

# SANDEN CORPORATION

May 13, 2022

## SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2022

Fiscal year ending December 31, 2022

### SANDEN CORPORATION

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(URL: <https://www.sanden.co.jp/english/index.html>)

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Shares listed: Tokyo Stock Exchange  
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Scheduled filing date for quarterly report: May 16, 2022

Planned date of dividend payment: -

Supplementary briefing materials created for the quarterly report: None

Briefing sessions held on quarterly results: None

(Fractions less than ¥1 million omitted)

## 1. Consolidated Financial Results for the first quarter of current fiscal year (January 1, 2022- March 31, 2022)

### (1) Results of operations

(%: percentage change from previous fiscal year)

	Net sales (Millions of ¥, %)	Operating income (Millions of ¥, %)	Income before extraordinary items (Millions of ¥, %)	Net income (Millions of ¥, %)
1Q of Fiscal year ending December 31, 2022	40,746	(976)	562	361
1Q of Fiscal year ended December 31, 2021	44,912	(9,487)	(9,791)	20,406

Notes: Equity in Comprehensive Income: 1Q of Fiscal year ending December 31, 2022 ¥ 1,592million -%  
1Q of Fiscal year ended December 31, 2021 ¥ 22,205million -%

	Net income per share basic (¥)	Net income per share diluted (¥)
1Q of Fiscal year ending December 31, 2022	3.25	-
1Q of Fiscal year ended December 31, 2021	293.26	-

Notes: The previous consolidated fiscal year was the elapsed period for the change in fiscal year end. For the first quarter of the previous consolidated fiscal year, the Company and its consolidated subsidiaries whose financial statements were settled in March, were consolidated for three months (April 1st, 2021 to June 30th, 2021), and those whose financial statements were settled in December, were consolidated for six months (January 1st 2021 to June 30th, 2021). As for the current first quarter, the entire group is consolidated from January 1st 2022 to March 31st 2022. For this reason, the rate of increase / decrease compared to the previous quarter is not stated.

### (2) Financial positions

(Fractions less than ¥1 million omitted)

	Total assets (Millions of ¥)	Net assets (Millions of ¥)	Equity Ratio of equity over total assets (%)	Net assets per share (¥)
1Q of Fiscal year ending December 31, 2022	155,640	25,435	15.7	219.27
Fiscal year ended December 31, 2021	151,189	23,835	15.1	205.51

Notes: Equity capital 1Q of Fiscal year ending December 31, 2022 ¥ 24,434million  
Fiscal year ended December 31, 2021 ¥ 22,901million

## 2. Dividends

	Dividend per share (¥)				Total
	1Q	2Q	3Q	4Q	
Fiscal year ended December 31, 2021	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2022	-				
Fiscal year ending December 31, 2022 (Forecast)		0.00	-	0.00	0.00

Note: Revisions made since the most recently published dividends forecast: None

### 3. Forecast of business results for the next fiscal year (January 1, 2022-December 31, 2022)

(%: percentage change from the same period of the previous fiscal year)

	Net sales (Millions of ¥, %)	Operating income (Millions of ¥, %)	Income before extraordinary items (Millions of ¥, %)	Net income (Millions of ¥, %)	Net income per share basic (¥)
Fiscal year ending December 31, 2022	161,000	(5,000)	(3,500)	(3,700)	(33.20)

Note:1. Revisions made since the most recently published earnings forecast: None

2. The previous consolidated fiscal year was the elapsed period of the change in financial year end, and the consolidated cumulative period of the previous fiscal year is nine months (April 1st 2021 to December 31st 2021) for the Company and its consolidated subsidiaries whose financial statements were settled in March. The consolidated subsidiaries with December settlement have irregular settlement with twelve months (January 1st to December 31st, 2021) as the consolidated period. For this reason, the rate of increase / decrease compared to the previous period is not stated.

