appointed one President & Corporate Officer (Zhu Dan), two Vice Presidents & Corporate Officers (Hideyuki Kobayashi and Stanka Pejanovic), one Senior Executive Corporate Officer (Tadashi Kondo), four Corporate Officers (Junya Takahashi, Toshiyuki Kikuchi, Yoshio Hashimoto, and Tsuneki Fujikura).

2) Status of outside officers

The Company has two Outside Directors and two Outside Audit & Supervisory Board Members. Outside Directors of the Company have the role and function of ensuring the appropriateness of management by providing advice from a professional standpoint by expressing their opinions at meetings of Board of Directors, Management Committees and other important meetings, while supervising the Company’s management from the perspective of objectivity and neutrality. The Outside Audit & Supervisory Board Members of the Company have the role and function of ensuring effective legality and appropriateness of management by conducting effective audits from the perspective of objectivity and neutrality. To enable appropriate supervision and effective auditing of management when appointing outside directors or outside Audit & Supervisory Board Members, the Company considers the personal relationship, capital relationship, business relationship, or other relationships between the person and the company of origin, and from the perspective of objectivity and neutrality, the Company put great importance to ensuring substantial independence.

The reasons for appointing outside directors and outside Audit & Supervisory Board Members and their relationships with the Company as of June 24, 2021 (filing date of the annual securities report) are as follows.

Outside Director Hideto Ozaki has insight and capabilities in business strategy and business management based on his extensive experience in corporate management at Toyota Motor Corporation, Aioi Nissay Dowa Insurance Co., Ltd. and other companies. The Company appointed him to reflect his insight and capabilities to the management of the Company and strengthen its management base. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured. He holds 2,200 shares of the Company's stock.

Outside Director Yuzo Ushiyama has extensive corporate management experience in the automobile industry and has deep insight and capabilities in the fields of overseas strategic planning, overseas sales, and production management. The Company appointed him to reflect his insight and capabilities to the management of the Company and strengthen its management base. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured. He holds 10,000 shares of the Company's stock.

Outside Audit & Supervisory Board Member Ichiro Yumoto was involved in corporate management in the financial industry and followed this with experience in the manufacturing industry for 10 years. The Company appointed him because he can be expected to provide appropriate audits and advice as an Audit & Supervisory Board Member. Until 2006, Mr. Yumoto served as Managing Executive Officer at Mizuho Corporate Bank, Ltd., which merged with Mizuho Bank, Ltd., one of the major financial institutions with which Sanden conducts transactions. Although Mizuho Bank, Ltd. is one of the number of financial institutions the Company conducts financial transactions with, the degree of dependence on the bank is not outstanding, and since 15 years have passed after his retirement, there is no risk of the bank's influence and the Company has determined that substantial independence from the Company is ensured.

Outside Audit & Supervisory Board Member Kazumichi Matsuki has a wealth of knowledge and experience in corporate legal affairs at a general trading company for many years, as well as corporate management in the manufacturing industry. The Company appointed him because he can be expected for appropriate audits and advice as an Audit & Supervisory Board Member. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured.

Each Outside Audit & Supervisory Board Member cooperates with internal audits, accounting audits and internal control departments by listening to the internal audit results and exchanging information with the accounting auditor.

As agenda items (for resolution) submitted to the annual general meeting of shareholders to be held on June 25, 2021, the Company has proposed the appointment of seven Directors and the appointment of four Audit & Supervisory Board Members. The reasons for appointing the outside directors and outside Audit & Supervisory Board Members who will assume their positions upon the approval of these agenda items and their relationships with the Company are as described below.

Outside Director Zhao Fuquan has deep academic insights and technological prowess cultivated through long years of research on the automotive industry and has deep insights and a high level of skills in management strategy and business administration based on his broad range of experience in corporate management in the automotive industry. We have appointed Mr. Zhao to utilize such skills and experience in the Company’s management and to strengthen our management foundation. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured.

Outside Director Ju Dongying has researched technologies related to automobiles for a long time and has deep academic insights and technological prowess based on this experience. We have appointed Mr. Ju to utilize his skills and experience in the management of the Company and to strengthen the Company’s management foundation. The Company appointed him to reflect his insight and capabilities to the management of the Company and strengthen its management base. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured.

Outside Audit & Supervisory Board Member Katsuhiko Kato has extensive experience and insights cultivated through long years of engagement in relevant operations in the car industry and the management experience of manufacturing and sales operations. We have appointed Mr. Kato as we expect that he will be able to conduct audits and provide advice in an appropriate manner as an Audit & Supervisory Board Member of the Company based on his experience and insights. The Company appointed him to reflect his insight and capabilities to the management of the Company and strengthen its management base. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured.

Outside Audit & Supervisory Board Member Masahiko Imura has extensive experience and insights cultivated through long years of management and other experience in the securities and related industries. We have appointed Mr. Imura as we expect that he will be able to conduct audits and provide advice in an appropriate manner as an Audit & Supervisory Board Member of the Company based on his experience and insights. There is no personal relationship, capital relationship, important business relationship, or other special interests between the person/the company of origin and the Company and the Company has determined that substantial independence from the Company is ensured.

(3) Status of Audit

1) Audit by the Audit & Supervisory Board Members

(i) Organization and personnel

Employing the “Company with an Audit & Supervisory Board” model, the Audit & Supervisory Board consists of one full-time internal, one part-time internal, and two part-time outside members, all of whom perform their duties as Audit & Supervisory Board Members in independent positions. Full-time Audit & Supervisory Board Member Shinji Ichikawa (Chairman of the Audit & Supervisory Board) has highly specialist knowledge and extensive experience in financial institutions as well as a wealth of experience in the fields of planning and administration such as corporate planning, business administration, general affairs, human resources, and auditing as Managing Director of the Company and other positions. Having experience in regional management in Europe, he has an insight into corporate management from a global perspective. Outside Audit & Supervisory Board Member Ichiro Yumoto has been involved in corporate management at financial institution and then for 10 years in the manufacturing industry and has considerable knowledge in corporate management, finance and accounting. Outside Corporate Auditor Kazumichi Matsuki has many years of knowledge and experience in corporate legal affairs in general trading company and corporate management in the manufacturing industry. Part-time Audit & Supervisory Board Member Tomisaburo Igarashi has a wealth of experience and insight cultivated through management in financial institutions and the real estate industry.

To ensure auditing duties are conducted smoothly, the Company has assigned one Audit & Supervisory Board member to concurrently serve in the Business Administration Division.

(ii) Status of activities of the Audit & Supervisory Board

(Holding frequency and attendance status)

During the fiscal year under review, the Company held the Audit & Supervisory Board once a month. The attendance status of each Audit & Supervisory Board Member is as follows. It took about 2 hours and 46 minutes to complete each session.

Name	Number of times held	Attendance
Shinji Ichikawa	16	16 (100%)
Hiroshi Yomo	6	4 (67%)
Ichiro Yumoto	16	16 (100%)
Kazumichi Matsuki	16	16 (100%)
Tomisaburo Igarashi	10	10 (100%)

Notes: 1. Audit & Supervisory Board Member, Hiroshi Yomo, retired from the position of the Audit & Supervisory Board Member on July 29, 2020 due to the expiration of his term of office.

2. The number of attendances of Audit & Supervisory Board Member Tomisaburo Igarashi is counted after his appointment at the 94th Annual General Meeting of Shareholders held on July 29, 2020.

Throughout the year, the following resolutions, reports, and deliberations and consultations were conducted.

Resolutions 14: Audit policy/audit plan/division of duties for the fiscal year, evaluation and reappointment/non-reappointment of accounting auditor, draft audit report, remuneration of Audit & Supervisory Board Members, etc.

Reports 19: Department status report of the holding company, business subsidiary status report, domestic subsidiary status report, financial statement report, financial statement review report, accounting audit report, etc.

Consultations 8: Audit status of business subsidiaries by Audit & Supervisory Board Member, draft audit report of Audit & Supervisory Board Member, compensation of Audit & Supervisory Board Members, consultations with accounting auditors, etc.

(Main considerations)

The Audit & Supervisory Board defines the audit policy, audit plan, division of duties for the fiscal year 2020 and receives reports from each Audit & Supervisory Board member on the implementation status and results of audits. In addition, it receives reports from directors (responsible persons of each division of the Company and Group's business companies) and accounting auditors regarding the status of execution of duties, discuss legal compliance and appropriateness, and monitors whether corporate governance functions effectively. In fiscal 2020, the following status of efforts has been set as a priority audit item and audited: 1) execution status of management plans, including the medium-term plan, execution plan and investment plan, 2) operation status of internal control of the Group, especially status of the Group governance, compliance and quality, 3) execution of important management matters.

(Activity status)

Each Audit & Supervisory Board Member complies with the Auditing Standards established by the Audit & Supervisory Board, attends the Board of Directors, the Management Committee and the Audit & Supervisory Board in accordance with the audit plan for fiscal 2020, and receives reports from directors and employees regarding the status of execution of their duties. Audit & Supervisory Board Members also exchange opinions with Representative Directors once a year and with Outside Directors on a regular basis and make recommendations based on audit reports and findings. Regarding the audit of subsidiaries, the Audit & Supervisory Board Members share information and exchange opinions from the perspective of strengthening the Group audit.

In addition, full-time Audit & Supervisory Board Members attend important meetings of the Company other than the above, inspect important documents such as internal approval documents, conduct department audits and Group company onsite audits, and make recommendations as needed through interviews and exchanges of opinions with division managers and others. In addition, the Audit & Supervisory Board has established an Auditor Liaison Committee, with auditors of subsidiaries, the Legal Affairs Division, and the Business Administration Division, which has an internal auditing division, and regularly exchanges opinions to enhance the effectiveness of audits by the Audit & Supervisory Board Members.

In fiscal 2020, there was no shortage of budget to carry out audits in accordance with the audit plan.

2) Internal audit

The Business Administration Division, which oversees internal audits, has an Audit Department within the Division that conducts business audits and evaluates management regarding the effectiveness of the internal control system in accordance with the Internal Audit Regulations. The Audit Department is composed of four employees as of the filing date of this document.

As for corporate auditors of subsidiaries (auditors in China), eight persons are appointed from the Business Administration Division.

With regard to accounting, information systems, and quality systems of the Group companies, the respective management divisions carry out internal audits, the Business Management Division confirms the status of their implementation, and internal audits of each management division are conducted as necessary.

The Business Administration Division conducts internal audits and audits of corporate auditors of subsidiaries on the status of compliance, the effectiveness of risk management systems, the effectiveness of the Group governance, and the effectiveness of internal control over financial reporting for the Company and each Group company. In cooperation with the accounting auditor, the Business Administration Division reports to the president, the Audit & Supervisory Board Members, and each person in charge and provides guidance and advice for improvement. The Business Administration Division reports the status of internal audits to the Board of Directors to help improve the effectiveness of supervision by Directors.

Full-time Audit & Supervisory Board Members, the Business Administration Division which is responsible for internal audits, and the Legal Affairs Division which is responsible for compliance hold monthly meetings to exchange opinions and information and work closely together.

In accordance with the policy of top management, the Company is currently working on strengthening the Business Administration Division to conduct purchasing audits, quality control audits, and logistics management audits, which were previously carried out by other divisions that had the oversight function, from a more independent and objective standpoint.

3) Audit of financial statements

a. Name of auditing firm

KPMG AZSA LLC

b. Audit Duration

Since 1970

Since the survey was extremely difficult before the above period, the continuous audit period may be the years before the above.

c. Certified Public Accountants engaged in the financial statements audit

Hiroto Yamane

Koji Aida

d. Composition of assistants involved in audit

Assistants to the audit of the financial statements consisted of 22 Certified Public Accountants and 17 others.

e. Policy and reasons for appointing the Independent Auditor

The Company policy for selecting certified public accountants is stipulated as: assuring independence from the Company; Building and operating a quality control system for audits; and ensuring there is global network for conducting the Group audits. In addition, the "policy for dismissal or non-reappointment of an accounting auditor" stipulates that, when the Audit & Supervisory Board determines that each item of Article 340, Paragraph 1 of the Companies Act is applicable, then a certified public accountant should be dismissed and decisions regarding reappointment or non-reappointment should be made in consideration of the status of performance of duties by audit certified public accountants.

The Audit & Supervisory Board is provided with the necessary materials and receives reports from the certified public accountant auditors and executing divisions (Financial Accounting Division, Business Administration Division), and examines the suitability of reappointment of audit certified public accountants every fiscal year.

Specifically, the Company selects the certified public accountant auditors by comprehensively assessing the execution status of their duties, quality control system, external inspections, and review result reports, based on the quarterly financial statement review reports and audit result reports by audit certified public accountants; communication with the audit certified public accountants; communication through executing division reports (Accounting Division, Internal Audit Division); and the results of eligibility evaluation related to the reappointment of the accounting auditor conducted by the Audit & Supervisory Board.

f. Evaluation of auditing firm by the Audit & Supervisory Board and its members

The Audit & Supervisory Board of the Company evaluates certified public accountants. Specifically, according to the “Evaluation of Reappointment of Accounting Auditor” established by the Audit & Supervisory Board, it verifies each item such as (1) quality control of auditing certified public accountants, (2) audit team, (3) compensation for audit work, (4) communication with the Audit & Supervisory Board member, (5) relationship with management, (6) the Group audit, and others. In fiscal 2020, the Audit & Supervisory Board likewise conducted an examination and concluded that auditors, certified public accountants, and others had independent positions and were performing their duties appropriately.

4) Compensation for audit work

a. Compensation for auditors, CPA, etc.

(millions of yen)

Classification	FY2019		FY2020	
	Compensation based on audit certification work	Compensation based on non-audit work	Compensation based on audit certification work	Compensation based on non-audit work
The Company	59	1	62	–
Consolidated subsidiaries	26	–	26	–
Total	85	1	88	–

Notes: 1. The Company pays compensation to certified public accountant auditors, etc. for the agreed procedures as non-audit work.

2. In addition to the amounts of remuneration reported above for fiscal 2019, the Company paid an additional remuneration of 3 million yen concerning fiscal 2018.

3. In addition to the amounts of remuneration reported above for fiscal 2020, the Company paid an additional remuneration of 20 million yen concerning fiscal 2019.

c. Compensation for the same network (KPMG firm) as the auditing CPA (excluding a.)

(millions of yen)

Classification	FY2019		FY2020	
	Compensation based on audit certification work	Compensation based on non-audit work	Compensation based on audit certification work	Compensation based on non-audit work
The Company	–	–	–	–
Consolidated subsidiaries	158	55	202	64
Total	158	55	202	64

Notes: Mainly, compensation for advisory services regarding tax returns is paid as compensation based on non-audit work.

c. Compensation based on other important audit certification work

Not applicable

d. Policy for determining auditors’ compensation

The Company's policy for determining compensation for auditing work provided by certified public accountant auditors, etc. is to pay the necessary and appropriate compensation in order to carry out a reliable audit by an independent third party from the perspective of protecting the public interest or investors. More specifically, the Company receives the details of the audit from the certified public accountant and reviews the appropriateness of the compensation based on the history of previous audit contracts and the time required. The results of these deliberations are proposed to the Board of Corporate Auditors, and the compensation auditing work is determined with the consent of the Board of Corporate Auditors.

e. Reasons why the Audit & Supervisory Board has agreed to the Independent Auditor Compensation

The Audit & Supervisory Board has agreed to the compensation for the Certified Public Accountants, etc. as a result of the following discussions based on the proposed compensation for auditing work received by the executive division from the certified public accountants: (1) Review and evaluation of the number of audit days in the financial audit plan and the audit performance of the previous year, and (2) An explanation to us on the results of scrutiny on the calculation of the estimates on which the compensation, and (3) An evaluation based on of the adequacy of the performance of the audit by the certified public accountants and others in the previous fiscal year.

(4) Executive compensation

1) Policy Pertaining to Determination of Amounts of Executive Compensation and Calculation Methodology Thereof

The Company has established a policy for determining the amount and calculation method of compensation for its officers. Compensation for the Company's Directors and Corporate Officers is determined by taking into account such factors as the Company's performance, the nature of its business operations and economic conditions.

In addition, the Board of Directors has confirmed that the determination method and details of individual remuneration and so on for Directors in relation to the fiscal year under review were consistent with the determination policy approved by the Board of Directors, respecting the recommendations of the Nomination and Compensation Committee. The Board has thus judged that they were in line with the said determination policy.

(i) Basic Policy

Compensation and compositional ratios reflect the role and annual performance of the Company and motivate the officers to increase medium- and long-term corporate value.

(ii) Policy for determining compensation

Directors' compensation consists of basic compensation (fixed), short-term performance-linked compensation (bonus), and performance-linked stock compensation from the perspective of reflecting the Company's performance and more clearly linking it to shareholder value. The payout ratio policy is 70% for base salary, 15% for short-term performance- linked compensation and 15% for performance-linked stock compensation. Audit & Supervisory Board Members are paid only basic compensation as their position is independent of business execution.

(iii) Basic compensation (fixed)

The amount of basic compensation for Directors shall be commensurate with their positions and duties, with reference to industry standards and the results of surveys on executive compensation by external research organizations.

(iv) Short-term performance-linked compensation (bonus)

Short-term performance-linked compensation for Directors is determined on the basis of consolidated performance as an incentive for single-year performance.

The total amount of short-term performance-linked compensation is determined based on the underlying standard fund ratio (0% to 1.2%), which varies depending on profitability and is indexed to consolidated operating income ratio established by the Company. The amount of compensation paid to each Director is, in principle, based on the ratio of basic compensation for each Director.

This metric was selected because it is the most appropriate indicator of the Company's short-term performance. Consolidated financial results for the term ended March 31, 2021 are used as the benchmark for short-term performance-linked compensation for the fiscal year under review.

(v) Performance-linked stock compensation

In order to raise awareness of the contribution of Directors' performance-linked compensation to improving medium- to long-term business performance and increasing corporate value, the Company uses the structure of a stock-issuing trust (Executive compensation Board Incentive Plan (BIP) Trust) to issue the Company's shares, etc. according to the degree of achievement of performance targets for each fiscal year and their position in the Company.

Each director is granted a certain number of points for a certain period of time each year based on his or her position in the period under review, as well as an additional number of points based on the achievement of performance targets. The achievement of performance targets is measured by the consolidated ordinary income ratio, with an add-on ratio of 0% to 30%. The points granted are accumulated each year, and after the director retires, the Company's shares, etc. will be delivered in proportion to the accumulated points.

