

Financial Results for Q2 FY2024

September 6, 2024

Sanden Corporation

Financial Results for Q2 2024

- 1. Key points of Q2 financial results**
- 2. Sales by Segment**
- 3. Variance analysis from the previous year**
- 4. Key Indicator Trends**
- 5. Consolidated Balance Sheet**
- 6. Status of Activities under the Medium-Term Business Plan**

1

[Revenue]

While global vehicle production in the second quarter was broadly in line with the previous year, demand in Europe, our main market, was lower than in the previous year.

Revenue increased by ¥6.7 billion year-on-year. Excluding the impact of foreign exchange rates, which was +¥8.5 billion, revenue decreased by 1.8 billion yen.

In China, sales remained strong, including for EV vehicles, and in Asia, sales to local OEMs grew, and sales continued to increase. In the Americas, sales decreased, particularly for the aftermarket, and in Europe, sales decreased excluding the impact of exchange rates due to an increase in imported EVs and a decrease in demand for trucks due to the economic slowdown.

2

[Profit]

Sales were sluggish, while raw material costs were on the rise, and we continued to negotiate prices to mitigate this impact. In Asia, we achieved productivity improvements and cost reductions by increasing the capacity utilization rate as sales increased. Operating profit increased by ¥1 billion year-on-year. Regarding the increase in logistics costs, the decrease in volume, and the deterioration in product mix, in addition to cost reductions and SG&A and productivity improvements, there was also an impact from foreign exchange rates, and there was an improvement compared to the previous year. However, the increase in profit was reduced due to the allocation of profits to growth investments. Net income increased by 800 million yen, and a profit of 500 million yen was secured, compared with a loss in the previous year.

EBITDA was 4.7 billion yen, an increase of 2.7 billion yen from the previous year, mainly due to the increase in ordinary income.

3

[Measures]

Strengthened and implemented measures to respond to environmental changes that became evident in the first quarter. Negotiated prices and reduced costs in response to rising fuel and raw material costs due to the continued depreciation of the yen. Reduced air and ocean freight costs in response to longer lead times for shipments to Europe due to the Red Sea crisis.

1. Key points of Q2 financial results

Overview of Consolidated Financial Results

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[Unit : ¥100M]	FY2023 Jan – Jun 2023	FY2024 Jan – Jun 2024	Year-on-Year		FY2023 Jul – Dec 2023	Period-over-Period
			Difference	Rate of Change		Difference
Revenue	875	942	67	7.7%	918	24
Automotive Components	869	934	65	7.5%	911	23
Other	5	8	3	60.0%	7	1
Operating profit	△44	△34	10	–	△66	32
Equity in net income of affiliates	25	26	1	6.5%	19	7
Exchange	15	22	7	52.7%	△18	41
Ordinary profit	△10	14	24	–	△74	88
Net Income Attributable to Owners of the Parent	△3	5	8	–	△30	35
EBITDA	19	47	27	140%	△42	89
Exchange	US\$	¥135	¥152	¥17	¥146	¥6
	EUR	¥146	¥164	¥19	¥158	¥6

*Actual results are rounded off to the nearest 10 million yen.

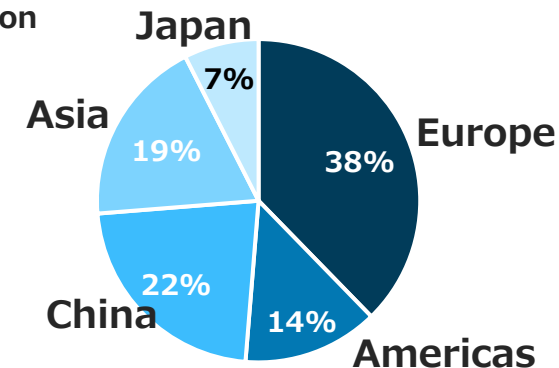
*Exchange rate: Market average rate

2. Sales by Segment: by Region

Sales: ¥93.4 B +¥6.5 B (+7% year-on-year)
(Exchange rate impact was +85)

※Automotive segment only. Excludes other businesses.

