

SANDEN CORPORATION

May 12, 2023

SUMMARY OF QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2023

Fiscal year ending December 31, 2023

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 15, 2023
Planned date of dividend payment: -
Supplementary briefing materials created for the quarterly report: Yes
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, 2023- March 31, 2023)

(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, 2023	42,744	4.9	(1,617)	-	19	(96.5)	492	36.1
1Q of Fiscal year ended December 31, 2022	40,746	-	(976)	-	562	-	361	-

Notes: Equity in Comprehensive Income: 1Q of Fiscal year ending December 31, 2023 ¥ 600million (62.3)%
1Q of Fiscal year ended December 31, 2022 ¥ 1,592million -%

	Net income per share basic (¥)	Net income per share diluted (¥)
1Q of Fiscal year ending December 31, 2023	4.42	-
1Q of Fiscal year ended December 31, 2022	3.25	-

(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, 2023	161,955	23,967	14.3	207.13
Fiscal year ended December 31, 2022	157,428	23,366	14.3	201.75

Notes: Equity capital 1Q of Fiscal year ending December 31, 2023 ¥ 23,084million
Fiscal year ended December 31, 2022 ¥ 22,485million

2. Dividends

	Dividend per share (¥)				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended December 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2023	-	-	-	-	-
Fiscal year ending December 31, 2023 (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, 2023-December 31, 2023)

(%: 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, 2023	183,000	4.2	(5,700)	-	(3,700)	-	(1,600)	-	(14.36)

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

***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): None
- (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: Yes
 - (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, 2023:	111,693,313	As of December 31, 2022:	111,693,313
(b) Treasury shares	As of March 31, 2023:	242,862	As of December 31, 2022:	242,686
(c) Average number of shares outstanding during the first quarter (cumulative)	As of March 31, 2023:	111,450,583	As of March 31, 2022:	111,434,634

*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 amid 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.

During the first quarter, demand in the world economy has been recovering as restrictions in relation to the pandemic of the COVID-19 was relaxed. On the other hand, impacts from prolonged Ukrainian situation, soaring raw material prices globally and shortages of some components such as semiconductors lingered.

Automobile productions in Europe, our mainstay area, and other regions recovered year on year and the yen significantly weakened. The result was first quarter sales of 42,744 million yen (up 4.9% from a year ago). Operating loss was 1,617 million yen (loss of 976 million yen a year ago), because costs increased due to our efforts to enhance product developments and soaring raw material prices, although profitability improved due to the higher utilization rate in line with higher sales. Ordinary profit was 19 million yen (down 96.5% from a year ago), mainly due to the lower foreign exchange gains and the higher interest rates, despite of the higher share of profit of entities accounted for using equity method. The profit attributable to owners of parent was 492 million yen (up 36.1% from a year ago) thanks to reversal of allowance for doubtful accounts.

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 161,955 million yen at the end of the first quarter, up 4,527 million yen from the end of the previous fiscal year mainly because of increases in property, plant and equipment and investment securities.

Liabilities increased 3,926 million yen to 137,987 million yen mainly because of increase in short-term borrowings.

Net assets increased 600 million yen to 23,967 million yen because of increases in retained earnings.

(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, 2023, which were released on February 14, 2023.

2 Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended December 2022 (As of December 31, 2022)	First quarter ended March 2023 (As of March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	18,620	16,754
Notes and accounts receivable - trade, and contract assets	47,667	48,154
Merchandise and finished goods	15,016	15,007
Work in process	8,050	9,605
Raw materials	10,755	10,257
Other inventories	1,789	1,507
Accounts receivable - other	3,378	3,350
Consumption taxes receivable	4,540	4,253
Other	9,338	8,888
Allowance for doubtful accounts	(17,317)	(16,850)
Total current assets	101,840	100,929
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,016	13,888
Machinery, equipment and vehicles, net	7,008	7,668
Tools, furniture and fixtures, net	2,810	2,960
Land	6,552	6,567
Leased assets, net	1,868	2,003
Construction in progress	3,011	5,414
Total property, plant and equipment	35,267	38,502
Intangible assets		
Other	1,138	1,196
Total intangible assets	1,138	1,196
Investments and other assets		
Investment securities	18,188	20,213
Retirement benefit asset	88	88
Deferred tax assets	14	104
Other	2,051	1,467
Allowance for doubtful accounts	(1,160)	(545)
Total investments and other assets	19,181	21,327
Total noncurrent assets	55,588	61,026
Total assets	157,428	161,955