The reason for selecting this indicator is to link it to the ordinary income ratio, which is the management target of the Company's mid-term management plan. The targets for performance-linked stock compensation for the fiscal year under review are the consolidated ordinary income margin figures planned for the fiscal year under review based on the mid-term management plan, and actual results are based on the consolidated results for the fiscal year ended March 31, 2021.

The Company has decided not to continue this system after the expiry of the trust period on August 31, 2021.

(vi) Procedure for determining remuneration

To ensure the transparency and objectivity of the decision-making process of directors' compensation, the Nomination and Compensation Committee (chaired by an independent outside director), consisting of four directors including two independent outside directors, has been established, and the Board of Directors deliberates and decides on directors' compensation based on the committee's deliberations and recommendations. The compensation of the Audit & Supervisory Board Members is determined by the decision of the Audit & Supervisory Board.

The amount of compensation for directors shall not exceed ¥500 million per year, as resolved at the 81st Ordinary General Meeting of Shareholders held on June 22, 2007. In addition, stock compensation shall not exceed ¥450 million in total over three fiscal years, with an upper limit of 650,000 points (equivalent to 130,000 shares) awarded per fiscal year to directors and corporate officers, as resolved at the 92nd Annual General Meeting of Shareholders held on June 21, 2018.

(vii) Scope of decision-making authority and discretion and activities

The Nominating and Compensation Committee, in consultation with the Board of Directors, shall discuss and advise and make recommendations to the Board of Directors on the following matters.

- Establishment, revision or abolition of the basic policy and standards for determining directors' compensation, etc.
- Details of the amount of compensation for each director
- Other matters deemed necessary by the Nomination and Compensation Committee in relation to the compensation of directors

The Board of Directors deliberates and decides on director compensation based on the advice and recommendations of the Nomination and Compensation Committee.

In the process of determining the compensation of the Company's directors during the fiscal year under review, a total of two meetings of the Nomination and Compensation Committee deliberated on the basic policy, decision-making policy, compensation structure, basic compensation, short-term performance-linked compensation and performance-linked stock compensation, and after making recommendations to the Board of Directors, the Board of Directors made a resolution at its meeting on July 29, 2020.

2) Total amount of compensation by category of executives, total amount of compensation by type of compensation and number of eligible executives.

Category of executives	Total amount of compensation Millions of yen	Breakdown of total amount of compensation				Number of eligible executives (Persons)
		Annual basic salary	Short-term performance-linked compensation	Performance-linked stock compensation	Of remuneration on the left, non-monetary compensation, etc.	
Directors (Excluding Outside Directors)	197	180	–	17	17	6
Audit & Supervisory Board Members (Excluding Outside	22	22	–	–	–	2

Audit & Supervisory Board Members)						
Outside officer	30	30	–	–	–	6

Notes: 1. The above includes one outside director who resigned on April 30, 2020, and one outside Audit & Supervisory Board Member who resigned at the close of the 94th Annual General Meeting of Shareholders held on July 29, 2020.

2. The amount of compensation paid to directors does not include the employee's salary for directors who serve concurrently as employees.
3. The maximum annual compensation limit for directors was resolved at the 81st Annual General Meeting of Shareholders held on June 22, 2007 to be ¥500 million (not including employee salaries).
4. The maximum annual compensation limit for Audit & Supervisory Board Members was set at ¥60 million at the 82nd Annual General Meeting of Shareholders held on June 24, 2008.
5. Non-monetary remuneration, etc. paid to directors (excluding outside directors) consists of ¥17 million in performance-linked stock compensation.

3) Total amount of compensation by category of executives

Since there is no one whose total amount of compensation is more than ¥100 million, this information is not provided.

(5) Status of stocks held

1) Criteria and concept on stocks for investment

The Company has a policy for stocks other than net investment purposes as crossholding of stocks.

2) Stocks for investment held for any purposes other than net investment purpose

a. Method for verifying the holding policy and rationality of holding, and details of the verification by the Board of Directors, etc. of the appropriateness of holding individual stocks

The Company will hold shares if it believes that maintaining and expanding transactions with that company will contribute to the sustained enhancement of the Group's corporate value, taking into account the overall rationality of the business relationship and economic rationale from a medium- to long-term global perspective. Therefore, the Company will reduce its crossholdings of stocks that are inconsistent with this policy in a timely manner. As a specific decision-making process, the Board of Directors shall annually review the rationality and necessity of holding of major crossholding stocks from a medium- to long-term perspective in light of the returns and risks involved, and confirm the aims and rationality of the holdings reflected in the review. In addition, the cost of capital and other criteria is used to determine the rationality of holding the shares, and the returns are verified based on the risk of holding the shares.

b. Number of brands and total balance sheet value

	Number of brands	Total balance sheet amount (Millions of yen)
Unlisted stocks	19	159
Stocks other than unlisted stocks	1	180

(Stocks for which the number of shares increased in the fiscal year under review)

	Number of brands	Total value of acquisition related to the increase in the number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted stocks	–	–	–
Stocks other than unlisted stocks	1	14	Increase due to the regular acquisition by the stock ownership association.

(Stocks for which the number of shares decreased in the fiscal year under review)

	Number of brands	Total value of acquisition related to the decrease in the number of shares (Millions of yen)
Unlisted stocks	2	4
Stocks other than unlisted stocks	1	0

c. Information regarding the number of shares, amounts recorded in the balance sheet, etc., by each stock for "Specific stocks for investment" and "Stocks subject to deemed holding"

Specific stocks for investment

Stocks	Fiscal 2020 Number of shares held by the Company Balance sheets amount (Millions of yen)	Fiscal 2019 Number of shares held by the Company Balance sheets amount (Millions of yen)	Holding purpose, quantitative holding effects and reason for the increased number of shares	Holding of the Company's shares (Yes/None)
Honda Motor Co., Ltd.	54,258 180	49,205 119	To facilitate the smooth promotion of product sales and other operations. Increase due to the regular acquisition by the stock ownership association.	None
NAC Co., Ltd.	– –	100 0	To facilitate the smooth promotion of product sales and other operations. The Company sold all the shares in June 2020 and therefore does not have any shares held as of the filing date.	None

Notes: 1. Although it is difficult to state the quantitative effects of holding shares by stock, the Company verifies the profitability and feasibility of each stock based on annual dividend income and stock valuation gains or losses, etc., and verifies the rationality of holding shares by comprehensively considering business strategies and business relationships.

Stocks subject to deemed holding

Not applicable

3) Stocks for investment held solely for investment purpose

Not applicable

4) The purpose of holding investment shares was changed during the fiscal year under review from net investment purposes to purposes other than net investment purposes.

Not applicable

5) The purpose of holding investment shares was changed during the fiscal year under review from solely for investment purpose to purposes other than solely for investment purpose.

Not applicable

5. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976 “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (hereinafter the “Regulations for Consolidated Financial Statements”).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 59, 1963 “Regulations Concerning the Terminology, Forms and Preparation Methods of Non-Consolidated Financial Statements” (hereinafter the “Regulations for Non-Consolidated Financial Statements”).
As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulations for Non-Consolidated Financial Statements.

2. Auditing and attestation

The original Japanese consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021) were audited by KPMG AZSA LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law.

3. Particular efforts to secure the appropriateness of the consolidated financial statements

The Company takes particular efforts to secure the appropriateness of the consolidated financial statements. Specifically, to ensure correct understanding of the accounting standards, etc., and to establish a system that can be reflected appropriately in the consolidated financial statements, the Company acquires membership in the Financial Accounting Standards Foundation and receives e-mail regularly to ensure the changes in the accounting standards. The Company also endeavors to understand the changes in accounting standards, etc. by participating in seminars on changes in accounting standards conducted by auditing firm and other institutions.

1. Consolidated financial statements

(1) Consolidated financial statements

1) Consolidated balance sheets

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	*1 26,440	*1 19,899
Notes and accounts receivable--trade	*2 45,344	*2 44,979
Merchandise and finished goods	*3 16,193	*3 12,762
Work in process	*4 8,699	*4 5,579
Raw materials	*5 7,514	*5 6,099
Other inventories	2,932	2,386
Accounts receivable--other	4,570	4,197
Consumption taxes receivable	*6 3,780	4,225
Other	8,153	9,420
Allowance for doubtful accounts	(17,842)	(16,702)
Total current assets	105,787	92,847
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,144	14,820
Machinery, equipment and vehicles, net	16,671	10,223
Tools, furniture and fixtures, net	3,359	2,342
Land	10,610	10,094
Leased assets, net	6,764	1,816
Construction in progress	4,971	4,125
Total property, plant and equipment	*7 58,522	*7 43,423
Intangible assets		
Goodwill	13	–
Leased assets	141	–
Other	3,956	815
Total intangible assets	4,111	815
Investments and other assets		
Investment securities	*8 15,903	*8 15,196
Net defined benefit assets	99	134
Deferred tax assets	1,743	1,380
Other	3,165	4,640
Allowance for doubtful accounts	(1,774)	(3,356)
Total investments and other assets	19,138	17,995
Total non-current assets	81,772	62,234
Total assets	187,559	155,081

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable--trade	29,983	33,030
Short-term borrowings	*9 47,497	*9 56,986
Current portion of bonds payable	1,985	2,185
Current portion of long-term borrowings	*10 20,984	*10 24,292
Accounts payable--other	6,341	9,072
Lease obligations	2,627	2,656
Income taxes payable	238	452
Provision for bonuses	1,475	1,330
Provision for sales rebates	169	166
Provision for product warranties	1,736	2,757
Other	8,131	8,993
Total current liabilities	121,170	141,923
Non-current liabilities		
Bonds payable	3,847	1,662
Long-term borrowings	*11 25,938	*11 15,719
Lease obligations	7,610	6,649
Deferred tax liabilities	476	336
Net defined benefit liability	3,491	2,569
Provision for environmental measures	198	505
Provision for director’s stock compensation	153	158
Other	1,972	2,512
Total non-current liabilities	43,689	30,114
Total liabilities	164,859	172,037
Net assets		
Shareholders’ equity		
Capital	11,037	11,037
Capital surplus	3,377	3,377
Retained earnings	12,772	(30,944)
Total net assets	(704)	(674)
Total shareholders’ equity	26,482	(17,204)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(46)	1
Deferred gains or losses on hedges	(50)	(28)
Foreign currency translation adjustment	(3,986)	(873)
Remeasurements of defined benefit plans	(1,648)	(341)
Total accumulated other comprehensive income	(5,732)	(1,241)
Non-controlling interests	1,949	1,490
Total net assets	22,699	(16,956)
Total liabilities and net assets	187,559	155,081

2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Net sales	*1 204,880	*1 137,477
Cost of sales	*2 173,052	*2 129,802
Gross profit	31,827	7,674
Selling, general and administrative expenses	*3 35,229	*3 26,131
Operating income (loss)	(3,401)	(18,456)
Non-operating income		
Interest income	587	450
Dividend income	19	8
Equity in net income of affiliates	71	–
Foreign exchange gains	–	420
Rental income	372	734
Other	694	292
Total non-operating income	1,745	1,906
Non-operating expenses		
Interest expenses	2,400	1,711
Equity in net loss of affiliates	–	676
Foreign exchange losses	2,997	–
Commission expenses	*4 775	–
Advisory expenses	70	1,371
Other	1,835	2,928
Total non-operating expenses	8,079	6,687
Ordinary income (loss)	(9,735)	(23,237)
Extraordinary income		
Gain on sales of non-current assets	*5 1,364	*5 178
Gain on sales of shares of subsidiaries and affiliates	25,403	–
Gain on sales of investment securities	9	0
Other	30	80
Total extraordinary income	26,808	259
Extraordinary losses		
Loss on disposal of non-current assets	*6 733	*6 148
Shutdown expenses	257	957
Impairment loss	*7 11,110	*7 19,272
Structure reform cost	2,284	–
Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries	96	–
Other	264	1,213
Total extraordinary losses	14,746	21,592
Net income (loss) before income taxes	2,326	(44,571)
Income taxes--current	1,031	790
Income taxes--deferred	328	291
Total income taxes	1,360	1,081
Net income (loss)	966	(45,652)
Net income (loss) attributable to non-controlling interest	(1,321)	(401)
Net income (loss) attributable to owners of parent	2,287	(45,251)

Consolidated statements of comprehensive income (Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Net income (loss)	966	(45,652)
Other comprehensive income		
Valuation difference on available-for-sale securities	(301)	42
Deferred gains or losses on hedges	34	22
Foreign currency translation adjustment	622	316
Remeasurements of defined benefit plans	(507)	1,306
Share of other comprehensive income of affiliates accounted for using equity method	(479)	2,775
Total other comprehensive income	※1 (631)	*1 4,463
Comprehensive income	335	(41,189)
Total comprehensive income attributable to:		
Owners of parent	1,821	(40,760)
Non-controlling interests	(1,485)	(428)

3) Consolidated statements of changes in net assets

FY2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	11,037	3,579	10,484	(877)	24,225
Changes during period					
Net income (loss) attributable to owners of parent			2,287		2,287
Purchase of treasury sock				(0)	(0)
Disposal of treasury stock			(0)	172	172
Change in ownership interest of parent due to transactions with non-controlling interests		(202)			(202)
Net changes in items other than shareholders' equity					
Total changes during period	–	(202)	2,287	172	2,257
Balance at the end of period	11,037	3,377	12,772	(704)	26,482

	Accumulated other comprehensive income					Non-controlling interests	Treasury stock
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	257	(84)	(4,297)	(1,140)	(5,265)	4,579	23,538
Changes during period							
Net income (loss) attributable to owners of parent							2,287
Purchase of treasury sock							(0)
Disposal of treasury stock							172
Change in ownership interest of parent due to transactions with non-controlling interests							(202)
Net changes in items other than shareholders' equity	(304)	34	311	(507)	(466)	(2,629)	(3,096)
Total changes during period	(304)	34	311	(507)	(466)	(2,629)	(839)
Balance at the end of period	(46)	(50)	(3,986)	(1,648)	(5,732)	1,949	22,699

FY2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	11,037	3,377	12,772	(704)	26,482
Cumulative effects of application of inflation accounting			1,825		1,825
Restated balance	11,037	3,377	14,597	(704)	28,307
Changes during period					
Net income (loss) attributable to owners of parent			(45,251)		(45,251)
Purchase of treasury sock				(0)	(0)
Disposal of treasury stock				30	30
Decrease in retained earnings by adjustment of inflation accounting			(291)		(291)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(45,542)	30	(45,512)
Balance at the end of period	11,037	3,377	(30,944)	(674)	(17,204)

	Accumulated other comprehensive income					Non-controlling interests	Treasury stock
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	(46)	(50)	(3,986)	(1,648)	(5,732)	1,949	22,699
Cumulative effects of application of inflation accounting							1,825
Restated balance	(46)	(50)	(3,986)	(1,648)	(5,732)	1,949	24,524
Changes during period							
Net income (loss) attributable to owners of parent							(45,251)
Purchase of treasury sock							(0)
Disposal of treasury stock							30
Decrease in capital surplus and retained earnings by adjustment of inflation accounting							(291)
Net changes in items other than shareholders' equity	48	22	3,113	1,306	4,490	(459)	4,030
Total changes during period	48	22	3,113	1,306	4,490	(459)	(41,481)
Balance at the end of period	1	(28)	(873)	(341)	(1,241)	1,490	(16,956)

4) Consolidated statement of cash flows

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Net income (loss) before income taxes	2,326	(44,571)
Depreciation	10,088	8,607
Amortization of goodwill	13	13
Increase (decrease) in provision for bonuses	(892)	(156)
Increase (decrease) in retirement benefit liability	422	(962)
Increase (decrease) in allowance for doubtful accounts	170	723
Increase (decrease) in provision for product warranties	(451)	968
Increase (decrease) in provision for environmental measures	(40)	290
Increase (decrease) in provision for outstanding claims	(432)	–
Interest and dividend income	(606)	(459)
Interest expenses	2,400	1,711
Equity in net income (loss) of affiliates	(71)	676
Loss on reversal of foreign currency translation adjustment incurred from liquidation of foreign subsidiaries	96	–
Gain on sales of non-current assets	(1,364)	(178)
Loss on disposal of non-current assets	733	148
Loss (gain) on sales of shares of subsidiaries and associates	(25,403)	–
Loss (gain) on sales of investment securities	(9)	0
Impairment loss	11,110	19,272
Structure reform cost	2,284	–
Decrease (increase) in trade receivables	13,187	1,981
Decrease (increase) in inventories	(1,231)	9,979
Decrease (increase) in accounts receivable--other	861	451
Decrease (increase) in consumption taxes receivable	334	(173)
Increase (decrease) in other non-current liabilities	85	(259)
Increase (decrease) in trade payables	(3,839)	2,580
Increase (decrease) in accounts payable--other	(435)	2,874
Increase (decrease) in accrued expenses	372	1,078
Decrease (increase) in other current assets	98	69
Increase (decrease) in other current liabilities	(575)	(955)
Other	(34)	(210)
Subtotal	9,197	3,499
Interest and dividends received	2,308	1,591
Interest paid	(2,451)	(1,742)
Income taxes (paid) refund	14	(114)
Extra retirement payments	(1,849)	–
Cash flows from operating activities	7,219	3,234

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Proceeds from collection of short-term borrowings	2,300	0
Purchase of property, plant and equipment	(9,821)	(7,076)
Proceeds from sales of property, plant and equipment	5,395	1,686
Purchase of intangible assets	(1,633)	(863)
Purchase of investment securities	(115)	(14)
Proceeds from sales of investment securities	19	4
Payments into time deposits	(3,480)	(13)
Proceeds from sales of shares of subsidiaries and associates	35,604	–
Proceeds from sales of shares of subsidiaries for prior periods	–	1,000
Other	183	(385)
Cash flows from investing activities	28,452	(5,661)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,697	8,828
Proceeds from long-term borrowings	840	531
Repayment of long-term borrowings	(23,418)	(8,344)
Redemption of bonds	(1,505)	(1,985)
Repayments of lease obligations	(2,397)	(2,662)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	172	30
Dividends paid to non-controlling interests	(183)	(30)
Payments from changes in ownership interests in subsidiaries	(882)	–
Other	–	(0)
Cash flows from financing activities	(24,677)	(3,632)
Effect of exchange rate change on cash and cash equivalents	(312)	552
Net increase (decrease) in cash and cash equivalents	10,681	(5,507)
Cash and cash equivalents at beginning of period	13,030	23,711
Cash and cash equivalents at the end of the period	*1 23,711	*1 18,203

[Notes]

(Going concern assumption)

In the fiscal year ended March 31, 2020, the Group posted ¥204,880 million in net sales, down 25% from the fiscal year ended March 31, 2019, ¥3,401 million in operating loss, and ¥9,735 million in ordinary loss due to the impact of the sale of all the issued and outstanding shares of SDRS, a major subsidiary in the Retail Store Systems Business, declining vehicle sales in European and Chinese markets in the Automotive Systems Business, and the impact of the global spread of the COVID-19 pandemic. The total amount of borrowings and corporate bonds at the end of fiscal 2019 was ¥100,252 million. This was at a higher level than cash on hand of ¥23,711 million and current liabilities exceeded current assets.