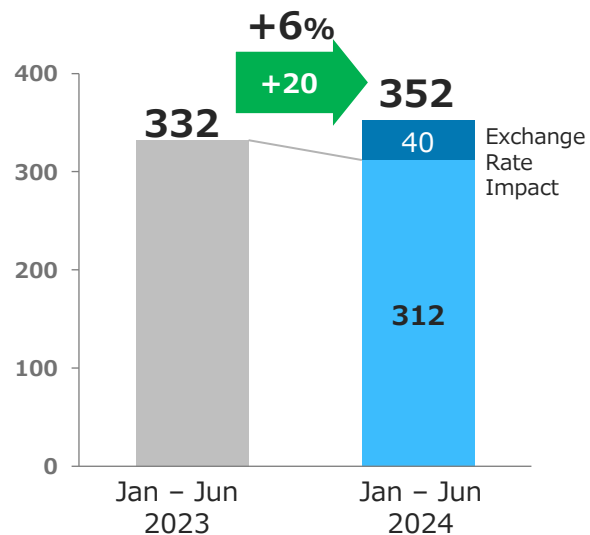
Regional Composition



Europe Area

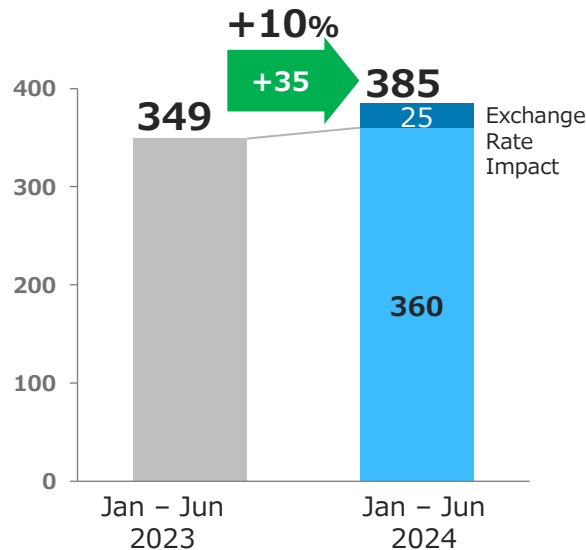
A decline in demand for EVs
Weak truck market

[Unit : ¥100M]



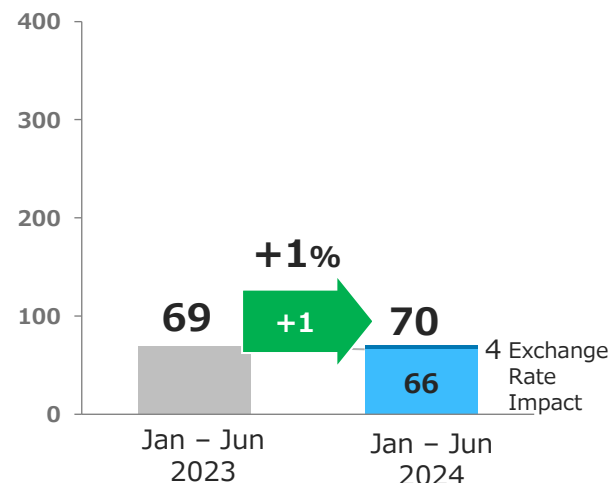
China/Asia Area

Growth for local OEMs
Growth in China for EVs



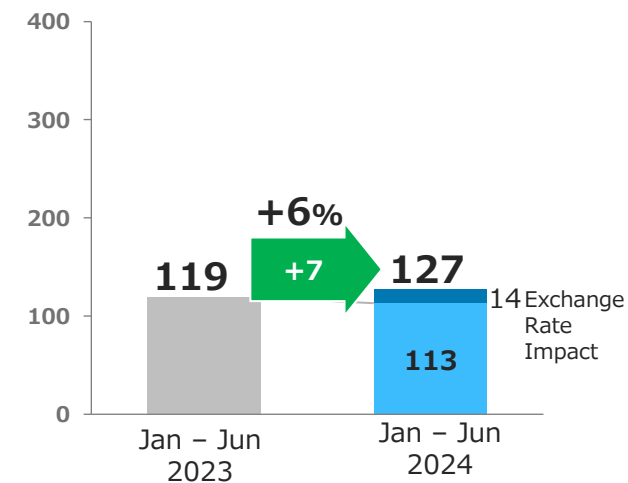
Japan

Growth in OEM and construction machinery



Americas

Increase in electric vehicles
Decrease in aftermarket and for Latin America



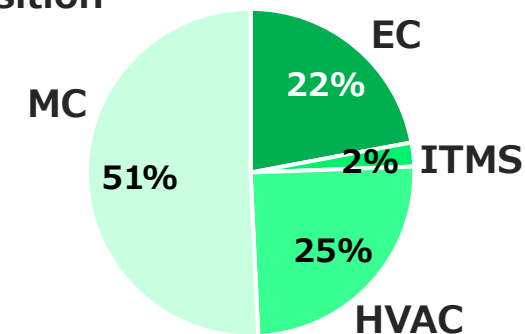
2. Sales by Segment: by Product

Sales: ¥93.4 B +¥6.5 B (+7% year-on-year)

(Exchange rate impact was +85)

※Automotive segment only. Excludes other businesses.