#### \*Notes

- (1) Changes in significant subsidiaries during the first quarter of the current fiscal year (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes, Sanden Automotive Components Corporation.  
For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in significant subsidiaries during the first quarter of the current fiscal year)" on page 7 of the attached document.
- (2) Specific accounting treatment used in the creation of the quarterly consolidated financial statements: Yes.  
For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Specific accounting treatment used in the creation of the quarterly consolidated financial statements)" on page 7 of the attached document.
- (3) Changes in accounting principles and estimates, and retrospective restatement
- (a) Changes due to revision of accounting standards: None
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatement: None

(4) Number of outstanding shares (common stock, shares)

(a) Outstanding shares (including treasury shares)	As of March 31, 2022:	111,693,313	As of December 31, 2021:	111,693,313
(b) Treasury shares	As of March 31, 2022:	255,652	As of December 31, 2021:	259,558
(c) Average number of shares outstanding during the first quarter (cumulative)	As of March 31, 2022:	111,434,634	As of June 30, 2021:	69,582,697

\*Summary of quarterly financial results is exempt from quarterly review of audit procedures of Certified Public Accountant or Audit Firm.

\*Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

The forward-looking statements contained in this report are based on information currently available to the Company and certain assumptions which are regarded as legitimate. These statements are not promised by the Company regarding future performance. Actual results may differ significantly from these forecasts due to various factors. For information about the forecasts, please see "1. Qualitative Information on Quarterly Financial Results-(3) An explanation of future, predictive data, such as consolidated earnings forecasts" on page 2 of Supplementary Information.

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## 1 Qualitative Information on Quarterly Financial Results

### (1) An explanation of Results of Operations

The activities of Sanden Group are guided by the vision of “becoming the global leader in the fields of automotive compressors and integrated thermal management systems.” With the global automobile industry currently in the midst of a period of enormous changes, we are focusing on providing solutions with advanced technologies for electric vehicles, which are the source of competitive advantage, increasing our presence in China and Europe, two major growing markets, and further enlarging our broad customer base. As we take these actions, we will continue to be a source of products and services that accurately target the environmental requirements of our customers.

Starting from the fiscal year ended in December 2021, Sanden Group has decided to make our fiscal year the same as the fiscal year used by Hisense Group to strengthen our accounting and management operations and make these activities more efficient. As a result, the current fiscal period is a twelve-month period from January 1 to December 31, 2022. The consolidated financial statements for previous transitional fiscal period are for the nine months from April to December 2021. Financial information for the first quarter of the previous fiscal year includes the three-month period from April 1 to June 30, 2021 for Sanden Holdings and consolidated subsidiaries that had a March fiscal year end and the six-month period from January 1 to June 30, 2021 for consolidated subsidiaries that already had a fiscal year ending on December 31. Due to this transitional treatment, there are no prior-year comparisons.

During the first quarter, there were signs of recovery in global economy from stagnation caused by another wave of COVID-19 due to a new Omicron variant. However, outlook still is uncertain because of soaring raw material prices globally, lingering supply shortages such as semiconductors and tight supply and demand in logistics, and Russian invasion to Ukraine in late February.

Although sales of Sanden Group are recovering, primarily in China, automobile production in Europe, our mainstay, declined compared with the same period a year ago due to the semiconductor shortage. The result was first quarter sales of 40,746 million yen. Operating loss was 976 million yen, because of higher raw material prices and lingering increase in logistic expenses in line with delayed parts supply despite improved profitability due to recovering sales volumes. Ordinary profit improved to 562 million yen thanks to foreign exchange gains on foreign currency denominated claims and obligations, as well as share of profit of entities accounted for using equity method. Consequently, the profit attributable to owners of parent was 361 million yen.

There is no business segment information because Automotive Systems is the only reportable segment of Sanden Group.

### (2) An explanation of Financial Condition

Total assets were 155,640 million yen at the end of the first quarter, up 4,451 million yen from the end of the previous fiscal year mainly because of increases in property, plant and equipment and investment securities. Liabilities increased 2,851 million yen to 130,205 million yen mainly because of increase in other current liabilities.