In the fiscal year under review (fiscal 2020), the Company posted ¥137,477 million in net sales, down 32.9% year on year, ¥18,456 million in operating loss, and ¥23,237 million in ordinary loss, due to the impact of the sale of SDRS shares and the impact of the global spread of the COVID-19 pandemic on the Automotive Systems Business. The total amount of borrowings and corporate bonds at the end of fiscal 2020 was ¥100,846 million. This was at a higher level than cash on hand of ¥18,203 million and current liabilities exceeded current assets. The total amount of liabilities at the end of fiscal 2020 was ¥172,037 million and exceeded the total amount of assets which was ¥155,081 million.

As a result of the above, we are aware that there are circumstances that may cast significant doubt on our ability to continue as a going concern.

To overcome this difficult situation, on June 30, 2020, the Company and some of its subsidiaries (hereinafter, collectively referred to as the “Company, etc.”) made an official request to commence the business revitalization ADR procedures to establish a robust earnings basis for future regrowth and to fundamentally improve our financial position. In addition, on March 1, 2021, the Company signed a share subscription agreement with Hisense Home Appliances Group Co., Ltd. (hereinafter, “Hisense Home Appliances Group”) for the Company to issue common shares worth approximately ¥21.4 billion in total by means of third-party allotment (hereinafter, the “Third-party Allotment”) to a special purpose company to be established by Hisense Home Appliances Group.

Thereafter, at the second meeting held on March 22, 2021 as continuation to the second meeting of creditors (meeting of creditors to discuss a proposed business revitalization plan), the Company, etc. explained to the financial institutions with which they had transactions a business revitalization plan proposal that had been prepared following consultations with Hisense Home Appliances Group and Hisense Japan Automotive Air-Conditioning Systems, a special purpose company established by Hisense Home Appliances Group, based on the content of the above-mentioned share subscription agreement, asking the financial institutions to consider the plan’s details including the waiver of the Company’s debts. The business revitalization ADR procedures commenced on May 7, 2021 as all the financial institutions that had transactions with the Company and fell under applicable creditors gave their consent to the business revitalization plan and submitted a letter of consent as an evidence of their consent at the meeting held on the same day as continuation to the third meeting of creditors (meeting of creditors to approve the proposed business revitalization plan).

The debt waiver was subject to the completion of payment in relation to the Third-party Allotment. At the Company’s Extraordinary General Meeting of Shareholders held on May 27, 2021, it was approved to revise the part of the Company’s Article of Incorporation related to increasing the total number of authorized shares. All the agenda items concerning the Third-party Allotment were also approved at the same meeting. The payment for capital increase by means of the Third-party Allotment was completed on May 31, 2021. As a result, the debt waiver took effect. For details such as the number of shares issued and issue price, and details of the debt waiver, please refer to “Completion of payment for capital increase through third-party allotment” and “Completion of business revitalization ADR procedures and effectuation of debt waiver” in “Significant subsequent events.” With respect to the Company’s debts to applicable creditors that will remain outstanding after the debt waiver, the Company needs to repay the principal of the entire amount of the remaining debts promptly (at least within three months) after the date on which the payment related to the Third-party Allotment was completed (which coincided with the date on which the debt waiver took effect). The Company will therefore raise funds to repay the principal of all the remaining debts in cooperation with Hisense Home Appliances Group.

Of these measures, however, fundraising to repay the principal of the remaining debts has not been completed. The Company therefore recognizes that there are significant uncertainties related to the going concern assumption.

Note that the consolidated financial statements have been prepared on a going concern basis and do not reflect the effect of significant uncertainties related to the going concern assumption.

(Major notes to consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated group companies: 38

Consolidated subsidiaries are omitted as these are presented in “4 Information on subsidiaries and affiliates” in “1. Overview of the Company”.

(2) Number of major non-consolidated subsidiaries: Sanden Bright Partner Corporation

(Reason for exclusion from the scope of consolidation)

Total assets, net sales, net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method) of unconsolidated subsidiaries do not have a material impact on the consolidated financial statements.

2. Equity method

(1) Number of companies accounted for by the equity method: 6

Main company names

Sanden Huayu Automotive Air- Conditioning Co., Ltd.

Shenyang Sanden Automotive Air-Conditioning Co. Ltd.

(2) Of the non-consolidated subsidiaries and affiliates not accounted for by the equity method, the major one is Sanpak Engineering Industries (Pvt) Ltd. Non-equity-method companies are excluded from the scope of application of the equity method because their net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method), etc., would not have a material impact on the consolidated financial statements if they were excluded from the scope of application of the equity method, and their overall importance would not be significant.

(3) For those companies accounted for under the equity method whose fiscal year end differs from the consolidated fiscal year end, the financial statements of these companies for their respective fiscal years are used.

3. Accounting period of consolidated subsidiaries

The fiscal year-end of the following consolidated subsidiaries is December 31: Tianjin Sanden Automotive Air-Conditioning Co., Ltd., Sanden (Suzhou) Precision Parts Co., Ltd., Sanden Chongqing Automotive Air Conditioning Co., Ltd., Sanden Automotive Technology (Shanghai) Co., Ltd., Sanden Shanghai Thermal Environmental System Co., Ltd., Sanden Manufacturing Mexico SA de CV.

In preparing the consolidated financial statements, the financial statements as of that date are used, and necessary adjustments are made for consolidation purposes to account for significant transactions that occurred between that date and the consolidated closing date.

The fiscal year end of Choon Tian International Trading (Shanghai) Co., Ltd. is the last day of December, and the consolidated financial statements were prepared based on the provisional financial statements as of the end of March.

4. Accounting policies

(1) Valuation criteria and methods for significant assets

A. Securities

Other securities

- Marketable securities:
  Marketable securities are carried at fair value based on quoted market prices as of the end of the fiscal year. Any changes in unrealized gain or loss are directly included in net assets and the costs of securities sold are generally calculated by the moving average method.
- Non-marketable securities:
  Non-marketable securities are carried at cost determined by the moving average method.
  For those securities whose real value has been significantly reduced, a substantial reduction has been made.

B. Derivative financial instruments

Derivative financial instruments are stated at fair value.

C. Inventories

Inventories are primarily stated at cost method determined by the weighted average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

(2) Depreciation method for significant depreciable assets

A. Property, plant and equipment (excluding leased assets)

The straight-line method is adopted.

The main useful lives are as follows.

Buildings and structures: 3-50 years

Machinery, equipment and vehicles: 2-15 years

The Company and its consolidated subsidiaries in Japan have adopted a method in which small amounts of depreciable assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are depreciated in equal amounts over three years.

B. Intangible assets (excluding leased assets)

The straight-line method is adopted.

Depreciation of software for internal use is calculated by the straight-line method based on its useful life in the Company.

C. Leased assets

Leased assets related to the finance lease transactions other than those where the ownership of the lease assets is deemed to be transferred to the lessee is amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

The financial statements of overseas consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards. However, the Company has applied International Financial Reporting Standards No. 16, "Leases" ("IFRS 16"). Under IFRS 16, all leases as lessee are recorded as assets and liabilities in the consolidated balance sheets, in principle, and right-of-use assets capitalized are depreciated using the straight-line method. Lease transactions under IFRS 16 are classified as 1. Finance lease transactions in (Lease transactions).

(3) Basis for accounting for significant provisions

A. Allowance for doubtful accounts

To prepare for losses due to the credit loss of monetary claims, the Company and its domestic consolidated subsidiaries consider the actual loan loss rate for general claims and the collectability of specific claims such as doubtful debts individually and record the estimated uncollectible amount. Overseas consolidated subsidiaries have provided an allowance for doubtful accounts at the estimated amounts of possible losses mainly for specific receivables.

B. Provision for bonuses

To provide for the payment of bonuses to employees, an estimated amount of bonus payments corresponding to the consolidated fiscal year under review is recorded.

C. Provision for sales rebates

To provide for sales rebates for automotive equipment systems and other products, an amount of sales rebates estimated to be incurred is recorded.

D. Provision for product warranties

To provide for the free post-sales service costs of products, product warranties for costs that can be estimated individually in addition to the amount based on the rate of occurrence in the past fiscal years as a percentage of net sales are recoded.

E. Provision for environmental measures

Costs related to soil and water contamination at the location and neighboring areas of former plants of The Vendo Company, a consolidated subsidiary in the U.S., are recorded based on an estimated amount of future costs.

F. Provision for director’s stock compensation

To prepare for the issuance of the Company's shares by the Executive Compensation BIP Trust, the Company records the estimated amounts of shares to be paid out based on the points allocated to the executives and others in accordance with the stock issuance regulations.

(4) Accounting method for retirement benefits

- Method of attributing the estimated amount of retirement benefits to the period

  In calculating retirement benefit obligations, the estimated amount of retirement benefits attributed to the end of the fiscal year under review is calculated using the benefit calculation formula.

  Amortization of actuarial differences and past service costs.

  Past service costs are amortized on a straight-line method over a fixed number of years within the average remaining service period of employee at the time they are incurred.

  Actuarial differences are amortized on a straight-line method over a fixed number of years within the average remaining service period of employees at the time of recognition in each fiscal year. The Company amortizes them in a lump sum in the year of occurrence.

(5) Basis for translating significant foreign currency-denominated assets and liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot rates of exchange in effect at the consolidated balance sheet date and the translation differences are treated as profit or loss. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the spot rate of exchange on the consolidated closing date. Revenues and expenses are translated into Japanese yen at the average exchange rate for the period, with translation differences included in foreign currency translation adjustments and non-controlling interests in net assets.

(6) Significant hedge accounting methods

A. Hedge accounting method

Deferred hedge accounting is adopted.

However, exceptional treatment is applied to interest rate swaps that meet the requirements for exceptional treatment.

B. Hedging instruments and hedged items

- Hedging instruments

  Futures contracts, interest rate swaps and commodity derivatives

- Hedged items

  Foreign currency denominated receivables and forecasted foreign currency transactions, interest on floating rate borrowings, and cost of raw materials purchased

C. Hedging policy

In principle, the Company enters into forward foreign exchange contracts to hedge the foreign exchange fluctuation risk associated with foreign currency-denominated receivables, which corresponds to the portion of sales from Japan.

In addition, the Company enters into interest rate swaps to hedge the risk of interest rate fluctuations on interest payments and commodity derivatives to hedge the risk of price fluctuations on raw materials.

D. Assessment of hedge effectiveness

Hedging is applied on the condition that the change in the market value of the hedged item and the change in the market value of the hedging instrument do not deviate by 20% or more, and the assessment of the effectiveness of the hedge is confirmed.

However, the Company does not evaluate the effectiveness of interest rate swaps for which special accounting is used.

(7) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over five years.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn from time to time, and short-term investments that are easily converted to cash and that mature within three months of the date of acquisition and are subject to insignificant risk of change in value.

(9) Other important matters for the preparation of consolidated financial statements

A. Accounting treatment for consumption tax, etc.

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

B. Accounting treatment of overseas subsidiaries

The Company has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force No. 18, June 28, 2019) and has made the necessary adjustments to its consolidated accounts.

C. Application of the consolidated tax payment system

The consolidated tax payment system is applied.

D. Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc. (Law No. 8, 2020) and for items that were reviewed in the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, subject to the treatment of paragraph 3 of the "Application of tax effect accounting for the transition from the consolidated taxation system to group tax sharing system” (Practical Issues Task Force No. 39, March 31, 2020), the Company and certain of its domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the "Guidance on Accounting Standards for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and calculate the amount of deferred tax assets and deferred tax liabilities in accordance with the provisions of pre-revision tax laws.

(Significant accounting estimates)

Impairment of non-current assets of European manufacturing subsidiaries in the Automotive Systems Business

1) Amount recorded in the consolidated financial statements for the consolidated fiscal year under review

An impairment loss of ¥19,272 million was recorded in the consolidated financial statements for the fiscal year under review. After the impairment loss, the book value of property, plant and equipment and intangible assets (hereinafter referred to as “Non-Current Assets”) is ¥44,238 million. Of this amount, the amounts related to Non-Current Assets of Sanden Manufacturing Europe S.A.S. (hereinafter referred to as “SME”) and Sanden Manufacturing Poland sp.z o. o. (hereinafter referred to as “SMP”), European manufacturing subsidiaries in the Automotive Systems Business, are as follows.

(Millions of yen)

	SME		SMP
	Electronic line equipment	Other	
Impairment loss	–	46	4,956
Book value after impairment loss	3,031	783	4,606

2) Information on significant accounting estimates for the items identified

The Group’s grouping assets are mainly grouped based on management accounting categories that are continuously monitored for income and expenditure. If any indication of impairment is found for Non-Current Assets, whether an impairment loss should be recognized needs to be determined by comparing the total amount of undiscounted future cash flows with the book value of the Non-Current Assets. If it is determined that an impairment loss should be recognized, the book value is written down to the recoverable amount, and the resulting decrease in the book value is recognized as an impairment loss. As SME and SMP adopt International Financial Reporting Standards (IFRS), if any indication of impairment is found for Non-Current Assets, it is required to calculate the recoverable amount and compare it with the book value (hereinafter referred to as the “Impairment Test”).

Given the planned review of the Group's compressor sales plan and global production structures in response to the prolonged impact of COVID-19 as part of the business revitalization plan formulated by the Company, we conducted the Impairment Test for Non-Current Assets of SME and SMP considering that there must be signs of their impairment.

In the Impairment Test for Non-Current Assets of SME and SMP, the recoverable amount was calculated using the value in use, and the forecasted unit sales of air-conditioning systems for automobiles that serve as the basis for estimating future cash flows and the discount rate used for the measurement of the value in use are incorporated as major assumptions.

Under the current conditions in which the impact of COVID-19 has not contained yet, the forecasting of unit sales and the estimation of the discount rate involve a high degree of uncertainty. Therefore, if the forecast and future results differ, the difference may have a significant impact on the amount of Non-Current Assets in the consolidated financial statements for the next consolidated fiscal year.

(Accounting standards to be adopted)

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

a. Overview

These are the comprehensive accounting standards for revenue recognition and revenue is recognized by applying the following five steps.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as performance obligations are met

b. Scheduled date of adoption

To be applied from the fiscal year ending March 2022.

c. Effect of adoption

The effect of adoption of the aforementioned standards on the Company's consolidated financial statements is immaterial.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement of (ASBJ Guidance No. 31, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- The "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020)

a. Overview

In order to improve comparability with international accounting standards' provisions, the "Accounting Standard for Measurement of Fair Value" and the "Guidance on Accounting Standard for Measurement of Fair Value" (hereinafter referred to as "the Accounting Standard for Measurement of Fair Value") were developed, and the guidance on calculation of fair value was established. The "Accounting Standard for Measurement of Fair Value" is applied to the fair value in the following items.

- Financial Instruments in the Accounting Standard for Financial Instruments
- Inventories held for trading purposes under the Accounting Standard for Measurement of Inventories

The "Guidance on Disclosures about Fair Value of Financial Instruments" has been revised and notes such as the breakdown of each level of fair value of financial instruments have been defined.

b. Scheduled date of adoption

To be applied from the fiscal year ending March 2022.

C. Effect of adoption

The effect of adoption of the aforementioned standards on the Company's consolidated financial statements is under evaluation.

(Changes in presentation)

Adoption of "Accounting Standard for Disclosure of Accounting Estimates"

With adoption of "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) effective from the consolidated financial statements at the end of the fiscal year under review, a note on significant accounting estimates to the consolidated financial statements is stated.

However, pursuant to the transitional treatment provided in the proviso to paragraph 11 of the Accounting Standard, the note does not include relevant information for fiscal 2019.

Consolidated statements of income

“Impairment loss,” which was included in “Structure reform cost” under “Extraordinary losses” in the previous fiscal year, has been presented as a separate item in the consolidated fiscal year under review due to its increased significance. To reflect this change in presentation, the consolidated financial statements for fiscal 2019 have been reclassified.

As a result, ¥13,395 million included in “Structure reform cost” under “Extraordinary losses” in the consolidated statements of income for fiscal 2019 has been reclassified as "Impairment loss” of ¥11,110 million and “Structure reform cost” of ¥2,284 million.

“Rent income,” which was included in “Other” under “Non-operating income” in fiscal 2019, has been presented as a separate item in the fiscal year under review due to its increased significance. To reflect this change in presentation, the consolidated financial statements for fiscal 2019 have been reclassified.

As a result, ¥1,067 million included in “Other” in the consolidated statements of income for fiscal 2019 has been reclassified as "Rental income” of ¥372 million and “Other” of ¥694 million.

“Advisory expenses,” which were included in “Other” under “Non-operating expenses” in fiscal 2019, has been presented as a separate item in the fiscal year under review due to its increased significance. To reflect this change in presentation, the consolidated financial statements for fiscal 2019 have been reclassified.

As a result, ¥1,905 million included in “Other” under “Non-operating expenses” in the consolidated statements of income for fiscal 2019 has been reclassified as "Advisory expenses” of ¥70 million and “Other” of ¥1,835 million.

“Shutdown expenses,” which were included in “Other” under “Extraordinary losses” in fiscal 2019, has been presented as a separate item in the fiscal year under review due to its increased significance. To reflect this change in presentation, the consolidated financial statements for fiscal 2019 have been reclassified.

As a result, ¥521 million included in “Other” in the consolidated statements of income for fiscal 2019 has been reclassified as "Shutdown expenses” of ¥257 million and “Other” of ¥264 million.

Consolidated statement of cash flows

“Impairment loss,” which was included in “Structure reform cost” under “Cash flows from operating activities” in fiscal 2019, has been presented as a separate item in the fiscal year under review due to its increased significance. To reflect this change in presentation, the consolidated financial statements for fiscal 2019 have been reclassified.

As a result, ¥13,395 million included in “Structure reform cost” under “Cash flows from operating activities” in the consolidated statement of cash flows for fiscal 2019 has been reclassified as "Impairment loss” of ¥11,110 million and “Structure reform cost” of ¥2,284 million.

(Additional information)

The impact of the spread of COVID-19

As for the impact of the spread of COVID-19 on the Group, there remains uncertainty in such aspects as the future spread of the infection, the timing of containment, and the outlook of market trends after containment.