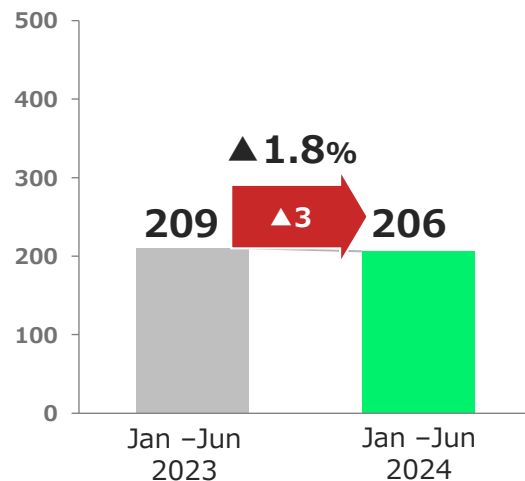
Product Composition



EC

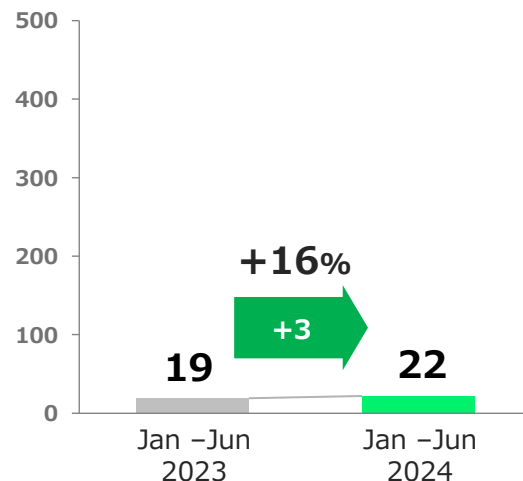
EU Truck Market Slowing Down

[Unit : ¥100M]



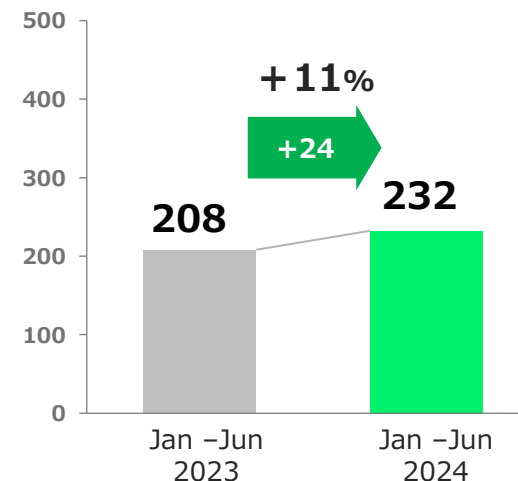
ITMS

ECH and new energy vehicles are driving sales growth.