Net assets increased 1,599 million yen to 25,435 million yen because of increases in retained earnings and foreign currency translation adjustment.

### (3) An explanation of future, predictive data, such as consolidated earnings forecasts

There has been no revision to the consolidated forecasts for the fiscal year ending December 31, 2022, which were released on February 25, 2022.

Although Russia-Ukraine situation does not have direct impacts on our group, we will inform you immediately when significant impacts are expected.

## 2 Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended December 2021 (As of December 31, 2021)	First quarter ended March 2022 (As of March 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	27,542	20,833
Notes and accounts receivable - trade, and contract assets	42,414	48,738
Merchandise and finished goods	14,004	14,969
Work in process	7,121	8,004
Raw materials	9,508	9,705
Other inventories	1,575	1,511
Accounts receivable - other	3,347	4,053
Consumption taxes receivable	2,340	2,853
Other	7,826	6,806
Allowance for doubtful accounts	(17,479)	(18,767)
Total current assets	98,200	98,708
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,014	14,093
Machinery, equipment and vehicles, net	5,825	6,098
Tools, furniture and fixtures, net	1,877	2,084
Land	6,439	6,503
Leased assets, net	2,064	2,133
Construction in progress	3,635	4,572
Total property, plant and equipment	33,856	35,486
Intangible assets		
Other	688	1,064
Total intangible assets	688	1,064
Investments and other assets		
Investment securities	17,004	18,917
Retirement benefit asset	130	130
Deferred tax assets	206	229
Other	2,339	2,464
Allowance for doubtful accounts	(1,238)	(1,360)
Total investments and other assets	18,442	20,381
Total noncurrent assets	52,988	56,932
Total assets	151,189	155,640

(Million yen)

	Fiscal year ended December 2021 (As of December 31, 2021)	First quarter ended March 2022 (As of March 31, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	31,319	34,061
Short-term borrowings	39,366	38,486
Current portion of long-term borrowings	274	297
Accounts payable - other	8,444	6,660
Lease obligations	2,320	2,242
Income taxes payable	1,004	954
Provision for bonuses	1,505	1,032
Provision for product warranties	4,664	4,723
Provision for loss on compensation for damage	2,428	2,428
Provision for business restructuring	14,318	14,258
Other	8,729	12,392
Total current liabilities	114,375	117,538
Noncurrent liabilities		
Long-term borrowings	584	536
Lease obligations	6,051	5,731
Deferred tax liabilities	1,586	1,536
Retirement benefit liability	2,646	2,778
Provision for environmental measures	500	516
Other	1,608	1,567
Total noncurrent liabilities	12,977	12,666
Total liabilities	127,353	130,205
<b>NET ASSETS</b>		
Shareholders' equity		
Share capital	21,741	21,741
Capital surplus	14,081	14,081
Retained earnings	(15,151)	(14,789)
Treasury shares	(565)	(557)
Total shareholders' equity	20,105	20,475
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	5
Foreign currency translation adjustment	3,084	4,191
Remeasurements of defined benefit plans	(284)	(236)
Total accumulated other comprehensive income	2,795	3,959
Non-controlling interests	934	1,000
Total net assets	23,835	25,435
Total liabilities and net assets	151,189	155,640

## (2) Statements of quarterly consolidated income and consolidated comprehensive income

Quarterly consolidated statement of income  
First quarter of the fiscal year

(Million yen)