Under these circumstances, based on the information available at the time of the preparation of the financial statements, the Group assumes that the impact of the spread of COVID-19 will continue for a certain period of time in the future, and makes accounting estimates, such as the cash flow related to the assumptions of a going concern, impairment of non- current assets, and the possibility of recovering deferred tax assets.

If the spread of the COVID-19 infection is prolonged, it could have a significant impact on the Group's business results and financial position.

Accounting treatment in hyperinflationary economies

Effective from the second quarter of the consolidated fiscal year under review, the equity method is applied to the financial statements of an Iranian affiliated company after making adjustments in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies.”

In association with this, retained earnings at the beginning of the consolidated fiscal year under review increased by ¥1,825 million as an accumulated impact in case of the retrospective application of the accounting standard.

Transaction related to the executive compensation Board Incentive Plan (BIP) Trust

The Company has introduced the executive compensation Board Incentive Plan (BIP) Trust (hereinafter referred to as the “Plan") for directors, and corporate officers and counselors who have entered into a delegation agreement with the Company (excluding overseas residents, outside directors and part-time directors, hereinafter referred to as “Directors, etc.”), with the purpose of raising awareness of its contribution to improving the Company's medium- to long-term performance and increasing corporate value.

The 92nd Annual General Meeting of Shareholders held on June 21, 2018 approved the proposal for the continuation of the Plan, and the Board of Directors resolved to dispose of treasury stock through a private placement at the Board of Directors meeting held on August 8, 2018.

The accounting treatment for trusts conforms to the “Practical Solution on Transactions to Deliver the Company's Shares to Employees, etc. through Trusts” (Practical Issues Task Force No. 30, March 26, 2015).

a. Outline of the transaction

Under this plan, shares of the Company's stock are acquired through a trust as the source of compensation for Directors, etc. contributed by the Company, and the Company's shares are delivered to the subject directors and others in accordance with the degree of achievement of performance targets and their positions in each fiscal year. However, in principle, directors, etc. will receive the Company's shares at the time of their retirement.

b. Treasury stock remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock in net assets at the book value of the trust (excluding incidental expenses). The book value and number of shares of treasury stock were ¥450 million and 206,494 shares for the previous fiscal year, and ¥370 million and 192,639 shares for the fiscal year ended March 31, 2021.

(Notes to the consolidated financial statements)

Note 1: *7

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Accumulated depreciation of property, plant and equipment	166,296	187,375

Note: Accumulated depreciation of property, plant and equipment includes the accumulated impairment loss

Note 2: *8

Items related to non-consolidated subsidiaries and affiliates are as follows. (Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Investment securities	15,619	14,856

Note 3: *1, 2, 3, 4, 5, 7, 9, 10, 11

Assets pledged as collateral and secured debt are as follows. (Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets pledged as collateral		
Buildings and structures	2,333	5,619
Machinery and equipment	1,895	1,996
Merchandise and finished goods	1,688	4,595
Land	1,364	8,449
Accounts receivable －trade	1,339	2,488
Other	824	1,367
Total	9,445	24,517
Secured debt		
Short-term borrowings	5,619	1,080
Current portion of long-term borrowings	8	115
Long-term borrowings	141	667
Total	5,769	1,863

Note 4: Contingent labilities

a. The Company provides debt guarantees for borrowings and other debt from financial institutions of non-consolidated companies as follows.

FY2019 (As of March 31, 2020) (Millions of yen)

Segment		Amount
Debt guarantee	Sanpak Engineering Industries (Pvt)Ltd.	PKR 650,000 thousand 429
	Total	429

FY2020 (As of March 31, 2021) (Millions of yen)

Segment		Amount
Debt guarantee	Sanpak Engineering Industries (Pvt)Ltd.	PKR 599,998 thousand 437
	Total	437

b. Other

FY2019 (As of March 31, 2020)

In connection with the plea agreement with the U.S. Department of Justice, civil lawsuits (class action lawsuits) and other lawsuits have been filed in North America seeking damages. Some of these lawsuits have already been settled. The outcome of other pending lawsuits could have an impact on the Group's business results, but it is difficult to make a reasonable estimate of the amount of these lawsuits at this time, and it is unclear how much of an impact these lawsuits could have on the Group's business results and financial position.

FY2020 (As of March 31, 2021)

In connection with the plea agreement with the U.S. Department of Justice, civil lawsuits (class action lawsuits) and other lawsuits have been filed in North America seeking damages. Some of these lawsuits have already been settled.

In addition, in relation to the European Commission's decision to impose fines, we are in a settlement negotiation with certain of our customers. The outcome of these pending lawsuits and settlement negotiations could have an impact on the Group's business results, but it is difficult to make a reasonable estimate of the amount of these lawsuits at this time, and it is unclear how much of an impact these lawsuits could have on the Group's business results and financial position.

Note 5: *6

The balances of securitized receivables were accounted for as financial transactions as follows. (Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Consumption taxes receivable	570	–

The liabilities corresponding to securitization of the above-mentioned receivables are recorded in other current liabilities in the amount of ¥570 million for the fiscal year ended March 31, 2020 and there is no such amount for the fiscal year ended March 31, 2021.

(Notes to the consolidated statements of income)

Note 1: *1

Provision for sales rebates: Provision for sales rebates is accounted for as a deduction from net sales and the amounts are as follows. (Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Provision for sales rebates	169	166

Note 2: *3

Selling, general and administrative expenses:

The main items in selling, general and administrative expenses are as follows. (Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Salary	13,257	9,270
Fare	2,253	907
Depreciation	2,374	2,087
Provision for bonuses	1,597	391
Provision for product warranties	2,279	1,906
Retirement benefit expenses	636	394

Note 3: *2 and 3

Research and development expenses (Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Research and development expenses included in general and administrative expenses and total manufacturing costs for the fiscal year	7,811	5,686

Note 4: *4

Non-operating commission expenses

FY2019 (April 1, 2019 to March 31, 2020)

Advisory fees related to the sale of shares are recorded.

FY2020 (April 1, 2020 to March 31, 2021)

Not applicable

Note 5: *5

Gain on sales of non-current assets (Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Buildings and structures	0	18
Machinery, equipment and vehicles, etc.	22	52
Tools, furniture and fixtures	52	25
Land	1,279	81
Other	9	0
Total	1,364	178

Note 6: *6

Loss on disposal of non-current assets (Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Buildings and structures	93	8
Machinery, equipment and vehicles, etc.	74	35
Tools, furniture and fixtures	8	4
Land	99	–
Other	457	100
Total	733	148

Note 7: *7

Impairment loss

FY2019 (April 1, 2019 to March 31, 2020)

The Group recorded an impairment loss of ¥11,110 million for the following asset groups, which is included in extraordinary losses.

(1) Details and amount of impairment losses

Location	Use	Classification	Amount
Isesaki- shi, Gunma, Japan	Automotive Systems Business	Machinery, equipment and vehicles, etc.	4,003
Maebashi-shi, Gunma	Other business	Land	4,570
Tianjin, People's Republic of China	Automotive Systems Business	Machinery, equipment and vehicles, etc.	1,409
Ayutthaya Thailand	Automotive Systems Business	Machinery, equipment and vehicles, etc.	1,014
Tinteniac France	Automotive Systems Business	Machinery, equipment and vehicles, etc.	112

*Breakdown of major impairment losses by location

- Isesaki-shi, Gunma: ¥3,352 million of leased assets; ¥308 million of buildings and structures; and ¥114 million of machinery, equipment and vehicles
- Tianjin, People's Republic of China: ¥667 million of machinery, equipment and vehicles; and ¥201 million of tools, furniture and fixtures
- Ayutthaya, Thailand: ¥785 million of machinery, equipment and vehicles; ¥229 million of tools, furniture and fixtures

(2) Grouping Methods

The Group’s grouping assets are mainly grouped based on management accounting categories that are continuously monitored for income and expenditure. In addition, leased properties and idle assets are grouped into the smallest possible unit. In addition, the land and buildings of the headquarters and welfare facilities are classified as shared assets because they do not generate independent cash flows.

(3) Background to the recognition of the impairment loss

We reduced the book value of production facilities, buildings, and land, and surplus production facilities, which were unlikely to provide returns on investment over the remaining useful life of the main buildings and facilities, to their recoverable amounts at the end of the fiscal year under review. This resulted from factors such as changes to the use of properties to for-lease properties following a comprehensive reorganization of production systems, which is a key strategy in the Mid-Term Plan SCOPE 2023, and the sale of the outstanding shares of Sanden Retail Systems Corporation amid the once-in-a-century major transformation of the automotive industry.

(4) Method of calculating the recoverable amount

The recoverable amount is measured at the higher of value in use or net sales value. The net sales value is mainly evaluated by the appraisal value by a real estate appraiser.

Business assets that are not expected to generate future cash flows from use and are not expected to be sold at a price that exceeds the cost of disposal are valued at residual value.

FY2020 (April 1, 2020 to March 31, 2021)

For the fiscal year ended March 31, 2021, the Group recorded an impairment loss of ¥19,272 million on the following asset groups, which is included in extraordinary losses.

(1) Details and amount of impairment losses

Location	Use	Type	Amount
Isesaki- shi, Gunma, Japan	Automotive Systems Business, Other Business	Machinery, equipment and vehicles, etc.	14,269
Polkowice Poland	Automotive Systems Business	Machinery, equipment, and other	4,956

* Major components of impairment losses and, amount of impairment losses of major asset groups, by location

- Isesaki-shi, Gunma
  Major components: ¥5,109 million of leased assets; ¥774 million of buildings and structures; and ¥2,335 million of machinery, equipment and vehicles
  Amount of impairment losses of major asset groups: ¥9,979 million of Yattajima Plant, and other
- Polkwice Poland
  Major components: ¥4,841 million of machinery, equipment and vehicle, and other
  Amount of impairment losses of major asset groups: ¥4,956 million of SMP, and other

(2) Grouping Methods

The Group’s grouping assets are mainly grouped based on management accounting categories that are continuously monitored for income and expenditure. In addition, leased properties and idle assets are grouped into the smallest possible unit. In addition, the land and buildings of the headquarters and welfare facilities are classified as shared assets because they do not generate independent cash flows.

(3) Background to the recognition of the impairment loss

The Company strived to enhance its earnings base and further improve its financial strength under the Mid-Term Management Plan SCOPE 2023. In 2020, however, the Company suffered significant declines in revenues and profit due to temporary shutdowns of factories and other impacts of the global spread of COVID-19. As a result, at the end of the consolidated fiscal year under review, the book values of production facilities for which investment recovery within their remaining useful lives are not expected among major facilities were written down to their recoverable amounts.

(4) Method of calculating the recoverable amount

The recoverable amount is measured at the higher of value in use or net sales value. The net sales value is mainly valued at the appraisal value by a real estate appraiser or the appraisal value of movable assets by an expert.

Business assets that are not expected to generate future cash flows from use and are not expected to be sold at a price that exceeds the cost of disposal are valued at residual value.

* Method of calculating the recoverable amount of major asset groups

- Yattajima Plant (Isesaki-shi, Gunma)
  The recoverable amount of this asset group is measured at the net sales value, estimation of which is mainly based on the appraisal value by a real estate appraiser and the value of movable assets based on market values of used machines and equipment.
- SMP (Polkowice Poland)
  The recoverable amount of this asset group is measured at the value in use. Information on accounting estimates such as the method of calculating the value in use is provided in “Significant accounting estimates” in “4. Accounting policies.” A discount rate of 8.3% is used for measurement of the value in use.

(Consolidated statements of comprehensive income)

*1 Reclassification adjustments and tax effects concerning other comprehensive income

(Millions of yen)

	FY2019 (April 1, 2019 to March 31,2020)	FY2020 (April 1, 2020 to March 31,2021)
Valuation difference on available-for-sale securities		
Amount arising during period	(239)	46
Reclassification adjustments for gains and losses realized in net income	(182)	(0)
Before tax-effect adjustment	(421)	46
Amount of tax effects	120	(3)
Valuation difference on available-for-sale securities	(301)	42
Deferred gains or losses on hedges		
Amount arising during period	8	(2)
Reclassification adjustments for gains and losses realized in net income	17	21
Before tax-effect adjustment	26	18
Amount of tax effects	8	3
Deferred gains or losses on hedges	34	22
Foreign currency translation adjustment		
Amount arising during period	526	316
Reclassification adjustments for gains and losses realized in net income	96	–
Foreign currency translation adjustment	622	316
Remeasurements of defined benefit plans		
Amount arising during period	(654)	1,109
Reclassification adjustments for gains and losses realized in net income	146	197
Before tax-effect adjustment	(507)	1,306
Amount of tax effects	–	(0)
Remeasurements of defined benefit plans	(507)	1,306
Share of other comprehensive income of affiliates accounted for using equity method		
Amount arising during period	(479)	1,036
Reclassification adjustments for gains and losses realized in net income	–	1,739
Share of other comprehensive income of affiliates accounted for using equity method	(479)	2,775
Total other comprehensive income	(631)	4,463

(Consolidated statements of changes in net assets)

FY2019 (April 1, 2019 to March 31, 2020)

1. Shares issued and outstanding / Treasury stock (Thousands of shares)

	At the beginning of period	Increase during period	Decrease during period	At the end of period
Shares issued				
Common stock	28,066	–	–	28,066
Total	28,066	–	–	28,066
Treasury stock				
Common stock (Note 1, 2, and 3)	389	0	67	322
Total	389	0	67	322

Notes: 1. The portion of common stock held as treasury stock includes the Company's shares held by the executive compensation Board Incentive Plan (BIP) Trust (273,000 shares at the beginning of fiscal 2019 and 206,000 shares at the end of fiscal 2020).

2. The increase in common stock held as treasury stock by 0 thousand shares was due to the purchase of the shares of less than a standard unit.

3. The decrease of 67,000 shares in common stock held as treasury stock was due to a decrease of 0 thousand shares from the transfer of shares of less than a standard unit and a decrease of 67,000 shares for payment to the retired directors and others.

2. Dividends

a. Dividends paid

Not applicable

b. Dividends, which the record date is in the year ended March 31, 2020 and the effective date of which is in the following fiscal year.

Not applicable

FY2020 (April 1, 2020 to March 31, 2021)

1. Shares issued and outstanding / Treasury stock (Thousands of shares)

	At the beginning of period	Increase during period	Decrease during period	At the end of period
Shares issued				
Common stock	28,066	–	–	28,066
Total	28,066	–	–	28,066
Treasury stock				
Common stock (Note 1, 2, and 3)	322	1	13	309
Total	322	1	13	309

Notes: 1. The portion of common stock held as treasury stock includes the Company's shares held by the executive compensation Board Incentive Plan (BIP) Trust (206,000 shares at the beginning of fiscal 2019 and 192,000 shares at the end of fiscal 2020).

2. The increase of 1,000 shares in common stock held as treasury stock is due to purchasing of shares constituting less than one standard unit.

3. The decrease of 13,000 shares of common stock held as treasury stock was due to the provision of the shares to retired directors and others.

2. Dividends

a. Dividends paid

Not applicable

b. Dividends, which the record date is in the year ended March 31, 2020 and the effective date of which is in the following fiscal year.

Not applicable

(Consolidated statements of cash flows)

*1 Cash and cash equivalents as of the end of the quarter are reconciled to the accounts reported in the consolidated balance sheets as follows.

（Millions of yen）

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Cash and deposits	26,440	19,899
Time deposits with maturities of more than three months	(2,728)	(1,695)
Cash and cash equivalents	23,711	18,203

Note: There was a significant delay in the collection of accounts receivable in relation to sales of products to the Iranian market due to the financial sanctions against Iran and the Company is recovering a portion of these in Iran. As a result, cash and cash equivalents at the end of fiscal 2019 and fiscal 2020 include foreign currency ordinary deposits held by the Group in Japan.

*2 Breakdown of assets and liabilities, the sales value of shares and proceeds from the sale of shares at the time of de- consolidation of Sanden Retail System and its affiliates due to sale of their stocks are as follows.

FY2019 (April 1, 2019 to March 31, 2020)

Breakdown of assets and liabilities, the sales value of shares and proceeds from the sale of shares at the time of de-consolidation of Sanden Retail System and its affiliates due to sale of their stocks are as follows.

Current assets	30,353	Millions of yen
Non-current assets	13,034	
Current liabilities	(29,495)	
Non-current liabilities	(1,547)	
Accumulated other comprehensive income	704	
Gain on sale of shares	24,564	
Sale value of shares	37,614	
Receivables relating to sale proceeds	(1,000)	
Cash and cash equivalents	(2,669)	
Balance: Proceeds from the sale	33,945	

FY2020 (April 1, 2020 to March 31, 2021)

Not applicable

(Lease transactions)

1. Finance lease transactions (Lessees' accounting)

Finance lease transactions that do not transfer ownership

1) Leased assets

- Property, plant and equipment

The main items are production facilities and computer terminals (“Business and structures,” “Machinery, equipment and vehicles,” and “Tools, furniture and fixtures”) in the Automotive Systems Business.

- Intangible assets

  Includes software.

2) Depreciation of leased assets

As described in "4. Accounting Policies, (2) Depreciation and Amortization of Significant Depreciable Assets" in “Major notes to consolidated financial statements.”

(Financial instruments)

1. Financial Instruments

(1) Policies on financial instruments

The Group raises the necessary long-term funds (mainly through bank loans and the issuance of bonds) and short-term working capital through bank loans and other means in light of its medium-term capital plan, which is based on the capital investment plan.

Temporary surplus funds are mainly invested in highly liquid financial assets and derivatives are used to avoid the risks described later, and it is the Group’s policy not to engage in speculative transactions.

(2) Description of financial instruments and related risks

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. In addition, trade receivables denominated in foreign currencies arising in the course of doing business overseas are exposed to the risk of exchange rate fluctuations, but are generally hedged through the use of forward exchange contracts, except to the extent that they are within the balance of accounts payable in the same foreign currency.

Marketable securities and investment securities are primarily stocks of companies with which the Group has business relationships and are exposed to market price volatility risk; however, the risk is limited due to the reduction of holdings to stocks of two listed companies.

Notes and accounts payable, which are trade payables, are mostly due within four months. Certain trade payables denominated in foreign currencies are exposed to the risk of exchange rate fluctuations, but are generally hedged through the use of forward exchange contracts, except to the extent that they are within the balance of accounts receivable in the same foreign currency.