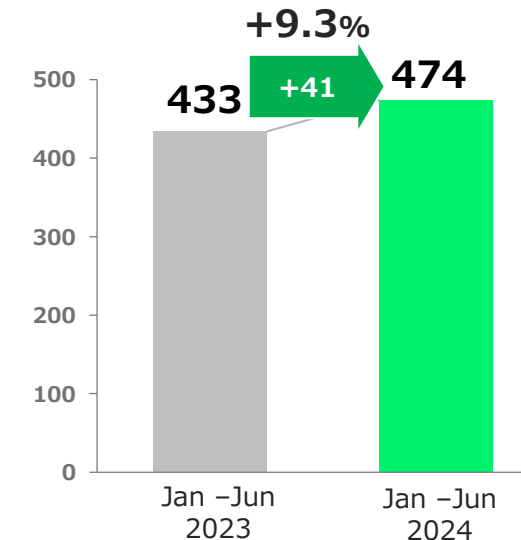
HVAC

Increased demand in China and other parts of Asia



MC

Increase in sales of PX compressors



3. Variance analysis from the previous year: EBITDA

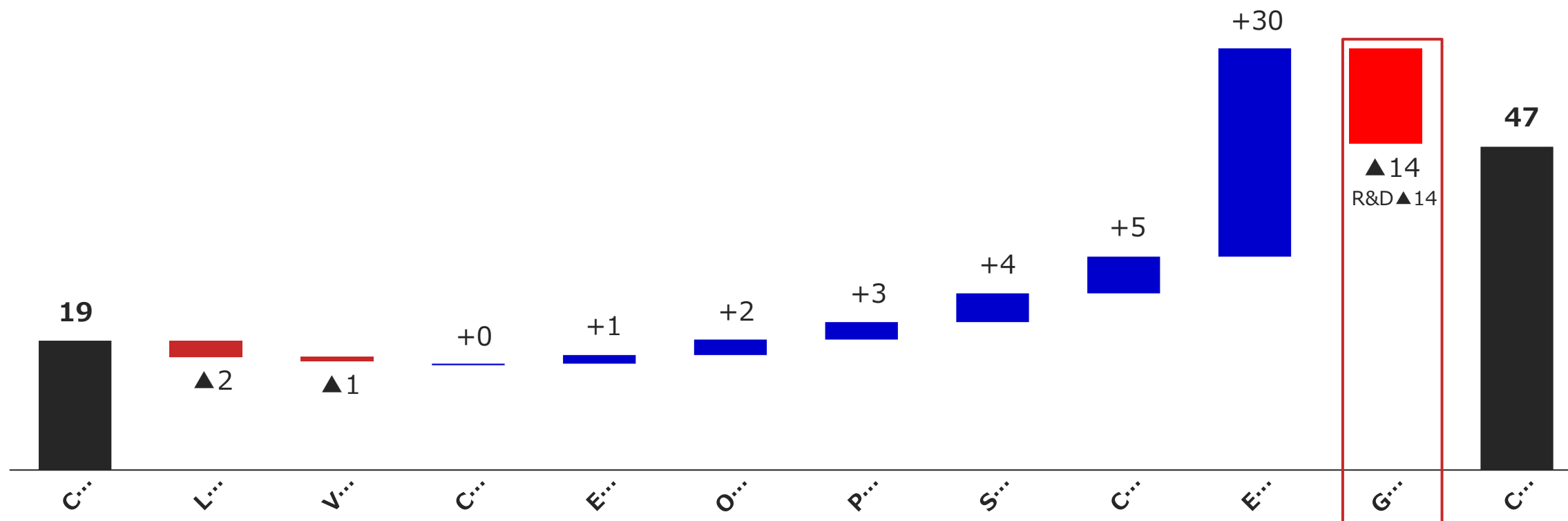
Comparison with the first half of 2023

	2023	2024	Difference
Sales	875	942	+67
EBITDA	19	47	+28

Significant improvement over the previous year

- Profitability has improved over the previous year as a result of cost reductions, productivity improvements, and reductions in SG&A expenses
- On the other hand, there was an increase in logistics costs due to the Red Sea crisis and air freight (▲0.3%)
- Growth investments for the future are also increasing.

[Unit : ¥100M]



From a component supplier to a “Full Solution System Supplier”.
Grow as a leading company in integrated thermal management systems based on our established business foundation.

**Mid-Term Business Plan SHIFT2028
(2024-2028)**

**Business Reconstruction
(2020-2023)**

Achievements

Mid-Term Business Plan Targets

Management Policy

Reconstruction of earning power
Ranked the 2nd in compressors.

**A leading company in
Integrated Thermal Management System**

Basic Strategy

Component Supplier

Full Solution System Supplier

Growth Area

Compressors for ICES
Compressors for EVs

**Compressors for EVs
+ Integrated Thermal Management System**

Investment for Growth (Synergy)

Actions for EV shift
(Strengthening R&D and production plants)

**Investment in R&D and production for EV shift and ITMS
V2X and smart system**

Regional Policy

Ranked the 2nd in Europe and the 1st in China

**Further expansion in European and Chinese markets
#1 in the EV market in Americas**

Focused on the NEV market and with electric compressors at the core, we provide integrated thermal management system solutions that are competitive, adaptable and close to our customers.

Revitalization Period (2020-2023)

Reconstruction of Earning Power

- 1 Extensive customer access as an independent manufacturer.
- 2 Strengthening our presence in the Chinese market through synergies with our joint venture partners in China.
- 3 Advanced Technology Development of Integrated Thermal Management Systems
- 4 Technology and trust built up through the production of 400 million units.
- 5 Enhancement of global production system. Optimization of mature product production and 4-region electric compressor production structure
- 6 Strengthen cost competitiveness through procurement synergies with Hisense

Mid-Term Business Plan (2024-2028)

Providing **integrated thermal management system** solutions that are both **competitive and adaptable**

NEV	<p>Regional Strategy</p> <ul style="list-style-type: none"> Develop region-specific marketing by leveraging the strengths of an independent manufacturer. In addition to our existing joint venture partners in China and through synergies with Hisense, we will build a foundation of competitive advantage in China, the world's largest automotive market, and support Chinese OEMs in their growth and global OEMs in their entry into the Chinese market. <p>Enhancement of the resources for the Integrated Thermal Management System</p> <ul style="list-style-type: none"> Realization of a high value-added business model through evolution from a component supplier to an integrated thermal management supplier Increase flexibility by promoting the platforming of products <p>Future growth areas through technology synergies with Hisense</p> <ul style="list-style-type: none"> V2X, Smart system
ICE	<p>Thorough utilization of existing production system and supply chain</p> <ul style="list-style-type: none"> By using optimized existing assets, reduce investment and secure stable revenue. Strategic partnerships with suppliers
Reinforcement Of Foundation	<p>Sustainability</p> <ul style="list-style-type: none"> Biodiversity initiatives as well as carbon neutrality Strengthening disclosure of non-financial information as part of global companies' social responsibility, such as CSRD

2028 Target: ¥300 Billion in sales and ¥9 Billion in ordinary profit

Regional Strategy

1. [Europe] Expand market share by **strengthening sales of NEV-related products to global OEMs in Europe.**

Market Size

2023: 8% (¥200B)
2028: 16% (¥500B)

2. [China] Capitalize on the **rapid growth of China's thermal management markets** by maximizing synergies with Hisense

Market Size

2023: ¥50B
2028: ¥660B (CAGR +68%)

3. [Americas] Accelerate expansion of **NEV products in the Americas.**

NEV product sales in Americas

2023: ¥100M
2028: ¥40B

Strategy Themes

4. [Development/Product] Leverage the strengths of an independent manufacturer to serve multiple customers. **Achieve flexibility in meeting customer needs through platforming. Semi-customized product development**

of supported models

2023: 111
2028: 165

5. [SCM·sustainability] Optimize **global production layout and supply chain**, and achieve **sustainability compliance**

