

SANDEN CORPORATION

August 9, 2024

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

Fiscal year ending December 31, 2024

SANDEN CORPORATION

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Shares listed: Tokyo Stock Exchange
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Scheduled date to file semi-annual securities report: August 9, 2024

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for securities analysts and institutional investors)

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results For The Six Months Ended June 30, 2024 (January 1, 2024- June 30, 2024)

(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 ¥, %)	
Six months ended June 30, 2024	94,177	7.6	(3,396)	-	1,409	-	500	-
Six months ended June 30, 2023	87,489	6.2	(4,415)	-	(984)	-	(315)	-

Notes: Equity in Comprehensive Income: For the six months ended June 30, 2024 ¥ 4,619million -%

For the six months ended June 30, 2023 ¥ (417)million -%

	Net income per share basic (¥)	Net income per share diluted (¥)
Six months ended June 30, 2024	4.49	-
Six months ended June 30, 2023	(2.83)	-

(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 (¥)
As of June 30, 2024	172,974	25,456	14.2	220.58
As of December 31, 2023	162,539	20,836	12.4	181.18

Notes: Equity capital As of June 30, 2024 ¥ 24,583million

As of December 31, 2023 ¥ 20,192million

2. Dividends

	Dividend per share (¥)				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended December 31, 2023	-	0.00	-	0.00	0.00
Fiscal year ending December 31, 2024	-	0.00	-	-	-
Fiscal year ending December 31, 2024 (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, 2024-December 31, 2024)

(%: 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, 2024	180,000	0.4	(6,800)	-	(2,800)	-	(1,600)	-	(14.36)

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

***Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes.
For details, please refer to "2. Semi-Annual Consolidated Financial Statements and Major Notes (4) Notes to Semi-Annual Consolidated Financial Statements (Specific accounting treatment used in the creation of the semi-annual consolidated financial statements)" on page 8 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 June 30, 2024:	111,693,313	As of December 31, 2023:	111,693,313
(b) Treasury shares	As of June 30, 2024:	243,266	As of December 31, 2023:	243,057
(c) Average number of shares outstanding during the period (cumulative)	As of June 30, 2024:	111,450,134	As of June 30, 2023:	111,450,498

*Semi-annual financial results reports are exempt from review conducted by certified public accountants or an 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. Results of Operations-(3) An explanation of future, predictive data, such as consolidated earnings forecasts" on page 2 of Supplementary Information.

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1 Results of Operations

(1) Overview 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.” Under the medium-term management plan that Sanden Corporation announced this year, the Company aims to transform from a supplier of components to a “supplier of full solution systems” and achieve sustainable growth and as a leading company in integrated thermal management systems. With the automobile industry currently in the midst of a period of enormous changes, we are focusing on the new energy vehicle (NEV) market. We will offer competitive, flexible integrated thermal management system solutions by utilizing our electric compressor manufacturing capabilities. Our priority will always be our customers.

During the first half of the fiscal year under review, the global economy was on path toward a moderate recovery. However, some regions showed signs of slowing economies, attributable to the prolonged military conflicts in Ukraine and the Middle East, the sharp depreciation of the yen, as well as tightening monetary policies, among other factors.

Looking at factors that have an impact on the Group’s results, automobile production decreased year on year in the Group’s mainstay European market although it remained flat from the year-ago level globally. Even so, net sales in the first half of the fiscal year under review came to 94,177 million yen (up 7.6% year on year), reflecting the impact of a significantly weaker yen in the foreign exchange market. Although profitability was improving due to the impact of foreign exchange rates and a range of measures such as profitability improvement activities, the Group posted an operating loss of 3,396 million yen (compared to an operating loss of 4,415 million yen in the same period of the previous year), mainly reflecting surging raw material prices, coupled with an increase in research and development expenses (up 11.0% year on year) due to the acquisition of new commercial rights with an eye on growth over the medium and long terms. Ordinary profit amounted to 1,409 million yen (compared with an operating loss of 984 million yen in the same period of the previous year), reflecting the share of profit of entities accounted for using equity method and gains on evaluation of foreign currency-denominated receivables. Profit before income taxes came to 1,396 million yen (up 954.4% year on year). Consequently, profit attributable to owners of parent was 500 million yen (loss attributable to owners of parent of 315 million yen in the same period of the previous year).

Segment information is omitted because the Group operates a single segment of Automotive Systems Business.

(2) Overview of financial condition

(A) Overview of assets, liabilities and net assets

Total assets at the end of the second quarter under review increased 10,434 million yen from the end of the previous fiscal year, to 172,974 million yen, primarily reflecting an increase in property, plant and equipment due to capital investment and a rise in investment securities due to profit posted at entities accounted for using the equity method. Liabilities came to 147,517 million yen, up 5,814 million yen from the end of the previous fiscal year, chiefly attributable to other in current liabilities including accrued expenses and short-term borrowings.

