

SANDEN CORPORATION

November 14, 2024

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

Fiscal year ending December 31, 2024

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 date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: None

(Fractions less than ¥1 million omitted)

1. Consolidated Financial Results For The Nine Months Ended September 30, 2024 (January 1, 2024- September 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 ¥, %)	
Nine months ended September 30, 2024	137,827	4.6	(4,341)	-	48	-	128	-
Nine months ended September 30, 2023	131,715	2.9	(6,428)	-	(2,192)	-	(1,773)	-

Notes: Equity in Comprehensive Income: For the nine months ended September 30, 2024 ¥ (200)million -%
For the nine months ended September 30, 2023 ¥ (1,211)million -%

	Net income per share basic (¥)	Net income per share diluted (¥)
Nine months ended September 30, 2024	1.16	-
Nine months ended September 30, 2023	(15.92)	-

(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 September 30, 2024	165,916	20,593	11.9	177.32
As of December 31, 2023	162,539	20,836	12.4	181.18

Notes: Equity capital As of September 30, 2024 ¥ 19,761million
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 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, 2024:	111,693,313	As of December 31, 2023:	111,693,313
(b) Treasury shares	As of September 30, 2024:	243,344	As of December 31, 2023:	243,057
(c) Average number of shares outstanding during the period (cumulative)	As of September 30, 2024:	111,450,085	As of September 30, 2023:	111,450,429

* Review of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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 Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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 nine months of the fiscal year under review, the global economy was on path toward a moderate recovery. Despite ongoing uncertainties in geopolitical risks, including the prolonged conflicts in Ukraine and escalating tensions in the Middle East, signs of recovery emerged as high inflation eased, although there were regional differences.

Looking at the Group’s consolidated results for the first nine months of the fiscal year under review, net sales came to 137,827 million yen (up 4.6% year on year), attributable to the impact of significantly weaker yen in the foreign exchange market, as well as a global automobile production volume that remained flat from a year ago. 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 4,341 million yen (compared to an operating loss of 6,428 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 21.1% 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 48 million yen (compared with an operating loss of 2,192 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 1,005 million yen (compared with a loss before income taxes of 982 million yen in the same period of the previous year). Consequently, profit attributable to owners of parent was 128 million yen (loss attributable to owners of parent of 1,773 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) Explanation of Financial Condition

Total assets at the end of the first nine months of the fiscal year under review increased 3,376 million yen from the end of the previous fiscal year, to 165,916 million yen, primarily attributable to rises in property, plant and equipment due to capital expenditure.

Liabilities came to 145,322 million yen, up 3,619 million yen from the end of the previous fiscal year, chiefly attributable to an increase in inventories and a rise in short-term borrowings due to capital expenditure.

Net assets decreased 242 million yen from the end of the previous fiscal year, to 20,593 million yen, chiefly reflecting a decrease in foreign currency translation adjustments due to the strong yen.

(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 Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Fiscal year ended December 2023 (As of December 31, 2023)	First nine months ended September 2024 (As of September 30, 2024)
ASSETS		
Current assets		
Cash and deposits	22,749	13,197
Notes and accounts receivable - trade, and contract assets	47,008	47,115
Merchandise and finished goods	13,450	13,364
Work in process	9,450	11,086
Raw materials	7,235	9,967
Other inventories	1,204	1,203
Accounts receivable - other	3,451	2,931
Consumption taxes receivable	2,443	3,456
Other	6,917	9,907
Allowance for doubtful accounts	(17,262)	(16,792)
Total current assets	96,647	95,436
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,782	13,661
Machinery, equipment and vehicles, net	12,828	14,060
Tools, furniture and fixtures, net	3,374	3,018
Land	6,600	6,626
Lease assets, net	1,779	1,486
Construction in progress	4,291	6,940
Total property, plant and equipment	42,657	45,794
Intangible assets		
Other	1,435	1,661
Total intangible assets	1,435	1,661
Investments and other assets		
Investment securities	20,276	21,646
Retirement benefit asset	100	100
Deferred tax assets	430	539
Other	3,684	3,163
Allowance for doubtful accounts	(2,693)	(2,426)
Total investments and other assets	21,799	23,023
Total noncurrent assets	65,892	70,479
Total assets	162,539	165,916

(Million yen)