Production plants of systems (HVAC/ITMS)

3 Regions (current) → **Expand to 5 Regions**

- China
- Japan
- Asia

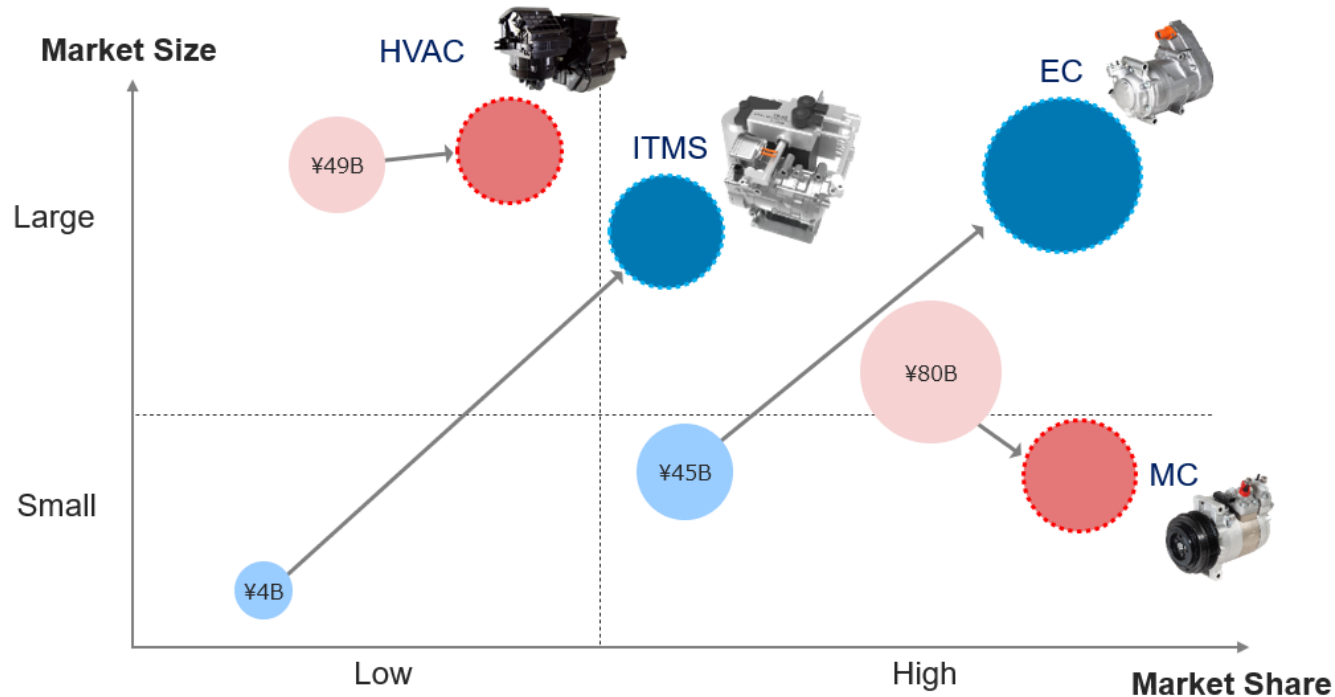
- China
- Japan (Enhancement)
- Americas
- Asia

Reinforcement of Foundation

6. [Human Resources/Digitalization] **Reinforce human resource development and improve the efficiency of organizational operations.**

Investment	Human Resource Development/Assessment	Project Management
<ul style="list-style-type: none"> Investment in R&D Investment in IT 	<ul style="list-style-type: none"> Acquisition of key personnel Retention, selection, and development of human resources Systematic management development Optimization of incentive system 	<ul style="list-style-type: none"> Set up CFT(Cross-functional team) and put the team on projects. Systematic management of project progress and profitability