Net assets increased 4,620 million yen from the end of the previous fiscal year, to 25,456 million yen, chiefly reflecting an increase in foreign currency translation adjustments due to the weak yen.

(B) Overview of cash flow

Cash and cash equivalents were 15,214 million yen at the end of the second quarter of the fiscal year under review, down 6,405 million yen from the end of the previous fiscal year.

Net cash used in operating activities came to 3,772 million yen (cash inflow decreased 8,197 million yen year on year), reflecting increases in trade receivables and inventories and a decrease in dividends received due to a slippage in the date of receipt, despite an increase in interim profit before income taxes.

Net cash used in investing activities amounted to 4,568 million yen (the cash outflow increased 94 million yen year on year), mainly due to the purchase of property, plant and equipment of 4,236 million yen.

Net cash provided by financing activities was 614 million yen (cash inflow decreased 6,067 million yen year on year), primarily due to a decrease in short-term borrowings executed.

(3) Explanation of consolidated earnings forecasts and other future predictions

There has been no revision to the consolidated forecasts for the fiscal year ending December 31, 2024, which were released on February 14, 2024.

2 Semi-annual Consolidated Financial Statements and Important Notes

(1) Semi-annual consolidated balance sheet

(Million yen)

	Fiscal year ended December 2023 (As of December 31, 2023)	First half ended June 2024 (As of June 30, 2024)
ASSETS		
Current assets		
Cash and deposits	22,749	16,602
Notes and accounts receivable - trade, and contract assets	47,008	51,550
Merchandise and finished goods	13,450	14,190
Work in process	9,450	10,442
Raw materials	7,235	8,451
Other inventories	1,204	1,275
Accounts receivable - other	3,451	3,018
Consumption taxes receivable	2,443	3,412
Other	6,917	7,809
Allowance for doubtful accounts	(17,262)	(19,025)
Total current assets	96,647	97,727
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,782	14,408
Machinery, equipment and vehicles, net	12,828	14,783
Tools, furniture and fixtures, net	3,374	3,179
Land	6,600	6,727
Lease assets, net	1,779	1,717
Construction in progress	4,291	5,853
Total property, plant and equipment	42,657	46,670
Intangible assets		
Other	1,435	1,735
Total intangible assets	1,435	1,735
Investments and other assets		
Investment securities	20,276	25,311
Retirement benefit asset	100	100
Deferred tax assets	430	544
Other	3,684	3,959
Allowance for doubtful accounts	(2,693)	(3,076)
Total investments and other assets	21,799	26,840
Total noncurrent assets	65,892	75,246
Total assets	162,539	172,974

(Million yen)

	Fiscal year ended December 2023 (As of December 31, 2023)	First half ended June 2024 (As of June 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	38,099	38,987
Short-term borrowings	56,102	58,655
Current portion of long-term borrowings	300	377
Accounts payable - other	8,680	9,166
Lease obligations	1,498	1,329
Income taxes payable	1,267	960
Provision for bonuses	1,966	1,705
Provision for product warranties	6,738	6,657
Loss on compensation for damage	2,130	2,167
Allowance for structural reform	3,364	3,824
Other	11,285	13,350
Total current liabilities	131,434	137,181
Noncurrent liabilities		
Long-term borrowings	822	852
Lease obligations	3,403	2,748
Deferred tax liabilities	1,821	2,269
Retirement benefit liability	2,118	2,331
Provision for environmental measures	512	541
Other	1,589	1,592
Total noncurrent liabilities	10,269	10,336
Total liabilities	141,703	147,517
NET ASSETS		
Shareholders' equity		
Share capital	21,741	21,741
Capital surplus	14,081	14,069
Retained earnings	(20,125)	(19,625)
Treasury shares	(531)	(531)
Total shareholders' equity	15,165	15,653
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60	108
Deferred gains or losses on hedges	(19)	(63)
Foreign currency translation adjustment	4,138	7,863
Remeasurements of defined benefit plans	847	1,021
Total accumulated other comprehensive income	5,027	8,929
Non-controlling interests	643	872
Total net assets	20,836	25,456
Total liabilities and net assets	162,539	172,974

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income
Semi-annual consolidated statement of income

(Million yen)