Corporate bonds, long-term borrowings, and lease obligations related to finance leases are mainly for the purpose of procuring funds for capital investment, with the longest repayment date being eight years from the date of account settlement. Most of these are fixed rate and therefore not subject to interest rate volatility risk. Debt with variable rate terms is exposed to the risk of interest rate fluctuations, but is partially hedged through the use of derivative instruments (interest rate swaps).

Derivative transactions consist of interest rate swaps to hedge the risk of interest rate fluctuations on borrowings and currency and interest rate swaps to hedge the risk of foreign exchange and interest rate fluctuations on foreign currency-denominated borrowings. For information on hedge accounting, including hedging instruments, hedged items, hedging policy, and methods of evaluating hedge effectiveness, please refer to “(6) Significant hedge accounting methods, 4. Accounting policies” under “Major notes to consolidated financial statements.”

(3) Supplemental explanation on the fair value of financial instruments

The fair value of financial instruments includes values based on market prices and, if no market price is available, reasonably calculated values. Since variable factors are taken into account in the calculation of such values, such values may vary depending on the adoption of different assumptions and other factors.

In addition, the contract amounts of derivative transactions in the notes "Derivative transactions" do not in themselves represent the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The following tables indicate the amount recorded in the consolidated balance sheets, the fair value and the difference as of March 31, 2019 and March 31, 2020 for various financial instruments. Items for which it is deemed extremely difficult to measure the fair value are not included in the tables below. (Refer to Note 2.)

FY2019 (As of March 31, 2020) (Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	26,440	26,440	–
(2) Notes and accounts receivable--trade (*1)	30,785	30,785	–
(3) Accounts receivable--other (*2)	3,661	3,661	–
(4) Consumption taxes receivable	3,780	3,780	–
(5) Investment securities	119	119	–
Total assets	64,787	64,787	–

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts payable--trade	29,983	29,983	–
(2) Short-term borrowings	47,497	47,497	–
(3) Accounts payable--other	6,341	6,341	–
(4) Lease obligations (Current liabilities)	2,627	2,590	(36)
(5) Income taxes payable	238	238	–
(6) Bonds payable (including current portion of bonds payable)	5,832	5,837	4
(7) Long-term borrowings (including current portion of long-term borrowings)	46,922	47,108	185
(8) Lease obligations (Non-current liabilities)	7,610	7,493	(116)
Total liabilities	147,054	147,091	36
Derivative transactions (*3)	164	164	–

*1 General and specific allowance for doubtful accounts corresponding to notes and accounts receivable--trade have been deducted.

*2 Individual allowance for doubtful accounts corresponding to accounts receivable is deducted.

*3 Net receivables and payables arising from derivative transactions are shown on a net basis and items that are net liabilities in total are shown in parentheses.

FY2020 (As of March 31, 2021) (Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	19,899	19,899	–
(2) Notes and accounts receivable--trade (*1)	31,576	31,576	–
(3) Accounts receivable--other (*2)	3,313	3,313	–
(4) Consumption taxes receivable	4,225	4,225	–
(5) Investment securities	180	180	–
Total assets	59,195	59,195	–

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Notes and accounts payable--trade	33,030	33,030	–
(2) Short-term borrowings	56,986	56,986	–
(3) Accounts payable--other	9,072	9,072	–
(4) Lease obligations (Current liabilities)	2,656	2,639	(17)
(5) Income taxes payable	452	452	–
(6) Bonds payable (including current portion of bonds payable)	3,847	3,849	1
(7) Long-term borrowings (including current portion of long-term borrowings)	40,012	43,985	3,973
(8) Lease obligations (Non-current liabilities)	6,649	6,600	(49)
Total liabilities	152,707	156,615	3,908
Derivative transactions (*3)	1,323	1,323	–

*1 General and specific allowance for doubtful accounts corresponding to notes and accounts receivable--trade have been deducted.

*2 Individual allowance for doubtful accounts corresponding to accounts receivable is deducted.

*3 Net receivables and payables arising from derivative transactions are shown on a net basis and items that are net liabilities in total are shown in parentheses.

Notes: 1. Calculation method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets:

(1) Cash and deposits, (2) Notes and accounts receivable--trade, (3) Accounts receivable--other and (4) Consumption taxes receivable

Fair value is calculated based on the book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(5) Investment securities

Stocks and other securities are based on the prices of the stock exchange, and bonds are based on the prices of the stock exchange or the prices provided by the financial institutions with which the Company does business. For information on securities by purpose of holding, please refer to notes on “Securities."

Liabilities:

(1) Notes and accounts payable--trade, (2) Short-term borrowings, (3) Accounts payable--other, (5) Income taxes payable

Fair value is calculated based on the book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(4) Lease obligations (Current liabilities), (6) Bonds payable (including current portion of bonds payable), (7) Long-term borrowings (including current portion of long-term borrowings), (8) Lease obligations (non-current liabilities)

The fair value of these items is based on the present value of the total principal and interest discounted at the interest rate expected to be paid for a similar new loan, bond issue or lease transaction.

Derivative transaction:

Please refer to the notes on “Derivative transactions."

2. The amounts of financial instruments for which it is deemed extremely difficult to measure the fair value

(Millions of yen)

Segment	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Unlisted stocks	164	159
Stock of subsidiaries and affiliates	15,619	14,856

These are not included in “(5) Investment securities” because they do not have a market price and it is deemed extremely difficult to measure the fair value.

3. Redemption schedule after the balance sheet date for monetary receivables and securities with maturities

FY2019 (As of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	26,440	–	–	–
Notes and accounts receivable--trade	30,785	–	–	–
Accounts receivable--other	3,661	–	–	–
Consumption taxes receivable	3,780	–	–	–
Investment securities				
Other securities with maturities				
(1) Bonds (other)	–	–	–	–
(2) Other	–	–	–	–
Total	64,667	–	–	–

FY2020 (As of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash and deposits	19,899	–	–	–
Notes and accounts receivable--trade	31,576	–	–	–
Accounts receivable--other	3,313	–	–	–
Consumption taxes receivable	4,225	–	–	–
Investment securities				
Other securities with maturities				
(1) Bonds (other)	–	–	–	–
(2) Other	–	–	–	–
Total	59,015	–	–	–

4. Redemption schedule after the balance sheet date for long-term borrowings and lease obligations

FY2019 (As of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	47,497	–	–	–	–	–
Bonds payable	1,985	2,185	1,512	150	–	–
Long-term borrowings	20,984	14,587	8,221	2,752	349	26
Lease obligations	2,627	2,347	1,815	1,285	771	1,388
Total	73,094	19,120	11,549	4,188	1,121	1,415

FY2020 (As of March 31, 2021)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	56,986	–	–	–	–	–
Bonds payable	2,185	1,512	150	–	–	–
Long-term borrowings	24,292	11,376	3,631	607	104	–
Lease obligations	2,656	2,174	1,515	1,015	770	1,174
Total	86,120	15,063	5,296	1,623	874	1,174

Notes: 1. Of the claims subject to the business revitalization ADR procedures (total ¥97,790 million (fractions of less than one unit are rounded off; the same applies hereinafter)) included in borrowings outstanding at the end of the fiscal year under review, the debt waiver of ¥63,000 million in total took effect on May 31, 2021.

2. As for ¥34,790 million of the claims remaining after the debt waiver, the principal of the remaining claims is required to be fully repaid promptly after the date on which the payment for the capital increase through third-party allotment is completed (the effective date of the debt waiver) (provided, however, no later than three months after the date on which the payment of the capital increase through third-party allotment is completed). For details, please refer to “Completion of business revitalization ADR procedures and effectuation of debt waiver” in “Significant subsequent events.”

(Securities)

1. Other securities

FY2019 (As of March 31, 2020)

(Millions of yen)

Segment	Consolidated balance sheet amount	Fair value	Difference
Securities whose carrying value exceeds their acquisition cost			
(1) Stocks	0	0	0
(2) Bonds	–	–	–
(3) Other	–	–	–
Subtotal	0	0	0
Securities whose carrying value does not exceeds their acquisition cost			
(1) Stocks	119	154	(35)
(2) Bonds	–	–	–
(3) Other	–	–	–
Subtotal	119	154	(35)
Total	119	154	(34)

Note: Unlisted stocks (consolidated financial statements reporting amount: ¥164 million) are not included in “Other securities" in the table above because they do not have a market price and it is deemed extremely difficult to measure the fair value.

FY2020 (As of March 31, 2021)

(Millions of yen)

Segment	Consolidated balance sheet amount	Fair value	Difference
Securities whose carrying value exceeds their acquisition cost			
(1) Stocks	180	169	11
(2) Bonds	–	–	–
(3) Other	–	–	–
Subtotal	180	169	11
Securities whose carrying value does not exceeds their acquisition cost			
(1) Stocks	–	–	–
(2) Bonds	–	–	–
(3) Other	–	–	–
Subtotal	–	–	–
Total	180	169	11

Note: Unlisted stocks (consolidated financial statements reporting amount: ¥159 million) are not included in “Other securities" in the table above because they do not have a market price and it is deemed extremely difficult to measure the fair value.

2. Other securities sold during the fiscal year

FY2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Amount of sale	Total profit on sale	Total loss on sale
(1) Stocks	22	11	(1)
(2) Bonds			
a. Government and municipal bonds, etc.	–	–	–
b. Corporate bonds	–	–	–
c. Other	–	–	–
(3) Other	–	–	–
Total	22	11	(1)

FY2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Amount of sale	Total profit on sale	Total loss on sale
(1) Stocks	4	0	–
(2) Bonds			
a. Government and municipal bonds, etc.	–	–	–
b. Corporate bonds	–	–	–
c. Other	–	–	–
(3) Other	–	–	–
Total	4	0	–

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

Currency-related transactions

FY2019 (As of March 31, 2020)

(Millions of yen)

Segment	Type of transactions	Contract amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	–	–	–	–
	EUR	–	–	–	–
	MYR	41	–	(0)	(0)
	Buy:				
	USD	–	–	–	–
	JPY	–	–	–	–
	THB	–	–	–	–
Total		41	–	(0)	(0)

Note: Calculation of fair value:

Forward exchange contracts are based on the forward exchange rate at the end of the fiscal year under review.

FY2020 (As of March 31, 2021)

(Millions of yen)

Segment	Type of transactions	Contract amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	–	–	–	–
	EUR	272	–	(2)	(2)
	MYR	48	–	(0)	(0)
	Buy:				
	USD	–	–	–	–
	JPY	–	–	–	–
	THB	–	–	–	–
Total		321	–	(2)	(2)

Note: Calculation of fair value:

Forward exchange contracts are based on the forward exchange rate at the end of the fiscal year under review.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

FY2019 (As of March 31, 2020)

(Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting for forward exchange contracts, etc.	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable-trade	–	–	–
	EUR	Accounts payable--trade	–	–	–
	INR	Accounts payable--trade	–	–	–
	Currency swaps:				
	Fixed U.S. dollar and variable Indian rupee payments	Borrowings	1,528	1,224	216
Total			1,528	1,224	216

Note: Calculation of fair value:

Forward exchange contracts are based on the forward exchange rate at the end of the fiscal year under review.

Currency swaps are calculated based on prices provided by financial institutions with which we do business.

FY2020 (As of March 31, 2021)

(Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting for forward exchange contracts, etc.	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable-trade	–	–	–
	EUR	Accounts payable--trade	–	–	–
	INR	Accounts payable--trade	–	–	–
	Currency swaps:				
	Fixed U.S. dollar and variable Indian rupee payments	Borrowings	1,274	880	1,361
Total			1,274	880	1,361

Note: Calculation of fair value:

Forward exchange contracts are based on the forward exchange rate at the end of the fiscal year under review.

Currency swaps are calculated based on prices provided by financial institutions with which we do business.

(2) Interest-related transactions

FY2019 (As of March 31, 2020)

(Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amounts	Portion due after one year included herein	Fair value
Exceptional method	Interest rate swaps: Receiving floating rate and paying fixed	Long-term borrowings	1,788	858	Notes:
Deferral hedge accounting	Receiving floating rate and paying fixed	Long-term borrowings	5,021	1,578	(51)
Total			6,809	2,436	(51)

Note: Calculation of fair value:

Interest rate swaps that are subject to the exceptional method are calculated based on the prices provided by the financial institutions with which we do business.

The fair value of interest rate swaps is included in the fair value of the borrowings because the interest rate swaps are accounted for as an integral part of long-term borrowings, which are hedged items.

FY2020 (As of March 31, 2021)

(Millions of yen)

Hedge accounting method	Type of transactions	Major hedged items	Contract amounts	Portion due after one year included herein	Fair value
Exceptional method	Interest rate swaps: Receiving floating rate and paying fixed	Long-term borrowings	1,508	420	Notes:
Deferral hedge accounting	Receiving floating rate and paying fixed	Long-term borrowings	5,451	1,038	(35)
Total			6,959	1,458	(35)

Note: Calculation of fair value:

Interest rate swaps that are subject to the exceptional method are calculated based on the prices provided by the financial institutions with which we do business.

The fair value of interest rate swaps is included in the fair value of the borrowings because the interest rate swaps are accounted for as an integral part of long-term borrowings, which are hedged items.

(Retirement benefits)

1. Description of retirement benefit plans

Effective March 1, 2014, the Company has adopted a defined contribution pension plan for its enrolled employees. Pension beneficiaries are recorded based on the estimated amount of retirement benefit obligations and plan assets at the end of the fiscal year under review. As of the end of the fiscal year under review, the estimated amount of pension plan assets exceeded the balance of the retirement benefit obligation, and the excess amount was recorded as ""net defined benefit asset " in assets.

Domestic consolidated subsidiaries have their own lump-sum retirement benefit plans, and some of them have a defined contribution pension plan and Smaller Enterprise Retirement Allowance Mutual Aid Plan. In addition, some overseas consolidated subsidiaries have adopted a retirement benefit plan. The retirement benefit plans of the consolidated overseas subsidiaries include a defined benefit lump-sum retirement plan, a retirement pension plan and a post-retirement medical care plan, a defined contribution retirement plan, and a public plan in the country where the company is located, which is used by some companies in combination.

2. Defined benefit plans (including plans to which the simplified method is applied)

(1) Adjustments between the beginning and ending balances of retirement benefit obligation

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Retirement benefit obligation at the beginning of the year	8,290	7,777
Service cost	147	65
Interest cost	241	206
Actuarial gain and loss generated	644	31
Retirement benefits paid	(480)	(306)
Decrease due to deconsolidation	(639)	–
Termination of defined benefit plans	–	(7)
Effect of foreign exchange translation	(426)	82
Retirement benefit obligation at the end of the year	7,777	7,850

(2) Adjustments between the beginning and ending balances of plan assets

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Plan assets at the beginning of the year	4,747	4,386
Expected return on plan assets	(196)	1,052
Actuarial gain and loss generated	(10)	31
Contribution from employers	208	74
Retirement benefits paid	(281)	(240)
Effect of foreign exchange translation	(81)	110
Plan assets at the end of the year	4,386	5,414

(3) Adjustments between the beginning and ending balances of net defined benefit liability and net defined benefit assets

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Retirement benefit obligation for funded plans	7,055	7,047
Plan assets	(4,386)	(5,414)
	2,669	1,632
Retirement benefit obligation for unfunded plans	722	802
Net defined benefit liability and assets reported on the consolidated balance sheets	3,391	2,435
Retirement benefit liabilities	3,491	2,569
Retirement benefit assets	(99)	(134)
Net defined benefit liability and assets reported on the consolidated balance sheets	3,391	2,435

(4) Breakdown of retirement benefit expenses

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Service cost	156	65
Interest cost	241	206
Expected return on plan assets	196	(1,052)
Amortization of actuarial gain or loss	146	197
Retirement benefit expenses related to defined benefit plans	741	(582)

(5) Remeasurements of defined benefit plans

A breakdown of the items recorded as remeasurements of defined benefit plans (before tax effect deductions) is as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Actuarial gains and losses	(507)	1,306
Total	(507)	1,306

(6) Remeasurements of defined benefit plans

A breakdown of the items recorded as remeasurements of defined benefit plans (before tax effect deductions) is as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Unrecognized actuarial gains and losses	(1,631)	(324)
Total	(1,631)	(324)

(7) Matters regarding plan assets

1) Major components of plan assets

Plan assets consist of the following.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Bonds	33 %	60 %
Stocks	65 %	34 %
Cash and deposits	2 %	1 %
Other	0 %	5 %
Total	100 %	100 %

2) Method for determining the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company considers the current and expected allocation of plan assets and the current and expected long-term rate of return from the various assets that make up the plan assets.

(8) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Discount rate	0.3%～3.0%	0.3%～3.0%
Long-term expected rate of return on plan assets	0.3%～7.0%	0.3%～7.0%

3. Defined-contribution pension plans

The required amounts of contribution to the defined-contribution pension plans for the Company and its consolidated subsidiaries were ¥756 million for the previous fiscal year and ¥537 million for the fiscal year under review.

(Tax effect accounting)

1. Breakdown of the main causes of deferred tax assets and deferred tax liabilities

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Deferred tax assets		
Net operating loss carryforward (*2)	20,375	22,757
Unrealized gains or losses on inventories	20	1
Accounts payable and accrued expenses	276	461
Provision for product warranties	232	480
Allowance for doubtful accounts	2,957	2,997
Loss on valuation of inventories	201	538
Provision for bonuses	306	252
Taxation of investment privileges	1,327	947
Unrealized gain on fixed assets	15	9
Depreciable assets, etc.	561	817
Retirement benefit liabilities	298	267
Provision for environmental measures	53	136
Impairment loss	3,314	7,032
Other	1,286	1,131
Subtotal of deferred tax assets	31,228	37,831
Valuation allowance for net operating loss carryforward *2	(20,096)	(22,397)
Valuation allowance for total amount of future reduction for temporary differences	(8,947)	(13,542)
Subtotal of valuation allowance *1	(29,044)	(35,940)
Offsetting deferred tax assets and liabilities of the same taxpayer	(441)	(510)
Total deferred tax assets	1,743	1,380
Deferred tax liabilities		
Depreciable assets, etc.	401	428
Valuation difference on available-for-sale securities	0	3
Retained earnings of foreign affiliates	308	257
Other	207	157
Subtotal of deferred tax liabilities	917	847
Offsetting deferred tax assets and liabilities of the same taxpayer	(441)	(510)
Total deferred tax liabilities	476	336
Net deferred tax assets	1,266	1,044

Notes: 1. The valuation allowance increased by ¥6,895 million. This increase was mainly due to valuation allowance for impairment loss of ¥3,717 million and an increase of ¥2,301 million in valuation allowance for net operating loss carryforward, for the Group.