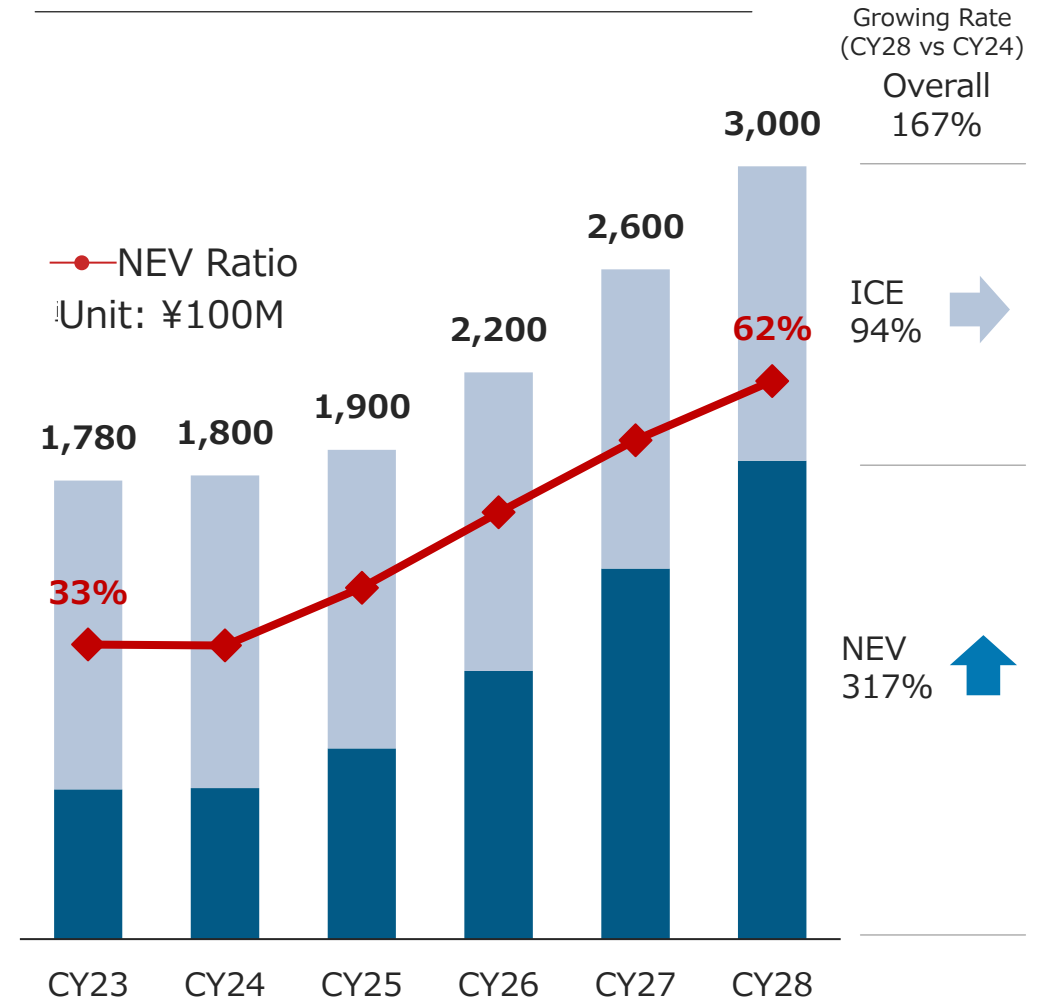
Product Portfolio Strategy



The size of the circle represents the size of sales.

● ● : Current
 ● ● : Sales forecast used in mid-term business plan

Sanden Mid-Term Business Plan ICE / NEV Sales Ratio Trend

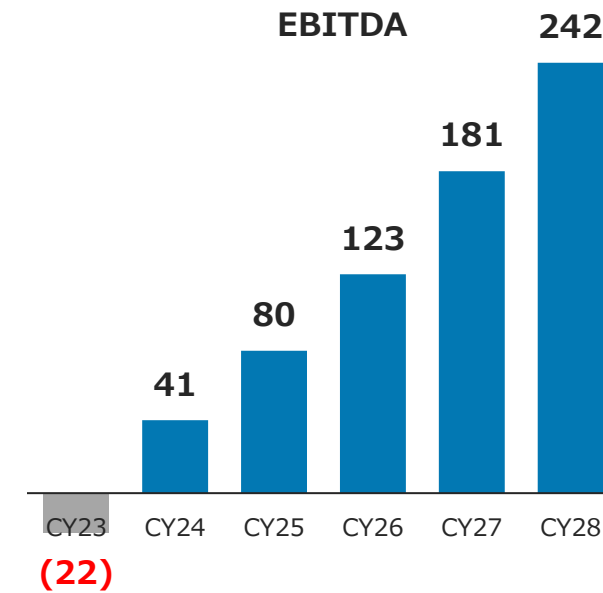
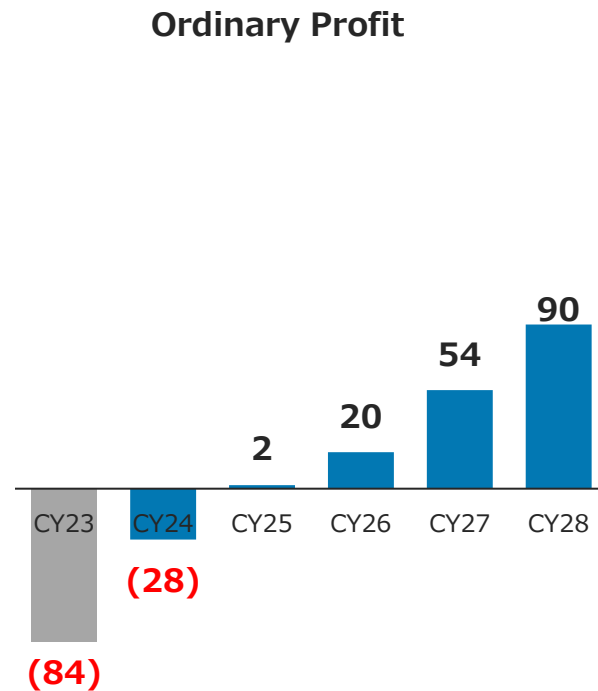
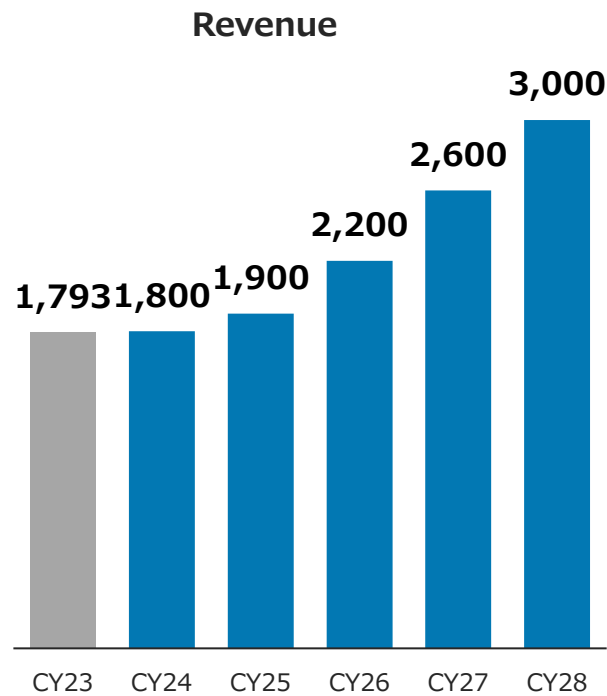