	First half ended Jun. 2023 (Jan. 1, 2023 – Jun. 30, 2023)	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)
Net sales	87,489	94,177
Cost of sales	77,465	80,821
Gross profit	10,024	13,356
Selling, general and administrative expenses	14,439	16,753
Operating profit (loss)	(4,415)	(3,396)
Non-operating income		
Interest income	45	176
Dividend income	28	27
Foreign exchange gains	1,451	2,216
Share of profit of investments accounted for using equity method	2,445	2,605
Rental income	401	406
Other	426	748
Total non-operating income	4,798	6,181
Non-operating expenses		
Interest expenses	738	653
Other	629	722
Total non-operating expenses	1,367	1,375
Ordinary profit (loss)	(984)	1,409
Extraordinary income		
Gain on sale of non-current assets	72	17
Reversal of allowance for doubtful accounts	1,050	20
Reversal of allowance for restructuring initiatives	1,277	-
Other	19	13
Total extraordinary income	2,420	50
Extraordinary losses		
Impairment losses	1,179	-
Loss on disposal of non-current assets	29	15
Other	94	48
Total extraordinary losses	1,303	63
Profit before income taxes	132	1,396
Income taxes	471	800
Profit (loss)	(338)	595
Profit (loss) attributable to non-controlling interests	(23)	95
Profit (loss) attributable to owners of parent	(315)	500

Semi-annual consolidated statement of comprehensive income

(Million yen)

	First half ended Jun. 2023 (Jan. 1, 2023 – Jun. 30, 2023)	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)
Profit (loss)	(338)	595
Other comprehensive income		
Valuation difference on available-for-sale securities	62	36
Deferred gains or losses on hedges	(3)	(44)
Foreign currency translation adjustment	(1,145)	1,611
Remeasurements of defined benefit plans, net of tax	138	174
Share of other comprehensive income of associates accounted for using equity method	868	2,246
Total other comprehensive income	(79)	4,024
Comprehensive income	(417)	4,619
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(444)	4,402
Comprehensive income attributable to non-controlling interests	26	216

(3) Semi-annual Consolidated Statement of Cash Flows

(Million yen)

	First half ended Jun. 2023 (Jan. 1, 2023 – Jun. 30, 2023)	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)
Cash flows from operating activities		
Profit before income taxes	132	1,396
Depreciation	2,252	2,819
Increase (decrease) in provision for bonuses	(311)	(361)
Increase (decrease) in allowance for doubtful accounts	643	(499)
Increase (decrease) in provision for product warranties	(291)	(234)
Increase (decrease) in provision for loss on compensation for damage	(224)	-
Interest and dividend income	(73)	(203)
Interest expenses	738	653
Share of loss (profit) of entities accounted for using equity method	(2,445)	(2,605)
Reversal of allowance for restructuring initiatives	(1,277)	-
Impairment losses	1,179	-
Decrease (increase) in trade receivables	2,025	148
Decrease (increase) in inventories	2,545	(354)
Decrease (increase) in accounts receivable – other	144	535
Decrease (increase) in consumption taxes refund receivable	77	(920)
Increase (decrease) in trade payables	66	(1,262)
Increase (decrease) in accounts payable - other	(32)	1,073
Increase (decrease) in accrued expenses	500	922
Other, net	(3,763)	(3,802)
Subtotal	1,886	(2,694)
Interest and dividends received	3,284	205
Interest paid	(737)	(561)
Income taxes refund (paid)	(8)	(721)
Net cash provided by (used in) operating activities	4,425	(3,772)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,080)	(4,236)
Proceeds from sales of property, plant and equipment	106	33
Purchase of intangible assets	(158)	(155)
Purchase of investment securities	(8)	(12)
Other, net	(332)	(198)
Net cash provided by (used in) investing activities	(4,473)	(4,568)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,455	1,708
Proceeds from long-term borrowings	435	130
Repayments of long-term borrowings	(165)	(164)
Repayments of lease obligations	(1,042)	(1,061)
Purchase of treasury shares	(0)	(0)
Other, net	(0)	0
Net cash provided by (used in) financing activities	6,681	614
Effect of exchange rate change on cash and cash equivalents	1,081	1,321
Net increase (decrease) in cash and cash equivalents	7,714	(6,405)
Cash and cash equivalents at beginning of period	17,102	21,620
Cash and cash equivalents at end of period	24,816	15,214

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

None

(Note on significant change in shareholders' equity)

None

(Application of special accounting treatment to the preparation of semi-annual consolidated financial statements)

	First half ended Jun. 2024 (Jan. 1, 2024 – Jun. 30, 2024)
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 first half). Quarterly profit before income taxes is then multiplied by this estimated effective tax rate to calculate taxes. However, in cases where the calculation of taxes using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the effective statutory tax rate is used. Income taxes - deferred are included in income taxes.

(Segment information)

I First half of the previous fiscal year (January 1, 2023 – June 30, 2023)

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

II First half of the current fiscal year (January 1, 2024 – June 30, 2024)

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