2. The amounts of net operating loss carryforward and corresponding deferred tax assets by due period.

FY2019 (As of March 31, 2020) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating loss carryforward (a)	1,042	6	11	19	1,106	18,188	20,375
Valuation allowance	(1,042)	(6)	(11)	(19)	(1,106)	(17,909)	(20,096)
Deferred tax assets	–	–	–	–	–	279	279

(a) Net operating loss carryforward was calculated by the effective statutory tax rate.

FY2020 (As of March 31, 2021) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating loss carryforward (a)	7	14	19	981	4,447	17,286	22,757
Valuation allowance	(7)	(11)	(15)	(981)	(4,447)	(16,934)	(22,397)
Deferred tax assets	–	2	4	–	–	351	359

(a) Net operating loss carryforward was calculated by the effective statutory tax rate.

2..The reconciliation between the statutory effective tax rate and the actual tax rate after applying tax effect accounting is summarized as follows

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Legal effective tax rate	30.5 %	Because net loss before income taxes was recorded for the fiscal year, there is no information to be disclosed here.
(Adjustment)		
Items that are not permanently deducted, such as entertainment expenses	1.5	
Dividends received and other items not permanently included in taxable income	(11.6)	
Non-deductible portion of foreign tax credit	2.2	
Difference in tax rates of overseas consolidated subsidiaries	(1.5)	
Amortization of goodwill	0.1	
Equity in income or loss of affiliates	2.6	
Consolidated adjustment of gains or losses on sales of stocks of affiliated companies	(19.7)	
Amount exceeding the tax effect recording limit for unrealized gains on inventories	(35.1)	
Tax Deductibles	(3.9)	
Taxation of investment privileges	(2.5)	
Valuation allowance	95.3	
Other	0.6	
Income tax rate after the application of tax effect accounting	58.4	

(Asset retirement obligations)

FY2019 (As of March 31, 2020)

Notes are omitted due to lack of materiality

FY2020 (As of March 31, 2021)

Notes are omitted due to lack of materiality

(Rental and other real estate)

In the fiscal year ended March 31, 2020, net rental income from these rental and other real estate is ¥73 million (major rental expenses are recorded as non-operating expenses).

In the fiscal year ended March 31, 2021, net rental income from these rental and other real estate is ¥105 million (major rental expenses are recorded as non-operating expenses).

The carrying amount of rental and other real estate on the consolidated balance sheet, changes during the period, and their fair value are as follows.

(Millions of yen)

		FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Consolidated balance sheet amount	Balance at the beginning of period	–	6,741
	Changes during the period	6,741	(247)
	Balance at the end of period	6,741	6,494
Fair value at the end of period		6,741	6,566

Notes: 1. The consolidated balance sheet amount is calculated by subtracting accumulated depreciation, accumulated impairment loss and accumulated impairment loss from the acquisition cost.

2. Of the amount of increase (decrease) during the period, the increase in the fiscal year ended March 31, 2020 is mainly due to the leasing of factory and warehouse buildings and land (¥6,741 million). The decrease in the fiscal year under review is mainly due to depreciations of factories and warehouse buildings.

3. The fair value at the end of the fiscal year is primarily the amount based on the appraisal value by a real estate appraiser.

(Segments of the Company and related information)

Segment information

I. FY2019 (April 1, 2019 to March 31, 2020)

This information is provided in “II. FY2020 (Matters concerning changes in reportable segments).”

II. FY2020 (April 1, 2020 to March 31, 2021)

This information is omitted because the Group has only one reporting segment, the Automotive Systems Business.

(Matters concerning changes in reportable segments)

The Group previously had the Automotive Systems Business and the Retail Store Systems as reportable segments. The Group’s reportable segments, however, have been changed to consist of the Automotive Systems Business only from the consolidated fiscal year under review, because all the issued and outstanding shares of SDRS, a major subsidiary in the Retail Store Systems, were sold in the fiscal year ended March 31, 2020, and the Retail Store Systems Business became lack of materiality.

Due to this change, segment information for the fiscal year under review and the previous fiscal year are omitted.

[Related information]

FY2019 (April 1, 2019 to March 31, 2020)

1. Information by product and service

This information is omitted because the product and service categories are the same as those of the reportable segments.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia		Europe		Americas	Total
		Contributed by China		Contributed by Germany		
63,177	53,796	28,290	71,370	24,666	16,535	204,880

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia		Europe		Americas	Total
		Contributed by China		Contributed by Poland		
28,096	12,562	7,180	14,641	9,537	3,220	58,522

3. Information by major customer (Millions of yen)

Name	Sales	Segment name
Volkswagen Group	21,592	Automotive Systems Business

FY2020 (April 1, 2020 to March 31, 2021)

1. Information by product and service

This information is omitted because the product and service categories are the same as those of the reportable segments.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia		Europe		Americas	Total
		Contributed by China		Contributed by Germany		
17,855	45,970	25,183	61,456	22,958	12,194	137,477

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia		Europe		Americas	Total
		Contributed by China		Contributed by Poland		
17,487	13,809	6,317	9,362	4,356	2,763	43,423

3. Information by major customer

(Millions of yen)

Name	Net sales	Segment name
Volkswagen Group	18,537	Automotive Systems Business
Daimler A.G.	16,638	Automotive Systems Business

[Information on impairment losses on non-current assets by reportable segment]

This information is omitted because the Group has only one reporting segment, the Automotive Systems Business.

[Information on amortization of goodwill and unamortized balance by reportable segment]

This information is omitted because the Group has only one reporting segment, the Automotive Systems Business.

[Gain on negative goodwill by reporting segment]

FY2019 (April 1, 2019 to March 31, 2020)

Not applicable

FY2020 (April 1, 2020 to March 31, 2021)

Not applicable

[Related Party Information]

1. Transactions with related parties

(1) Transactions between the Company submitting the consolidated financial statements and related parties

Directors and major shareholders of the Company submitting the consolidated financial statements

FY2019 (April 1, 2019 to March 31, 2020)

Type	Name	Location	Capital or investment (Millions of yen)	Business or occupation	Ratio of ownership voting rights (owned)	Relationships with related parties	Trans-action	Amount of the transaction (Millions of yen)	Accounting item	Balance at the end of period Millions of yen
Foundation with a board member serving as a director	Sanden Kankyo Mirai Zaidan	Isesaki-shi, Gunma, Japan	–	*1	–	–	Donation	21	–	–

Notes: 1. The purpose of the foundation's activities is to support human resource development and the creation of new industries with a focus on the environment.

2. The amount of donations to the Foundation is decided upon with the approval of the Board of Directors.

FY2020 (April 1, 2020 to March 31, 2021)

Not applicable

(2) Transactions between consolidated subsidiaries of the Company submitting consolidated financial statements and related parties

Affiliates of the Company submitting consolidated financial statements, etc.

FY2019 (April 1, 2019 to March 31, 2020)

Type	Name	Location	Capital or investment	Business or occupation	Ratio of ownership voting rights (owned)	Relationships with related parties	Trans-action	Amount of the transaction (Millions of yen)	Accounting item	Balance at the end of period Millions of yen
Affiliated company	Sanden Al Salam LLC	Dubai United Arab Emirates	USD 1,000 thousand	Sale of automotive systems	(Owned) Indirect 43	Manufacture and sale of the Company's products in the Middle East	Sales	239	Accounts receivable －trade	9,858
							–	–	Other investment	3,721
Affiliated company	Sanden Huayu Automotive Air-Conditioning Co., Ltd.	Shanghai, the People's Republic of China	CNY 834,090 thousand	Manufacture and sale of automotive systems	(Owned) Direct 43	Manufacture and sale of the Company's products in China Concurrent officers	Sales	9,291	Accounts receivable －trade	6,191

Notes: 1. The transaction amount above does not include consumption tax.

2. Terms and conditions of transactions and the policy for determining terms and conditions, etc., are determined in the same way as for general transactions.

3. Allowance for doubtful accounts of ¥13,580 million is provided for accounts receivable and other investments in affiliated companies.

FY2020 (April 1, 2020 to March 31, 2021)

Type	Name	Location	Capital or investment	Business or occupation	Ratio of ownership voting rights (owned)	Relationships with related parties	Trans-action	Amount of the transaction (Millions of yen)	Accounting item	Balance at the end of period Millions of yen
Affiliated company	Sanden Al Salam LLC	Dubai United Arab Emirates	USD 1,000 thousand	Sale of automotive systems	(Owned) Indirect 43	Manufacture and sale of the Company's products in the Middle East	Sales	–	Accounts receivable －trade	10,029
							–	–	Other investment	3,786
							–	–	Accrued dividends receivable	2,415
Affiliated company	Sanden Huayu Automotive Air-Conditioning Co., Ltd.	Shanghai, the People's Republic of China	CNY 834,090 thousand	Manufacture and sale of automotive systems	(Owned) Direct 43	Manufacture and sale of the Company's products in China Concurrent officers	Sales	9,777	Accounts receivable －trade	2,876
							–	–	Accrued dividends receivable	3,103

Notes: 1. The transaction amount above does not include consumption tax.

2. Terms and conditions of transactions and the policy for determining terms and conditions, etc., are determined in the same way as for general transactions.

3. Allowance for doubtful accounts of ¥16,230 million is provided for accounts receivable, other investments, and accrued dividends receivable in affiliated companies.

2. Summary Financial Statements of Significant Affiliates

For the year ended March 31, 2021, the significant affiliates were Sanden Al Salam LLC and Sanden Huayu Automotive Air-Conditioning Co., Ltd.

(Millions of yen)

	Sanden Al Salam LLC		Sanden Huayu Automotive Air- Conditioning Co., Ltd.	
	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Total current assets	27,322	31,625	55,300	42,630
Total non-current assets	1,082	1,183	33,872	34,106
Total current liabilities	32,992	38,450	52,247	42,728
Total non-current liabilities	–	2,747	691	491
Total net assets	(4,587)	(8,388)	36,234	33,516
Net sales	16,257	24,882	87,705	77,021
Income (loss) before income taxes	(5,347)	(7,406)	6,242	4,829
Net income (loss)	(5,347)	(7,406)	5,478	4,648

(Per share information)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Net assets per share	747.92	(664.58)
Net income (loss) per share	82.54	(1,630.38)

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2020 is not shown in the above table, as there are no latent shares. Diluted net income per share for the fiscal year ended March 31, 2021 is not shown in the above table, because the Company recorded a net loss per share and there were no latent shares.

2. The Company's shares held in the Executive Compensation BIP Trust are included in the treasury stock to be deducted from the average number of shares for the purpose of calculating net income or loss per share, and are also included in the number of treasury stock to be deducted from the total number of shares issued at the end of the fiscal year for the purpose of calculating net assets per share.
The average number of shares held by the trust during the year was 230,747 in the previous fiscal year and 194,771 in the fiscal year under review. The number of shares held by the trust at the end of the fiscal year was 206,494 in the previous fiscal year and192,639 in the fiscal year under review.

3. The basis for calculating net income (loss) per share is as follows.

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Net income (loss) attributable to owners of parent （Millions of yen）	2,287	(45,251)
Amount not attributable to common shareholders (Millions of yen)	–	–
Net income (loss) attributable to owners of the parent company on common stock (Millions of yen)	2,287	(45,251)
Average number of shares during the period (Shares)	27,719,909	27,754,962

(Significant subsequent events)

(Completion of payment for the capital increase through third-party allotment)

On March 1, 2021, the Company signed a share subscription agreement with Hisense Home Appliances Group for the Company to issue common shares worth approximately ¥21.4 billion in total by means of third-party allotment to a special purpose company to be established by the Hisense Home Appliances Group. Following the approval of all the agenda items relating to the capital increase through third-party allotment at the Company’s extraordinary general meeting of shareholders held on May 27, 2021, the payment for the capital increase through third-party allotment was completed on May 31, 2021.

(1) Outline of the capital increase through third-party allotment

Payment date	May 31, 2021
Total number of shares to be issued	83,627,000 shares of common stock
Issue price	256 yen per share
Amount raised	21,408,512,000 yen
Amount credited to share capital	128 yen per share
Total amount credited to share capital	10,704,256,000 yen
Method of offering or allotment	Third-party allotment
Allottee	Hisense Japan Automotive Air-Conditioning Systems Corporation (Note) Note: A special purpose company incorporated by Hisense Home Appliances Group for the purpose of subscribing for the shares of common stock to be issued upon the capital increase through third-party allotment

(2) Change in the total number of shares issued after capital increase through third-party allotment

Total number of shares issued before capital increase	28,066,313	Share capital before capital increase	11,037,613,287 yen
Increase in number of shares	83,627,000	Capital increase	10,704,256,000 yen
Total number of shares issued after increase	111,693,313	Share capital after capital increase	21,741,869,287 yen

(Completion of business revitalization ADR procedures and effectuation of debt waiver)

At the re-continuation meeting for the third meeting of creditors (meeting of creditors to adopt a resolution on the proposed business revitalization plan) held on May 7, 2021, the Company and certain of its subsidiaries gained consent of the creditor financial institutions to the business revitalization plan including debt waiver of ¥63,000 million in total (hereinafter referred to as the “Debt Waiver”), and thus the business revitalization ADR procedures were completed.

The effectuation of the Debt Waiver was subject to the completion of the payment for the issuance of common shares through third-party allotment to Hisense Japan Automotive Air-Conditioning Systems Corporation, which is a special purpose company incorporated by Hisense Home Appliances Group Co., Ltd (hereinafter referred to as the “Capital Increase through Third-Party Allotment”). With the completion of the payment for the Capital Increase through Third-Party Allotment on May 31, 2021 as described in “Completion of payment for the Capital Increase through Third-Party Allotment” in “Significant subsequent events,” the Debt Waiver took effect.

The ¥62,980 million waiver of the Company’s debts is to be posted as an extraordinary profit on a consolidated and non-consolidated basis in the first quarter of the next consolidated fiscal year, and the ¥20 million waiver of its subsidiaries is to be posted as an extraordinary profit on a consolidated basis in the first quarter of the next consolidated fiscal year.

As for the claims to the Company and certain of its consolidated subsidiaries subject to the business revitalization ADR remaining after the Debt Waiver (¥34,790 million; hereinafter referred to as the “Remaining Claims”), we have requested and gained consent from all the creditor financial institutions to maintain the principal balance of the Remaining Claims during a period from the effective date of the Debt Waiver until the repayment of the Remaining Claims in accordance with the following conditions.

(a) Fully repay the principal of the Remaining Claims promptly after the date on which the payment for the Capital Increase through Third-Party Allotment is completed (the effective date of the debt waiver) (provided, however, no later than three months after the date on which the payment of the Capital Increase through Third-Party Allotment is completed).

(b) From the day following the effective date of the debt waiver, continue to pay interest on the Remaining Claims at the rate stipulated as of the base date (June 30, 2020) in regard to the Remaining Claims. In addition, on the repayment date of the principal of each Remaining Claim, pay interest for a period from the immediately preceding interest payment date until the repayment date of the principal.

5) Consolidated Schedules

[Schedule of corporate bonds]

Company	Brand	Date of issue	Balance at the beginning of FY2020 (Millions of yen)	Balance at the end of FY2020 (Millions of yen)	Interest rate (%)	Collateral	Redemption deadline
Sanden Holdings Corporation	1st unsecured (Bank guaranteed and limited to qualified institutional investors) *1	May 31, 2017	1,000 (500)	500 (500)	0.17	Unsecured corporate bonds	March 31, 2022
Sanden Holdings Corporation	2nd unsecured (Bank guaranteed and limited to qualified institutional investors) *1	September 21, 2017	1,062 (425)	637 (425)	0.17	Unsecured corporate bonds	September 21, 2022
Sanden Holdings Corporation	3rd unsecured (Bank guaranteed and limited to qualified institutional investors) *1	March 26,2018	1,000 (200)	800 (400)	0.86	Unsecured corporate bonds	March 24, 2023
Sanden Holdings Corporation	4th unsecured (Bank guaranteed and limited to qualified institutional investors) *1	March 30, 2018	1,720 (560)	1,160 (560)	0.20	Unsecured corporate bonds	March 31, 2023
Sanden Holdings Corporation	5th unsecured (Bank guaranteed and limited to qualified institutional investors) *1	September 28, 2018	1,050 (300)	750 (300)	0.25	Unsecured corporate bonds	September 29, 2023
Total	–	–	5,832 (1,985)	3,847 (2,185)	–	–	–

Notes: 1. The figures in parentheses in the " Balance at the beginning of FY2020” column are the amounts to be redeemed within one year.

2. Total amount to be redeemed per year within 5 years of the consolidated closing date.

(Millions of yen)

Due within one year Millions of yen	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
2,185	1,512	150	–	–

[Details of borrowings]

Segment	Balance at the beginning of FY2020 (Millions of yen)	Balance at the end of FY2020 (Millions of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	47,497	56,986	1.40	–
Current portion of long-term borrowings	20,984	24,292	2.31	–
Current portion of lease obligations	2,627	2,656	1.47	–
Long-term borrowings (excluding current portion)	25,938	15,719	2.81	From 2022 to 2026
Lease obligations (excluding current portion)	7,610	6,649	1.34	From 2022 to 2029
Other interesting-bearing debt	–	–	–	–
Total	104,657	106,305	–	–

Notes: 1. The average interest rate is the weighted average rate of interest on the outstanding loans at the end of the fiscal year.

2. Amounts for long-term borrowings and lease obligations (excluding current portion) to be redeemed within 5 years from the consolidated balance sheet date is as follows.

(Millions of yen)

Segment	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	11,376	3,631	607	104
Lease obligations	2,174	1,515	1,015	770

3. Of the claims subject to the business revitalization ADR procedures (total ¥97,790 million (fractions of less than one unit are rounded off; the same applies hereinafter)) included in borrowings outstanding at the end of the fiscal year under review, the debt waiver of ¥63,000 million in total took effect on May 31, 2021.
4. As for ¥34,790 million of the claims remaining after the debt waiver, the principal of the remaining claims is required to be fully repaid promptly after the date on which the payment for the capital increase through third-party allotment is completed (the effective date of the debt waiver) (provided, however, no later than three months after the date on which the payment of the capital increase through third-party allotment is completed). For details, please refer to "Completion of business revitalization ADR procedures and effectuation of debt waiver" in "Significant subsequent events."