	Fiscal year ended December 2023 (As of December 31, 2023)	First nine months ended September 2024 (As of September 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	38,099	35,506
Short-term borrowings	56,102	63,813
Current portion of long-term borrowings	300	340
Accounts payable - other	8,680	10,957
Lease obligations	1,498	1,215
Income taxes payable	1,267	722
Provision for bonuses	1,966	1,782
Provision for product warranties	6,738	6,326
Loss on compensation for damage	2,130	-
Allowance for structural reform	3,364	3,224
Other	11,285	11,999
Total current liabilities	131,434	135,890
Noncurrent liabilities		
Long-term borrowings	822	684
Lease obligations	3,403	2,453
Deferred tax liabilities	1,821	2,225
Retirement benefit liability	2,118	2,157
Provision for environmental measures	512	468
Other	1,589	1,442
Total noncurrent liabilities	10,269	9,432
Total liabilities	141,703	145,322
NET ASSETS		
Shareholders' equity		
Share capital	21,741	21,741
Capital surplus	14,081	14,039
Retained earnings	(20,125)	(19,996)
Treasury shares	(531)	(531)
Total shareholders' equity	15,165	15,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	60	68
Deferred gains or losses on hedges	(19)	(5)
Foreign currency translation adjustment	4,138	3,505
Remeasurements of defined benefit plans	847	940
Total accumulated other comprehensive income	5,027	4,509
Non-controlling interests	643	831
Total net assets	20,836	20,593
Total liabilities and net assets	162,539	165,916

(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. 2023 (Jan. 1, 2023 – Sep. 30, 2023)	First nine months ended Sep. 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Net sales	131,715	137,827
Cost of sales	116,348	117,570
Gross profit	15,366	20,256
Selling, general and administrative expenses	21,795	24,598
Operating profit (loss)	(6,428)	(4,341)
Non-operating income		
Interest income	76	230
Dividend income	28	27
Foreign exchange gains	1,211	402
Share of profit of investments accounted for using equity method	3,685	3,865
Rental income	601	610
Other	555	1,534
Total non-operating income	6,158	6,671
Non-operating expenses		
Interest expenses	1,028	1,074
Other	894	1,206
Total non-operating expenses	1,922	2,281
Ordinary profit (loss)	(2,192)	48
Extraordinary income		
Gain on sale of non-current assets	98	18
Reversal of allowance for doubtful accounts	1,050	20
Reversal of allowance for restructuring initiatives	1,277	-
Reversal of provision for loss on compensation for damage	-	1,201
Other	101	16
Total extraordinary income	2,528	1,256
Extraordinary losses		
Impairment losses	1,179	-
Loss on disposal of non-current assets	44	23
Other	93	276
Total extraordinary losses	1,318	299
Profit (loss) before income taxes	(982)	1,005
Income taxes	849	703
Profit (loss)	(1,832)	301
Profit (loss) attributable to non-controlling interests	(58)	172
Profit (loss) attributable to owners of parent	(1,773)	128

Quarterly consolidated statement of comprehensive income

First nine months of the fiscal year

(Million yen)

	First nine months ended Sep. 2023 (Jan. 1, 2023 – Sep. 30, 2023)	First nine months ended Sep. 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Profit (loss)	(1,832)	301
Other comprehensive income		
Valuation difference on available-for-sale securities	102	4
Deferred gains or losses on hedges	(5)	13
Foreign currency translation adjustment	(1,070)	(1,033)
Remeasurements of defined benefit plans, net of tax	204	93
Share of other comprehensive income of associates accounted for using equity method	1,390	419
Total other comprehensive income	621	(501)
Comprehensive income	(1,211)	(200)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,224)	(388)
Comprehensive income attributable to non-controlling interests	13	188

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

None

(Note on significant change in shareholders' equity)

None

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

	First nine months of the current fiscal year (January 1 to September 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 third quarter). 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 nine months of the previous fiscal year (January 1, 2023 – September 30, 2023)

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

II First nine months of the current fiscal year (January 1, 2024 – September 30, 2024)

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

(Notes on statement of cash flows)

The quarterly consolidated statement of cash flows has not been prepared for the nine months ended September 30, 2024. Depreciation (including amortization of intangible assets excluding goodwill) for the nine months under review is as follows.

(Million yen)

	First nine months ended Sep. 2023 (Jan. 1, 2023 – Sep. 30, 2023)	First nine months ended Sep. 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Depreciation	3,502	4,308