(Million yen)

	Fiscal year ended December 2022 (As of December 31, 2022)	First quarter ended March 2023 (As of March 31, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	35,737	36,198
Short-term borrowings	48,381	51,958
Current portion of long-term borrowings	268	586
Accounts payable - other	7,344	7,095
Lease obligations	1,921	1,897
Income taxes payable	1,155	1,360
Provision for bonuses	1,692	1,175
Provision for product warranties	4,798	4,629
Provision for loss on compensation for damage	2,356	2,102
Provision for business restructuring	9,749	9,589
Other	9,838	10,739
Total current liabilities	123,244	127,332
Noncurrent liabilities		
Long-term borrowings	355	240
Lease obligations	4,408	4,166
Deferred tax liabilities	1,772	2,016
Retirement benefit liability	2,229	2,241
Provision for environmental measures	532	524
Other	1,518	1,464
Total noncurrent liabilities	10,816	10,655
Total liabilities	134,061	137,987
NET ASSETS		
Shareholders' equity		
Share capital	21,741	21,741
Capital surplus	14,081	14,081
Retained earnings	(16,765)	(16,273)
Treasury shares	(531)	(531)
Total shareholders' equity	18,525	19,018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12)	8
Deferred gains or losses on hedges	-	(6)
Foreign currency translation adjustment	3,561	3,601
Remeasurements of defined benefit plans	410	462
Total accumulated other comprehensive income	3,959	4,066
Non-controlling interests	881	882
Total net assets	23,366	23,967
Total liabilities and net assets	157,428	161,955

(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 March 2022 (Jan. 1, 2022 – Mar. 31, 2022)	First quarter ended March 2023 (Jan. 1, 2023 – Mar. 31, 2023)
Net sales	40,746	42,744
Cost of sales	34,744	37,645
Gross profit	6,001	5,099
Selling, general and administrative expenses	6,978	6,716
Operating income (loss)	(976)	(1,617)
Non-operating income		
Interest income	16	13
Dividend income	15	-
Foreign exchange gains	940	382
Share of profit of entities accounted for using equity method	775	1,615
Rental income	191	200
Other	139	190
Total non-operating income	2,078	2,401
Non-operating expenses		
Interest expenses	156	429
Other	383	335
Total non-operating expenses	539	764
Ordinary income (loss)	562	19
Extraordinary income		
Gain on sales of non-current assets	8	46
Reversal of allowance for doubtful accounts	-	638
Other	17	14
Total extraordinary income	26	699
Extraordinary losses		
Loss on disposal of non-current assets	66	8
Other	33	69
Total extraordinary losses	100	78
Profit (loss) before income taxes	488	640
Income taxes	123	142
Profit (loss)	364	498
Profit (loss) attributable to non-controlling interests	2	5
Profit (loss) attributable to owners of parent	361	492

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

(Million yen)

	First quarter ended March 2022 (Jan. 1, 2022 – Mar. 31, 2022)	First quarter ended March 2023 (Jan. 1, 2023 – Mar. 31, 2023)
Profit (loss)	364	498
Other comprehensive income		
Valuation difference on available-for-sale securities	10	21
Deferred gains or losses on hedges	-	(6)
Foreign currency translation adjustment	10	(360)
Remeasurements of defined benefit plans, net of tax	47	52
Share of other comprehensive income of entities accounted for using equity method	1,159	396
Total other comprehensive income	1,227	102
Comprehensive income	1,592	600
Comprehensive income attributable to owners of parent	1,526	599
Comprehensive income attributable to non-controlling interests	65	1

(3) Notes to the quarterly consolidated financial statements

(Notes on going concern assumptions)

None

(Note on significant change in shareholders' equity)

None

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

	First quarter of the current fiscal year (January 1 to March 31, 2023)
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 the statutory effective tax rate.</p> <p>Income taxes - deferred are included in income taxes.</p>

(Change in accounting policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the current fiscal year, the Group applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021). In accordance with the transitional treatment stipulated in Paragraph 27-2 of this guidance, the Group has decided to adopt the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively from the date of the change. There is no impact for the quarterly consolidated financial statements.

(Segment information)

I First quarter of the previous fiscal year (January 1, 2022 – March 31, 2022)

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

II First quarter of the current fiscal year (January 1, 2023 – March 31, 2023)

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