[Details of asset retirement obligations]

Notes are omitted due to lack of materiality

(2) Other

Quarterly information for the fiscal year under review

Accumulated period		1st quarter	2nd quarter	3rd quarter	FY2020 (April 1, 2020 to March 31, 2021)
Net sales	Millions of yen	20,915	55,423	94,496	137,477
Quarterly income (loss) before income taxes	Millions of yen	(7,863)	(13,921)	(17,061)	(44,571)
Quarterly net income (loss) attributable to owners of parent	Millions of yen	(7,474)	(13,535)	(16,840)	(45,251)
Quarterly net income (loss) per share	Yen	(269.35)	(487.70)	(606.75)	(1,630.38)

Accounting period		1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly net income (loss) per share	Yen	(269.35)	(218.35)	(119.06)	(1,023.58)

2. Non-consolidated financial statements

(1) Non-consolidated financial statements

1) Balance sheets

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	11,959	6,169
Operating accounts receivable	*1 6,384	*1 5,137
Supplies	15	12
Short-term borrowings receivable from subsidiaries and affiliates	43,850	54,513
Other	*2 724	*2 413
Allowance for doubtful accounts	(11,129)	(26,494)
Total current assets	51,806	39,751
Non-current assets		
Property, plant and equipment		
Buildings	8,156	7,379
Structures	975	866
Machinery and equipment	38	24
Vehicles	0	0
Tools, furniture and fixtures	179	144
Land	8,966	8,429
Leased assets	29	6
Construction in progress	374	5
Total property, plant and equipment	18,720	16,856
Intangible assets		
Leasehold interests in land	8	0
Software	2,773	0
Other	81	0
Total intangible assets	2,863	0
Investments and other assets		
Investment securities	283	340
Shares of subsidiaries and affiliates	20,947	1,807
Investments in capital of subsidiaries and affiliates	15,220	14,836
Long-term borrowings from subsidiaries and affiliates	1,083	1,689
Prepaid pension costs	99	134
Other	496	369
Allowance for doubtful accounts	(59)	(59)
Total investments and other assets	38,072	19,117
Total non-current assets	59,656	35,973
Total assets	111,462	75,725

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	*3 5,668	*3 782
Short-term borrowings	*4 37,324	*4 51,407
Current portion of bonds payable	1,985	2,185
Current portion of long-term borrowings	17,527	20,966
Lease obligations	47	24
Accrued expenses	–	107
Provision for bonuses	69	57
Other	415	179
Total current liabilities	63,037	75,711
Non-current liabilities		
Bonds payable	3,847	1,662
Long-term borrowings	19,155	10,852
Lease obligations	145	43
Deferred tax liabilities	0	3
Provision for director’s stock compensation	153	158
Provision for loss on business of subsidiaries and affiliates	–	4,220
Other	52	24
Total non-current liabilities	23,354	16,964
Total liabilities	86,391	92,675
Net assets		
Shareholders’ equity		
Share capital	11,037	11,037
Capital surplus		
Legal capital surplus	4,453	4,453
Total capital surplus	4,453	4,453
Retained earnings		
Other retained earnings		
Retained earnings carryforward	10,046	(32,046)
Total retained earnings	10,046	(32,046)
Treasury stock	(433)	(402)
Total shareholders’ equity	25,105	(16,957)
Valuation and translation adjustments Valuation		
Valuation difference on available-for-sale securities	(34)	7
Total valuation and translation adjustments	(34)	7
Total net assets	25,070	(16,950)
Total liabilities and net assets	111,462	75,725

2) Income statement

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Operating Revenue		
Group operating income	4,335	3,114
Real estate lease revenue	1,534	1,194
Dividend income from affiliated companies	2,064	3,241
Other operating revenue	4	432
Total operating revenue	*1 7,940	*1 7,984
Operating expenses	*2 6,422	*2 6,160
Operating profit	1,518	1,823
Non-operating income		
Interest income	*3 616	*3 684
Dividend income	*4 16	*4 8
Foreign exchange gains	–	1,809
Rental income	377	762
Proceeds from miscellaneous income	384	26
Total non-operating income	1,395	3,290
Non-operating expenses		
Interest expenses	836	771
Taxes and dues	66	160
Foreign exchange losses	484	–
Provision of allowance for doubtful accounts	839	15,276
Commission expenses	775	–
Advisory expenses	–	1,371
Miscellaneous loss	837	1,268
Total non-operating expenses	3,840	18,848
Ordinary income (loss)	(926)	(13,734)
Extraordinary income		
Gain on sales of non-current assets	*5 13	*5 81
Gain on sales of investment securities	386	0
Gain on sales of shares of subsidiaries and affiliates	31,949	–
Other	193	37
Total extraordinary income	32,542	119
Extraordinary losses		
Provision for loss on business of subsidiaries and affiliates	–	4,220
Loss on support to subsidiaries and affiliates	*6 17,000	–
Impairment loss	4,931	4,473
Loss on disposal of non-current assets	*7 612	–
Loss on valuation of shares of subsidiaries and affiliates	–	19,140
Loss on valuation of investments in capital of subsidiaries and affiliates	–	496
Structure reform cost	*8 283	–
Other	193	22
Total extraordinary losses	23,020	28,353
Income (loss) before income taxes	8,595	(41,968)
Income taxes--current	115	124
Income taxes--deferred	167	–
Total income taxes	282	124
Net income (loss)	8,312	(42,093)

3) Statements of changes in net assets

FY2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
	Share capital	Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings carryforward	Total retained earnings	Treasury stock
Balance at the beginning of period	11,037	4,453	4,453	1,734	1,734	(605)
Changes during period						
Net income (loss)				8,312	8,312	
Purchase of treasury sock						(0)
Disposal of treasury stock				(0)	(0)	172
Net changes in items other than shareholders' equity						
Total changes during period	–	–	–	8,312	8,312	172
Balance at the end of period	11,037	4,453	4,453	10,046	10,046	(433)

	Shareholders' equity	Valuation and translation adjustments Valuation		
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at the beginning of period	16,620	263	263	16,883
Changes during period				
Net income (loss)	8,312			8,312
Purchase of treasury sock	(0)			(0)
Disposal of treasury stock	172			172
Net changes in items other than shareholders' equity		(298)	(298)	(298)
Total changes during period	8,484	(298)	(298)	8,186
Balance at the end of period	25,105	(34)	(34)	25,070

FY2020 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		Treasury stock
		Capital surplus	Total capital surplus	Other retained earnings Retained earnings carryforward	Total retained earnings	
Balance at the beginning of period	11,037	4,453	4,453	10,046	10,046	(433)
Changes during period						
Net income (loss)				(42,093)	(42,093)	
Purchase of treasury sock						(0)
Disposal of treasury stock						30
Net changes in items other than shareholders' equity						
Total changes during period	–	–	–	(42,093)	(42,093)	30
Balance at the end of period	11,037	4,453	4,453	(32,046)	(32,046)	(402)

	Shareholders' equity	Valuation and translation adjustments Valuation		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of period	25,105	(34)	(34)	25,070
Changes during period				
Net income (loss)	(42,093)			(42,093)
Purchase of treasury sock	(0)			(0)
Disposal of treasury stock	30			30
Net changes in items other than shareholders' equity		42	42	42
Total changes during period	(42,063)	42	42	(42,020)
Balance at the end of period	(16,957)	7	7	(16,950)

[Notes]

(Going concern assumption)

The total amount of borrowings and corporate bonds of the Company at the end of the fiscal year ended March 31, 2021 was ¥87,073 million (¥79,839 million at the end of the previous fiscal year) and it is at higher level than cash on hand of ¥6,169 million (¥11,959 million at the end of the previous fiscal year) and current liabilities exceeded current assets. Furthermore, total liabilities at the end of the fiscal year ended March 31, 2021 of ¥92,675 million (¥86,391 million at the end of the previous fiscal year) exceeded total assets of ¥75,725 million (¥111,462 million at the end of the previous fiscal year).

In addition, as described in “Going concern assumption” on the consolidated balance sheet, the Group, including the Company and its consolidated subsidiaries, recorded a significant decrease in sales in the Automotive Systems Business and a significant operating loss in the fiscal year under review, and current liabilities on the consolidated balance sheet exceeded current assets at the end of the fiscal year under review. Moreover, total liabilities exceeded total assets.

As a result of the above, there remain circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

To overcome this difficult situation, on June 30, 2020, the Company and some of its subsidiaries (hereinafter, collectively referred to as the “Company, etc.”) made an official request to commence the business revitalization ADR procedures to establish a robust earnings basis for future regrowth and to fundamentally improve our financial position. In addition, on March 1, 2021, the Company signed a share subscription agreement with Hisense Home Appliances Group Co., Ltd. (hereinafter, “Hisense Home Appliances Group”) for the Company to issue common shares worth approximately ¥21.4 billion in total by means of third-party allotment (hereinafter, the “Third-party Allotment”) to a special purpose company to be established by Hisense Home Appliances Group.

Thereafter, at the second meeting held on March 22, 2021 as continuation to the second meeting of creditors (meeting of creditors to discuss a proposed business revitalization plan), the Company, etc. explained to the financial institutions with which they had transactions a business revitalization plan proposal that had been prepared following consultations with Hisense Home Appliances Group and Hisense Japan Automotive Air-Conditioning Systems, a special purpose company established by Hisense Home Appliances Group, based on the content of the above-mentioned share subscription agreement, asking the financial institutions to consider the plan’s details including the waiver of the Company’s debts. The business revitalization ADR procedures commenced on May 7, 2021 as all the financial institutions that had transactions with the Company and fell under applicable creditors gave their consent to the business revitalization plan and submitted a letter of consent as an evidence of their consent at the meeting held on the same day as continuation to the third meeting of creditors (meeting of creditors to approve the proposed business revitalization plan).

The debt waiver was subject to the completion of payment in relation to the Third-party Allotment. At the Company’s Extraordinary General Meeting of Shareholders held on May 27, 2021, it was approved to revise the part of the Company’s Article of Incorporation related to increasing the total number of authorized shares. All the agenda items concerning the Third-party Allotment were also approved at the same meeting. The payment for capital increase by means of the Third-party Allotment was completed on May 31, 2021. As a result, the debt waiver took effect. For details such as the number of shares issued and issue price, and details of the debt forgiveness, please refer to “Completion of payment for Capital Increase through Third-Party Allotment” and “Completion of business revitalization ADR procedures and effectuation of debt waiver” in “Significant subsequent events.” With respect to the Company’s debts to applicable creditors that will remain outstanding after the debt waiver, the Company needs to repay the principal of the entire amount of the remaining debts promptly (at least within three months) after the date on which the payment related to the Third-party Allotment was completed (which coincided with the date on which the debt waiver took effect). The Company will therefore raise funds to repay the principal of all the remaining debts in cooperation with Hisense Home Appliances Group.

Of these measures, however, fundraising to repay the principal of the remaining debts has not been completed. The Company therefore recognizes that there are significant uncertainties related to the going concern assumption.

The consolidated financial statements have been prepared on the premise of a going concern, and the effects of significant uncertainty regarding going concern assumption are not reflected in the consolidated financial statements.

(Significant accounting policies)

1. Valuation standards and methods for securities

(1) Stock of subsidiaries and affiliates

Non-marketable securities are carried at cost determined by the moving average method.

(2) Other securities

- Marketable securities:
  Marketable securities are carried at fair value based on quoted market prices as of the end of the fiscal year.
  Any changes in unrealized gain or loss are directly included in net assets and the costs of securities sold are generally calculated by the moving average method.
- Non-marketable securities:
  Non-marketable securities are carried at cost determined by the moving average method.
  For those securities whose real value has been significantly reduced, a substantial reduction has been made.

2. Valuation standards and methods for derivative

Derivative financial instruments are stated at fair value.

3. Valuation standards and methods for inventories

Inventories are primarily stated at cost method determined by the weighted average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

4. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

The straight-line method is adopted.

The main useful lives are as follows.

Buildings and structures 3-50 years

The Company has adopted a method in which small amounts of depreciable assets with an acquisition cost of ¥100,000 or more but less than ¥200,000 are depreciated in equal amounts over three years.

(2) Intangible assets (excluding leased assets)

The straight-line method is adopted.

Depreciation of software for internal use is calculated by the straight-line method based on its useful life in the Company.

(3) Leased assets

Leased assets related to the finance lease transactions other than those where the ownership of the lease assets is deemed to be transferred to the lessee is amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

5. Basis for translating foreign currency-denominated assets and liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot rates of exchange in effect at the balance sheet date and the translation differences are treated as profit or loss.

6. Basis for accounting for provisions

(1) Allowance for doubtful accounts
To prepare for losses due to the credit loss of monetary claims, the Company considers the actual loan loss rate for general claims and the collectability of specific claims such as doubtful debts individually and record the estimated uncollectible amount.

(2) Provision for bonuses
To provide for the payment of bonuses to employees, an estimated amount of bonus payments corresponding to the consolidated fiscal year under review is recorded.

(3) Provision for loss on business of subsidiaries and affiliates
To provide for losses on business of subsidiaries and affiliates, an amount expected to be borne by the Company in excess of the amount of claims to subsidiaries and affiliates, such as investments and loans, is recorded.

(4) Provision for director’s stock compensation
To prepare for the issuance of the Company's shares by the Executive Compensation BIP Trust, the Company records the estimated amounts of shares to be paid out based on the points allocated to the executives and others in accordance with the stock issuance regulations.

(5) Provision for retirement benefits
To provide for the retirement benefits of pension beneficiaries, a provision is made based on the estimated amount of retirement benefit obligations and pension assets at the end of the fiscal year under review. If the amount of pension assets exceeds the amount of retirement benefit obligations, the excess is recorded as prepaid pension costs.

7. Hedge accounting method

(1) Hedge accounting method
Deferred hedge accounting is adopted.
However, exceptional treatment is applied to interest rate swaps that meet the requirements for exceptional treatment.

(2) Hedging instruments and hedged items
- Hedging instruments
  Futures contracts, interest rate swaps
- Hedged items
  Foreign currency denominated receivables and forecasted foreign currency transactions, interest on floating rate borrowings

(3) Hedging policy
In principle, the Company enters into forward foreign exchange contracts to hedge the foreign exchange fluctuation risk associated with foreign currency-denominated receivables.
In addition, the Company enters into interest rate swaps to hedge the risk of interest rate fluctuations on interest payments and commodity derivatives to hedge the risk of price fluctuations on raw materials.

(4) Assessment of hedge effectiveness
Hedging is applied on the condition that the change in the market value of the hedged item and the change in the market value of the hedging instrument do not deviate by 20% or more, and the assessment of the effectiveness of the hedge is confirmed.
However, the Company does not evaluate the effectiveness of interest rate swaps for which special accounting is used.

8. Other important matters for preparation of financial statements

(1) Accounting treatment for consumption tax, etc.
Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(2) Application of the consolidated taxation system
The consolidated taxation system is applied.

(3) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
For the transition to the group tax sharing system established under the “Act for Partial Amendment of the Income Tax Act, etc. (Law No. 8, 2020) and for items that were reviewed in the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, subject to the treatment of paragraph 3 of the "Application of tax effect accounting for the transition from the consolidated taxation

system to group tax sharing system” (Practical Issues Task Force No. 39, March 31, 2020), the Company and certain of its domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the "Guidance on Accounting Standards for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) and calculate the amount of deferred tax assets and deferred tax liabilities in accordance with the provisions of pre-revision tax laws.

(4) Accounting treatment for defined benefit plans

The accounting method for unrecognized actuarial gains and losses on retirement benefits is different from the accounting method in the consolidated financial statements.

(Significant accounting estimates)

Valuation of shares and investments in, claims to, and business of, subsidiaries and affiliates

1) Amount recorded in the financial statements for the fiscal year under review

Valuation loss on shares and investments in subsidiaries and affiliates of ¥19,637 million was recorded in the fiscal year under review. The book value of shares and investments in subsidiaries and affiliates after recording the valuation loss is ¥16,643 million. In addition, allowance for doubtful accounts of ¥26,453 million was recorded for loans and operating accounts receivables from subsidiaries and affiliates whose liabilities exceed assets, and provision for loss on business of subsidiaries and affiliates of ¥4,220 million was recorded.

Of the above amount, amounts related to Sanden Automotive Components Corporation (hereinafter referred to as “SDAC”) and Sanden Automotive Climate Systems Corporation (hereinafter referred to as “SDAS”) are as follows.

(Millions of yen)

	SDAC	SDAS
Loss on valuation of shares of subsidiaries and affiliates	15,813	3,326
Loss on valuation of shares of subsidiaries and affiliates after valuation loss	0	0
Loans receivable from subsidiaries and affiliates (Allowance for doubtful accounts)	12,680 [(12,680)]	6,648 [(2,210)]
Operating accounts receivable (Allowance for doubtful accounts)	426 [(426)]	38 (-)
Provision for loss on business of subsidiaries and affiliates	3,808	-

2) Information on significant accounting estimates for the items identified

A valuation loss is recognized for shares and investments in subsidiaries and affiliates if their real value calculated based on net assets significantly declines due to deterioration in the financial position of the issuer subsidiary or affiliate, except for cases in which their recoverability is supported by sufficient evidence. In addition, for claims to subsidiaries and affiliates whose financial position has deteriorated, an allowance for doubtful accounts is recorded by estimating the uncollectible amount individually based on the amount of net assets of relevant subsidiary or affiliate and, if the subsidiary or affiliate is in a state of excess debts and the amount of excess debts exceeds the book value of the claims, the excess amount is recorded in provision for loss on business of subsidiaries and affiliates.

As both of SDAC and SDAS hold shares and investments in their subsidiaries (subsidiaries of the Company’s subsidiaries), unrealized profits and losses on those shares and investments held by SDAC and SDAS are calculated based on net assets of those investee companies (subsidiaries of the Company’s subsidiaries) and added respectively to net assets of SDAC and SDAS when their net assets that serve as the basis for valuation of provisions for losses on shares in, claims to and business of, the two subsidiaries are calculated.

In the fiscal year under review, an indication of impairment was found in non-current assets of the Company’s subsidiaries, including SDAC and SDAS, and investee companies of SDAC and SDAS, and therefore whether an impairment loss should be recognized was determined and the impairment loss was measured. The recoverable amount to compare with the book value of non-current assets was mainly calculated using the value in use, and the forecasted unit sales of air-conditioning systems for automobiles that serve as the basis for estimating future cash flows and the discount rate used for the measurement of the value in use are incorporated as major assumptions.

Under the current conditions in which the impact of COVID-19 has not contained yet, the forecasting of unit sales for air-conditioning systems for automobiles and the estimation of the discount rate involve a high degree of uncertainty. Therefore, if the forecast and future results differ, the recognition of impairment loss may be required on the amounts of non-current assets of the Company’s subsidiaries and their investee companies. In this case, deterioration in the financial position of the Company’s subsidiaries and their investee companies and resulting damage to their net assets may have a significant impact on the amounts of shares and investments in, and claims to, subsidiaries and affiliates held by the Company, as well as of provision for loss on business of subsidiaries and affiliates, in the financial statements for the next fiscal year.

