

SANDEN CORPORATION

November 9, 2022

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 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: November 10, 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 third quarter of current fiscal year (January 1, 2022- September 30, 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 ¥, %)	
3Q of Fiscal year ending December 31, 2022	127,991	-	(5,507)	-	(2,897)	-	(2,498)	-
3Q of Fiscal year ended December 31, 2021	-	-	-	-	-	-	-	-

Notes: Equity in Comprehensive Income: 3Q of Fiscal year ending December 31, 2022 ¥ (497) million -%

3Q of Fiscal year ended December 31, 2021 ¥ - million -%

	Net income per share basic (¥)	Net income per share diluted (¥)
3Q of Fiscal year ending December 31, 2022	(22.42)	-
3Q of Fiscal year ended December 31, 2021	-	-

Notes: The Company has changed its fiscal year end from March 31 to December 31 following a resolution at the 95th Annual General Meeting of Shareholders on June 25, 2021 to partially amend the Articles of Association. Consolidated results of operations (cumulative total) for the third quarter of the fiscal year ended December 31, 2021 and the percentage change from the same period of the previous year for the third quarter of the fiscal year ending December 31, 2022 are not shown, since the Company did not prepare consolidated financial statements for the third quarter of the previous fiscal year, which was the transition period for the change in fiscal year end.

(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 (¥)
3Q of Fiscal year ending December 31, 2022	160,626	23,321	13.9	200.29
Fiscal year ended December 31, 2021	151,189	23,835	15.1	205.51

Notes: Equity capital 3Q of Fiscal year ending December 31, 2022 ¥ 22,322million

Fiscal year ended December 31, 2021 ¥ 22,901million

2. Dividends

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

(注: 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 transition period of the change in fiscal year end, and the consolidated cumulative period of the previous fiscal year is nine months (April 1 to December 31, 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 1 to December 31, 2021) as the consolidated period. For this reason, the percentage change from the previous period is not shown.

*Notes

(1) Changes in significant subsidiaries during the third 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 third 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 September 30, 2022:	111,693,313	As of December 31, 2021:	111,693,313
(b) Treasury shares	As of September 30, 2022:	242,449	As of December 31, 2021:	259,558
(c) Average number of shares outstanding during the third quarter (cumulative)	As of September 30, 2022:	111,443,121	As of December 31, 2021:	-

Note: The Company has changed its fiscal year end from March 31 to December 31 following a resolution at the 95th Annual General Meeting of Shareholders on June 25, 2021 to partially amend the Articles of Association. The average number of shares outstanding during the third quarter (cumulative) of the year ended 31 December, 2021 is not shown, since the Company did not prepare consolidated financial statements for the third quarter of the previous fiscal year, which was the transition period for the change in fiscal year end.

*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. As we did not make the consolidated financial information for the third quarter in 2021, there are no prior-year comparisons.

During the first three quarters of current fiscal year, while restrictions on economic activities due to the pandemic of the COVID-19 were eased globally, outlook of global economies are still uncertain due to impacts from extended Ukrainian situation and soaring raw material prices globally, as well as lingering supply shortages such as semiconductors and tight supply and demand in logistics.

Although there were negative impacts from declining automobile production year on year in Europe, our mainstay market, because of conflicts in Ukraine and shortages of semiconductors, sales in Japan, Asia, China and the US were recovering. The result was sales of the nine-months of 127,991 million yen. Operating loss was 5,507 million yen because of lingering higher raw material prices and increase in logistic expenses in line with delayed supply despite improved profitability thanks to the higher utilization rate with recovering sales volume. Ordinary losses improved to 2,897 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 losses attributable to owners of parent was 2,498 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 160,626 million yen at the end of the third quarter, up 9,437 million yen from the end of the previous fiscal year mainly because of increases in trade receivables, inventories, property, plant and equipment and investments and other assets.

Liabilities increased 9,951 million yen to 137,305 million yen mainly because of increases in trade payables and short-term borrowings.

Net assets decreased 514 million yen to 23,321 million yen because of decrease in retained earnings despite of the increase in 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 impacts by the Russia-Ukraine situation have been materialized as lower production at some of our customers and higher energy costs, we believe those on earnings will be immaterial as we are taking countermeasures. 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 Dec. 2021 (As of Dec. 31, 2021)	First nine months ended Sep. 2022 (As of Sep. 30, 2022)
ASSETS		
Current assets		
Cash and deposits	27,542	16,104
Notes and accounts receivable - trade, and contract assets	42,414	51,210
Merchandise and finished goods	14,004	16,558
Work in process	7,121	9,191
Raw materials	9,508	9,737
Other inventories	1,575	1,841
Accounts receivable - other	3,347	3,857
Consumption taxes receivable	2,340	3,510
Other	7,826	6,360
Allowance for doubtful accounts	(17,479)	(19,319)
Total current assets	98,200	99,054
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,014	14,465
Machinery, equipment and vehicles, net	5,825	7,842
Tools, furniture and fixtures, net	1,877	2,549
Land	6,439	6,625
Leased assets, net	2,064	2,063
Construction in progress	3,635	3,802
Total property, plant and equipment	33,856	37,349
Intangible assets		
Other	688	1,334
Total intangible assets	688	1,334
Investments and other assets		
Investment securities	17,004	21,610
Retirement benefit asset	130	130
Deferred tax assets	206	194
Other	2,339	2,232
Allowance for doubtful accounts	(1,238)	(1,279)
Total investments and other assets	18,442	22,888
Total noncurrent assets	52,988	61,572
Total assets	151,189	160,626