	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)	First quarter ended March 2022 (January 1, 2022 – March 31, 2022)
Net sales	44,912	40,746
Cost of sales	43,629	34,744
Gross profit	1,283	6,001
Selling, general and administrative expenses	10,770	6,978
Operating income (loss)	(9,487)	(976)
Non-operating income		
Interest income	130	16
Dividend income	5	15
Foreign exchange gains	371	940
Share of profit of entities accounted for using equity method	883	775
Rental income	208	191
Other	129	139
Total non-operating income	1,728	2,078
Non-operating expenses		
Interest expenses	454	156
Commission expenses	834	-
Other	743	383
Total non-operating expenses	2,033	539
Ordinary income (loss)	(9,791)	562
Extraordinary income		
Gain on forgiveness of debts	63,000	-
Gain on sales of non-current assets	19	8
Other	78	17
Total extraordinary income	63,098	26
Extraordinary losses		
Impairment losses	10,773	-
Loss on disposal of non-current assets	345	66
Business restructuring expenses	15,054	-
Provision for loss on compensation for damage	2,428	-
Other	83	33
Total extraordinary losses	28,684	100
Profit (loss) before income taxes	24,622	488
Income taxes	4,659	123
Profit (loss)	19,962	364
Profit (loss) attributable to non-controlling interests	(443)	2
Profit (loss) attributable to owners of parent	20,406	361

Quarterly consolidated statement of comprehensive income  
 First quarter of the fiscal year

(Million yen)

	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)	First quarter ended March 2022 (January 1, 2022 – March 31, 2022)
Profit (loss)	19,962	364
Other comprehensive income		
Valuation difference on available-for-sale securities	8	10
Deferred gains or losses on hedges	28	-
Foreign currency translation adjustment	945	10
Remeasurements of defined benefit plans, net of tax	97	47
Share of other comprehensive income of entities accounted for using equity method	1,163	1,159
Total other comprehensive income	2,243	1,227
Comprehensive income	22,205	1,592
Comprehensive income attributable to owners of parent	22,575	1,526
Comprehensive income attributable to non-controlling interests	(369)	65



(3) Notes to the quarterly consolidated financial statements

(Notes on going concern assumptions)

None

(Note on significant change in shareholders' equity)

None

(Changes in important subsidiaries during the quarter)

On January 1, 2022, we executed an absorption-type merger, with Sanden Holdings Corporation as the surviving company, and Sanden Automotive Components Corporation, Sanden Automotive Climate Systems Corporation, Sanden Advanced Technology Corporation, Sanden Business Associate Corporation, Sanden Living & Environmental Systems Corporation, Sanden Environmental Products Corporation and Sanwa Corporation as the absorbed companies and assumed the business conducted towards the group companies by Sanden System Engineering, our wholly-owned subsidiary, through the simple form absorption type company split, with Sanden Holdings Corporation the absorbing company and Sanden System Engineering as the split company. At the same time, we changed our trade name from Sanden Holding Corporation to Sanden Corporation.

Sanden Automotive Components Corporation, the absorbed company in the absorption-type merger, was our specified subsidiary.

For the detail, please see "the Notice Concerning Execution of Agreements for the Merger (absorption-type merger) and Agreement for the Company Split (simple-form absorption-type company split) with Our Wholly-owned Subsidiaries, Change of Our Trade Name, and Partial Amendment of Our Articles of Incorporation" on September 28, 2021.

(Application of accounting methods specifically for consolidated quarterly financial statements)

	First quarter of the current fiscal year (January 1 to March 31, 2021)
Calculation of taxes	<p>Taxes are calculated by determining a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for profit before income taxes in the current fiscal year (including the first quarter). Quarterly profit before income taxes is then multiplied by this estimated effective tax rate to calculate taxes.</p> <p>However, when the tax calculated by using the estimated effective tax rate is believed to be significantly erroneous, taxes are calculated by using Paragraph 12 (method for using the statutory effective tax rate) in Practical Guidelines for Tax Effects on Interim Financial Statements, Etc.</p> <p>Income taxes - deferred are included in income taxes.</p>

(Segment information)

I First quarter of the previous fiscal year (April 1, 2021 – June 30, 2021)

Omitted because the Sanden Group has only the single reportable segment of Automotive Systems.

II First quarter of the current fiscal year (January 1, 2022 – March 31, 2022)

Omitted because the Sanden Group has only the single reportable segment of Automotive Systems.