(Changes in presentation)

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

With adoption of “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) effective from the financial statements at the end of the fiscal year under review, a note on significant accounting estimates to the financial statements is stated.

However, pursuant to the transitional treatment provided in the proviso to paragraph 11 of the Accounting Standard, the note does not include relevant information for the fiscal year ended March 31, 2020.

(Non-consolidated statements of income)

“Impairment loss,” which was included in “Structure reform cost” under “Extraordinary losses” in fiscal 2019, has been presented as a separate item in the fiscal year under review due to its increased significance. To reflect this change in presentation, the financial statements for fiscal 2019 have been reclassified.

As a result, ¥5,214 million included in “Structure reform cost” under “Extraordinary losses” in the statements of income for fiscal 2019 has been reclassified as "Impairment loss” of ¥4,931 million and “Structure reform cost” of ¥283 million.

(Additional information)

Transaction related to the Executive Compensation BIP Trust

Notes on the Executive Compensation BIP Trust are omitted, as the same information is presented in “Additional Information” in the notes to consolidated financial statements, “1. Consolidated Financial Statements, 5. Financial Information.”

The impact of the spread of COVID-19

As for the impact of the spread of COVID-19 on the Group, there remains uncertainty in such aspects as the future spread of the infection, the timing of containment, and the outlook of market trends after containment.

Under these circumstances, based on the information available at the time of the preparation of the financial statements, the Group assumes that the impact of the spread of COVID-19 will continue for a certain period of time in the future, and makes accounting estimates, such as the cash flow related to the assumptions of a going concern, impairment of non- current assets, and the possibility of recovering deferred tax assets.

If the impact of the spread of the COVID-19 infection is prolonged, it could have a significant impact on the Group's business results and financial position.

(Non-consolidated balance sheets)

Note 1: *1, 2, 3 and 4

Monetary claims and liabilities to subsidiaries and affiliates (excluding those presented separately) are as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Short-term monetary claims	5,142	4,848
Short-term monetary liabilities	5,399	488

Note 2: Contingent labilities

(1) The Company provides debt guarantees for borrowings from financial institutions of affiliated companies.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Sanden International (Europe) GmbH	14,497	7,800
Sanden International (U.S.A.),Inc.	2,076	1,854
Sanden (Suzhou) Precision Parts Co., Ltd.	603	–
Sanden Vikas (India) Private Limited.	2,705	2,642
Sanden Vikas Precision Parts Private Limited.	376	416
Tianjin Sanden Automotive Air-Conditioning Co., Ltd.	328	107
Sanpak Engineering Industries Pvt. Ltd.	429	437
Total	21,018	13,261

(2) The Company has guaranteed the obligations of the following companies to financial institutions in relation to their electronically recorded obligations

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Sanden Automotive Climate Systems Corporation	398	378
Sanden Automotive Components Corporation	8,518	7,712
Total	8,916	8,090

(3) The Company provides debt guarantees for trade payables to suppliers of affiliated companies.

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Sanden Manufacturing Europe S.A.S	–	320
Total	–	320

(4) Other

FY2019 (As of March 31, 2020)

In connection with the plea agreement with the U.S. Department of Justice, civil lawsuits (class action lawsuits) and other lawsuits have been filed in North America seeking damages. Some of these lawsuits have already been settled. The outcome of other pending lawsuits could have an impact on the Groups' business results, but it is difficult to make a reasonable estimate of the amount of these lawsuits at this time, and it is unclear how much of an impact these lawsuits could have on the Group's business results and financial position.

FY2020 (As of March 31, 2021)

In connection with the plea agreement with the U.S. Department of Justice, civil lawsuits (class action lawsuits) and other lawsuits have been filed in North America seeking damages. Some of these lawsuits have already been settled.

In addition, in relation to the European Commission's decision to impose fines, we are in a settlement negotiation with certain of our customers. The outcome of these pending lawsuits and settlement negotiations could have an impact on the Group's business results, but it is difficult to make a reasonable estimate of the amount of these lawsuits at this time, and it is unclear how much of an impact these lawsuits could have on the Group's business results and financial position.

(Non-consolidated statements of income)

Note 1: *1, 2, 3, 4 and 6

Major transactions with affiliated companies are as follows

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Operating Revenue	5,870	4,792
Operating expenses	3,230	2,957
Amount of transactions other than business transactions	17,628	746

Note 2: *2

Operating expenses

The major components of operating expenses are as follows.

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Salaries and allowances	787	740
Bonus	123	99
Welfare Fee	218	178
Rent	169	221
Depreciation	1,076	933
Retirement benefit expenses	112	33
Fees	2,546	2,245
Research study expenses	25	35

Note 3: *5

Gain on sales of non-current assets

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Buildings	0	–
Land	13	81
Total	13	81

Note 4: *7

Loss on disposal of non-current assets

(Millions of yen)

	FY2019 (April 1, 2019 to March 31, 2020)	FY2020 (April 1, 2020 to March 31, 2021)
Buildings	86	–
Land	100	–
Other	425	–
Total	612	–

Note 5: *8

Structure reform cost

FY2019 (April 1, 2019 to March 31, 2020)

To achieve the goals of its mid-term management plan, which will conclude in fiscal 2023, the Company is working on the following five reform plans: comprehensive reorganization of production systems, enhancement of basic earning power, growth by actively promoting “collaborative creation,” cash flow generation through reform in asses structure, and reform in systems for implementation. As a result, in the fiscal year ended March 31, 2020, the Company recorded early retirement benefits, etc., as structure reform cost.

FY2020 (April 1, 2020 to March 31, 2021)

Not applicable

(Securities)

FY2019 (As of March 31, 2020)

Stocks of subsidiaries and affiliates (balance sheet amount: ¥25,026 million for stock of subsidiaries and investments in capital; and ¥11,141 million for stock of affiliates and investments in capital) are not listed because they do not have market prices and it is extremely difficult to determine their fair value.

FY2020 (As of March 31, 2021)

Stocks of subsidiaries and affiliates (balance sheet amount: ¥5,501 million for stock of subsidiaries and investments in capital; and ¥11,141 million for stock of affiliates and investments in capital) are not listed because they do not have market prices and it is extremely difficult to determine their fair value.

(Tax effect accounting)

1. Breakdown of the main causes of deferred tax assets and deferred tax liabilities

(Millions of yen)

	(FY2019) (As of March 31, 2020)	(FY2020) (As of March 31, 2021)
Deferred tax assets		
Net operating loss carryforward	5,189	4,463
Provision for bonuses	21	17
Allowance for doubtful accounts	3,412	8,098
Provision for retirement benefits	156	137
Loss on valuation of securities	1,922	8,026
Shares of subsidiaries and affiliates	444	444
Provision for loss on business of subsidiaries and affiliates	–	1,287
Depreciable assets, etc.	343	311
Impairment loss	1,586	2,929
Other	367	192
Subtotal of deferred tax assets	13,443	25,910
Valuation allowance for net operating loss carryforward	(5,189)	(4,463)
Valuation allowance for total amount of future reduction for temporary differences	(8,524)	(21,446)
Subtotal of valuation allowance	(13,443)	(25,910)
Total deferred tax assets	–	–
Deferred tax liabilities		
Valuation difference on available-for-sale securities	0	3
Total deferred tax liabilities	0	3
Net deferred tax assets (liabilities)	(0)	(3)

2. The reconciliation between the statutory effective tax rate and the actual tax rate after applying tax effect accounting is summarized as follows

	(FY2019) (As of March 31, 2020)	(FY2020) (As of March 31, 2021)
Legal effective tax rate	30.5 %	Because net loss before income taxes was recorded for the fiscal year, there is no information to be disclosed here.
(Adjustment)		
Items that are not permanently deducted, such as entertainment expenses	60.4	
Non-deductible foreign tax credit	1.7	
Resident tax per capita rate	0.1	
Dividends received and other items not permanently included in taxable income	(17.6)	
Increase (decrease) in valuation allowance	(73.0)	
Other	1.2	
Income tax rate after the application of tax effect accounting	3.3	

(Significant subsequent events)

(Completion of payment for the capital increase through third-party allotment)

On March 1, 2021, the Company signed a share subscription agreement with Hisense Home Appliances Group for the Company to issue common shares worth approximately ¥21.4 billion in total by means of third-party allotment to a special purpose company to be established by the Hisense Home Appliances Group. Following the approval of all the agenda items relating to the capital increase through third-party allotment at the Company's extraordinary general meeting of shareholders held on May 27, 2021, the payment for the capital increase through third-party allotment was completed on May 31, 2021.

(1) Outline of the capital increase through third-party allotment

Payment date	May 31, 2021
Total number of shares to be issued	83,627,000 shares of common stock
Issue price	256 yen per share
Amount raised	21,408,512,000 yen
Amount credited to share capital	128 yen per share
Total amount credited to share capital	10,704,256,000 yen
Method of offering or allotment	Third-party allotment
Allottee	Hisense Japan Automotive Air-Conditioning Systems Corporation (Note) Note: A special purpose company incorporated by Hisense Home Appliances Group for the purpose of subscribing for the shares of common stock to be issued upon the capital increase through third-party allotment

(2) Change in the total number of shares issued after capital increase through third-party allotment

Total number of shares issued before capital increase	28,066,313	Share capital before capital increase	11,037,613,287 yen
Increase in number of shares	83,627,000	Capital increase	10,704,256,000 yen
Total number of shares issued after increase	111,693,313	Share capital after capital increase	21,741,869,287 yen

(Completion of business revitalization ADR procedures and effectuation of debt waiver)

At the re-continuation meeting for the third meeting of creditors (meeting of creditors to adopt a resolution on the proposed business revitalization plan) held on May 7, 2021, the Company and certain of its subsidiaries gained consent of the creditor financial institutions to the business revitalization plan including debt waiver of ¥63,000 million in total (hereinafter referred to as the "Debt Waiver"), and thus the business revitalization ADR procedures were completed.

The effectuation of the Debt Waiver was subject to the completion of the payment for the issuance of common shares through third-party allotment to Hisense Japan Automotive Air-Conditioning Systems Corporation, which is a special purpose company incorporated by Hisense Home Appliances Group Co., Ltd (hereinafter referred to as the "Capital Increase through Third-Party Allotment"). With the completion of the payment for the Capital Increase through Third-Party Allotment on May 31, 2021 as described in "Completion of payment for the Capital Increase through Third-Party Allotment" in "Significant subsequent events," the Debt Waiver took effect.

The ¥62,980 million waiver of the Company's debts is to be posted as an extraordinary profit on a consolidated and non-consolidated basis in the first quarter of the next consolidated fiscal year, and the ¥20 million waiver of its subsidiaries is to be posted as an extraordinary profit on a consolidated basis in the first quarter of the next consolidated fiscal year.

As for the claims to the Company and certain of its consolidated subsidiaries subject to the business revitalization ADR remaining after the Debt Waiver (¥34,790 million; hereinafter referred to as the "Remaining Claims"), we have requested and gained consent from all the creditor financial institutions to maintain the principal balance of the Remaining Claims during a period from the effective date of the Debt Waiver until the repayment of the Remaining Claims in accordance with the following conditions.

(a) Fully repay the principal of the Remaining Claims promptly after the date on which the payment for the Capital Increase through Third-Party Allotment is completed (the effective date of the debt waiver) (provided, however, no later than three months after the date on which the payment of the Capital Increase through Third-Party Allotment is completed).

(b) From the day following the effective date of the debt waiver, continue to pay interest on the Remaining Claims at the rate stipulated as of the base date (June 30, 2020) in regard to the Remaining Claims. In addition, on the repayment date of the principal of each Remaining Claim, pay interest for a period from the immediately preceding interest payment date until the repayment date of the principal.

4) Non-consolidated schedules

[Details of property, plant and equipment]

(Millions of yen)

Segment	Type of assets	Balance at the beginning of period	Increase in FY2020	Decrease in FY2020	Depreciation in FY2020	Balance at the end of period	Accumulate depreciation
Property, plant and equipment	Buildings	8,156	545	22	1,299 (642)	7,379	21,389
	Structures	975	84	–	194 (90)	866	5,623
	Machinery and equipment	38	–	–	14 (7)	24	753
	Vehicles	0	–	–	–	0	5
	Tools, furniture and fixtures	179	13	0	48 (25)	144	339
	Land	8,966	–	43	493 (493)	8,429	–
	Leased assets	29	–	–	22 (15)	6	40
	Construction in progress	374	321	689	1 (1)	5	–
	Total	18,720	965	756	2,073 (1,275)	16,856	28,643
Intangible assets	Leasehold interests in land	8	–	–	8 (8)	0	–
	Software	2,773	778	4	3,547 (3,125)	0	–
	Other intangible assets	81	2	–	84 (63)	0	–
	Total	2,863	780	4	3,639 (3,198)	0	–

Notes: 1. The figures in parentheses in the “Depreciation in FY2020” column represent the included amount of impairment loss reported.

2. Details of major increases in the fiscal year under review are as follows

Buildings: Equipment for Yattajima Plant 428 million

[Details of provisions]

(Millions of yen)

Segment	Balance at the beginning of period	Increase in FY2020	Decrease in FY2020	Balance at the end of period
Allowance for doubtful accounts	11,188	15,800	435	26,553
Provision for loss on business of subsidiaries and affiliates	–	4,220	–	4,220
Provision for bonuses	69	57	69	57
Provision for director’s stock compensation	153	33	28	158

Note: The reason for the appropriation and the method of calculating the amount are described in the “Significant accounting policies” section of this report.

(2) [Assets and liabilities]

Since the consolidated financial statements are prepared, this information is omitted.

(3) [Other]

Not applicable

6. Information on Transfer and Repurchase of the Company's Stock

Fiscal year	From April 1 to March 31
Annual general meeting of the shareholders	June
Date for dividend	March 31
Date for dividend of surplus	September 30 March 31
Number of shares per unit of the Company's stock	100 shares
Purchase and sale of shares less than one unit Address for transaction Administrator of shareholders' register Agency Charges of purchase and sale	 (Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited. (Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Sumitomo Mitsui Trust Bank, Limited. ——— Free
Method of public notice	Public notice shall be made by electronic public notice. However, in the event of an accident or other unavoidable circumstances that prevent electronic public notice from being made, it shall be published in the Nihon Keizai Shimbun (published in Tokyo) and the Jomo Shimbun (published in Maebashi City). URL for public notice: https://www.sanden.co.jp
Special benefits to shareholders	Not applicable

Notes: 1. Pursuant to the provisions of the Company's Articles of Incorporation, shareholders holding less than one standard unit of shares have no rights other than those set forth in each item of Article 189, paragraph 2 of the Companies Act, the right to receive an allotment of shares offered and stock acquisition rights offered in proportion to the number of shares held by the shareholder, and the right to demand the sale of shares less than one unit.

2. As agenda items (for resolution) submitted to the annual general meeting of shareholders to be held on June 25, 2021, the Company has proposed "Amendments to the Articles of Incorporation." If this agenda item is approved, the Company's fiscal year will be changed as follows.

Fiscal year: From January 1 to December 31
Annual general meeting of the shareholders: March
Date for dividend: December 31
Date for dividend of surplus: June 30
December 31

The 96th fiscal year will be for nine months from April 1, 2021 to December 31, 2021.

7. Reference Information on the Company

1. Information on the parent company of the submitting company

Name of parent company as prescribed in Article 24, paragraph 7, item 1 of the Financial Instruments and Exchange Law.

Hisense Japan Automotive Air-Conditioning Systems Corporation

2. Other reference information

The Company filed the following documents between the beginning of the fiscal year ended March 31, 2020 and the date when this Securities Report (Yukashoken-Hokokusho) was filed.

(1) Securities Report and Accompanying Documents and Confirmation Note

Fiscal year (94th) (From April 1, 2019 to March 31, 2020) Submitted to the Director of the Kanto Local Finance Bureau on July 29, 2020

(2) Internal Control Report

Submitted to the Director of the Kanto Local Finance Bureau on July 29, 2020

(3) Quarterly Securities Reports and Confirmation Notes

The first quarter of the 95th period (From April 1, 2020 to June 30, 2020) Submitted to the Director of the Kanto Local Finance Bureau on August 6, 2020

The second quarter of the 95th period (From July 1, 2020 to September 30, 2020) Submitted to the Director of the Kanto Local Finance Bureau on November 10, 2020

The third quarter of the 95th period (From October 1, 2020 to December 31, 2020) Submitted to the Director of the Kanto Local Finance Bureau on February 10, 2020

(4) Extraordinary Reports

Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (events that may have a significant impact on the financial position, operating results, and cash flows of the Company and its consolidated subsidiaries)

Submitted to the Director of the Kanto Local Finance Bureau on July 1, 2020.

Extraordinary Report pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (results of voting at the general meeting of shareholders)

Submitted to the Director of the Kanto Local Finance Bureau on August 3, 2020.

Extraordinary Report pursuant to Article 19, paragraph 2, item 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (events that may have a significant impact on the financial position, operating results, and cash flows of the Company's consolidated subsidiaries)

Submitted to the Director of the Kanto Local Finance Bureau on August 6, 2020

Extraordinary Report pursuant to Article 19, paragraph 2, item 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (events that may have a significant impact on the financial position, operating results, and cash flows of the Company's consolidated subsidiaries)

Submitted to the Director of the Kanto Local Finance Bureau on November 10, 2020

Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (events that may have a significant impact on the financial position, operating results, and cash flows of the Company and its consolidated subsidiaries)

Submitted to the Director of the Kanto Local Finance Bureau on May 14, 2021.

Extraordinary Report pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (results of voting at the general meeting of shareholders)

Submitted to the Director of the Kanto Local Finance Bureau on May 27, 2021.

Extraordinary Report pursuant to Article 19, paragraph 2, items 3 and 4 of the Cabinet Office Order on Disclosure of

Corporate Affairs (changes in the parent company and major shareholders)

Submitted to the Director of the Kanto Local Finance Bureau on May 31, 2021.

Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Order on Disclosure of Corporate Affairs (events that may have a significant impact on the financial position, operating results, and cash flows of the Company and its consolidated subsidiaries)

Submitted to the Director of the Kanto Local Finance Bureau on May 31, 2021.

(5) Amendment Report to an Extraordinary Report

Submitted to the Director of the Kanto Local Finance Bureau on October 2, 2020. (Amendment Report to the Extraordinary Report submitted on August 3, 2020.)

Part II. Information on Guarantors for the Company

Not applicable