(Million yen)

	Fiscal year ended Dec, 2021 (As of Dec. 31, 2021)	First nine months ended Sep. 2022 (As of Sep. 30, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	31,319	35,558
Short-term borrowings	39,366	44,060
Current portion of long-term borrowings	274	321
Accounts payable - other	8,444	6,794
Lease obligations	2,320	1,994
Income taxes payable	1,004	1,335
Provision for bonuses	1,505	1,501
Provision for product warranties	4,664	4,987
Provision for loss on compensation for damage	2,428	2,317
Provision for business restructuring	14,318	13,554
Other	8,729	12,732
Total current liabilities	114,375	125,158
Noncurrent liabilities		
Long-term borrowings	584	437
Lease obligations	6,051	4,917
Deferred tax liabilities	1,586	1,688
Retirement benefit liability	2,646	3,012
Provision for environmental measures	500	590
Other	1,608	1,501
Total noncurrent liabilities	12,977	12,146
Total liabilities	127,353	137,305
NET ASSETS		
Shareholders' equity		
Share capital	21,741	21,741
Capital surplus	14,081	14,081
Retained earnings	(15,151)	(17,650)
Treasury shares	(565)	(531)
Total shareholders' equity	20,105	17,640
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4)	(8)
Foreign currency translation adjustment	3,084	4,816
Remeasurements of defined benefit plans	(284)	(126)
Total accumulated other comprehensive income	2,795	4,681
Non-controlling interests	934	999
Total net assets	23,835	23,321
Total liabilities and net assets	151,189	160,626

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

Quarterly consolidated statement of income
First nine months of the fiscal year

(Million yen)

	First nine months ended Sep. 2022 (Jan. 1, 2022 – Sep. 30, 2022)
Net sales	127,991
Cost of sales	113,317
Gross profit	14,673
Selling, general and administrative expenses	20,181
Operating income (loss)	(5,507)
Non-operating income	
Interest income	33
Dividend income	21
Foreign exchange gains	1,216
Share of profit of entities accounted for using equity method	2,469
Rental income	564
Other	317
Total non-operating income	4,623
Non-operating expenses	
Interest expenses	758
Other	1,255
Total non-operating expenses	2,014
Ordinary income (loss)	(2,897)
Extraordinary income	
Gain on sales of non-current assets	43
Reversal of allowance for doubtful accounts	1,645
Reversal of provision for business restructuring	491
Other	109
Total extraordinary income	2,289
Extraordinary losses	
Impairment losses	858
Loss on disposal of non-current assets	94
Other	105
Total extraordinary losses	1,058
Profit (loss) before income taxes	(1,666)
Income taxes	891
Profit (loss)	(2,558)
Profit (loss) attributable to non-controlling interests	(59)
Profit (loss) attributable to owners of parent	(2,498)

Quarterly consolidated statement of comprehensive income
First nine months of the fiscal year

(Million yen)

	First nine months ended Sep. 2022 (Jan. 1, 2022 – Sep. 30, 2022)
Profit (loss)	(2,558)
Other comprehensive income	
Valuation difference on available-for-sale securities	(4)
Foreign currency translation adjustment	(365)
Remeasurements of defined benefit plans, net of tax	158
Share of other comprehensive income of entities accounted for using equity method	2,273
Total other comprehensive income	2,061
Comprehensive income	(497)
Comprehensive income attributable to owners of parent	(612)
Comprehensive income attributable to non-controlling interests	115

(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 period)

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 dissolving companies and executed simple-form absorption-type company split with its wholly-owned subsidiary, Sanden System Engineering Corporation ("SSE"), as the company to be split, and Sanden Holdings Corporation, as the succeeding company, shall succeed to SSE's business conducted towards the group companies. At the same time, we changed our trade name from Sanden Holding Corporation to Sanden Corporation.

Sanden Automotive Components Corporation, the dissolving 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 nine months of the current fiscal year

(January 1 to September 30, 2022)

Calculation of taxes

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 third quarter). Quarterly profit before income taxes is then multiplied by this estimated effective tax rate to calculate taxes.

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.

Income taxes - deferred are included in income taxes.

(Segment information)

I First nine months of the current fiscal year (January 1, 2022 – September 30, 2022)

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