[Reference] Mid-Term Business Plan Targets

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Item	CY23	CY24	CY25	CY26	CY27	CY28
Revenue	1,793	1,800	1,900	2,200	2,600	3,000
Operating Profit	-110	-68	-38	-23	8	42
Ordinary Profit	-84	-28	2	20	54	90
EBITDA	-22	41	80	123	181	242

Unit:¥100M



4. Key Indicator Trends: Revenue, Ordinary Profit, EBITDA

Revenue: Increased for the third consecutive year, partly due to foreign exchange gains.

[Unit : ¥100M]

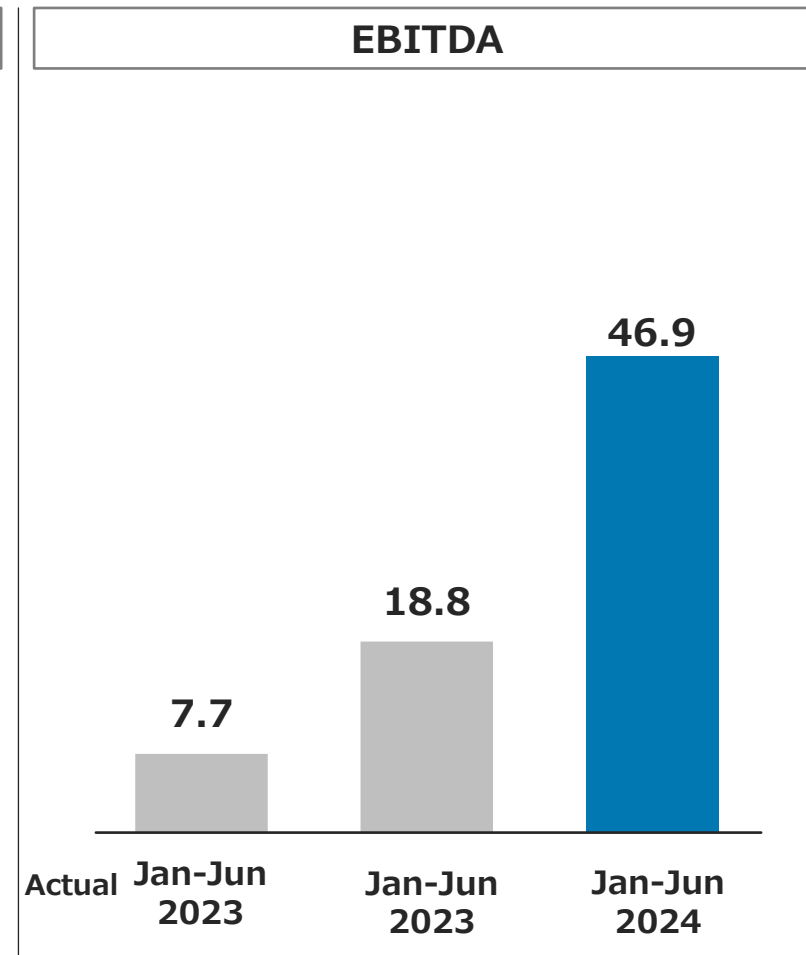
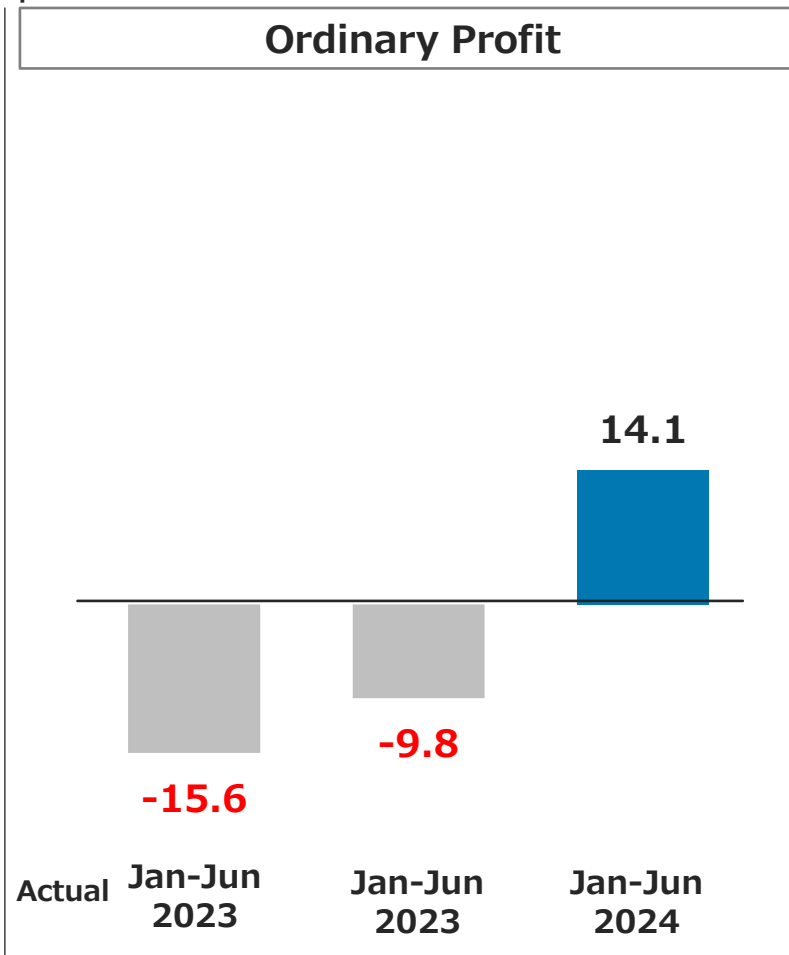
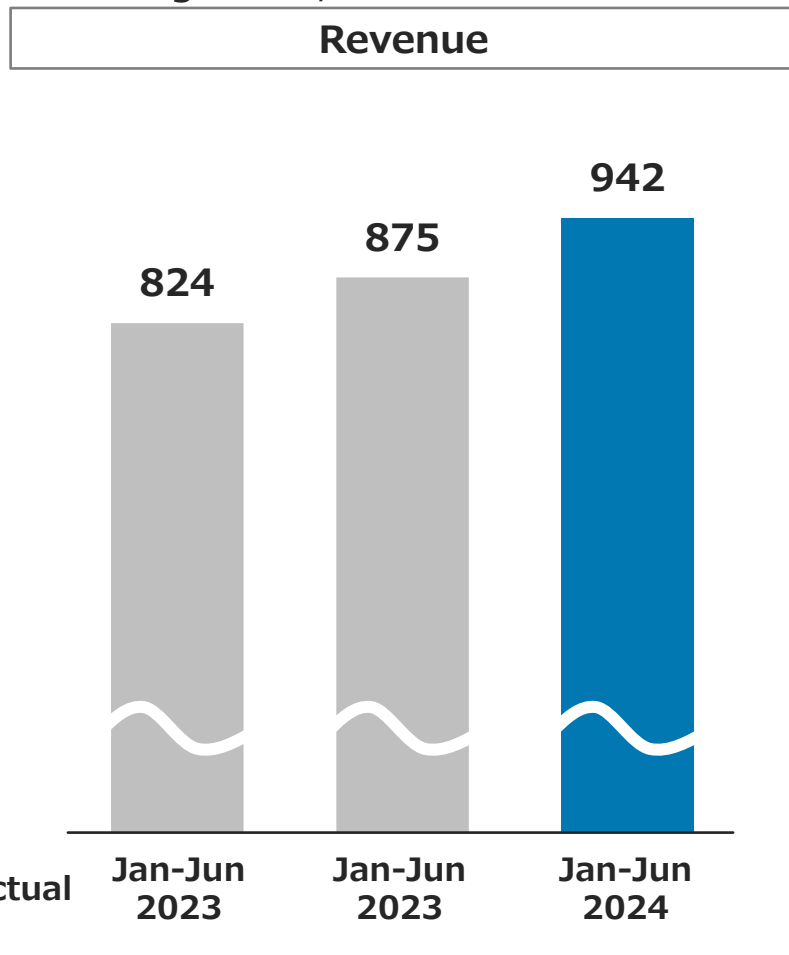
Ordinary profit: Improved due to foreign exchange gains, and equity gains also remained strong.

EBITDA: Increased depreciation and amortization due to continued strengthening of capital investments for future growth, in addition to ordinary profit.

Revenue

Ordinary Profit

EBITDA

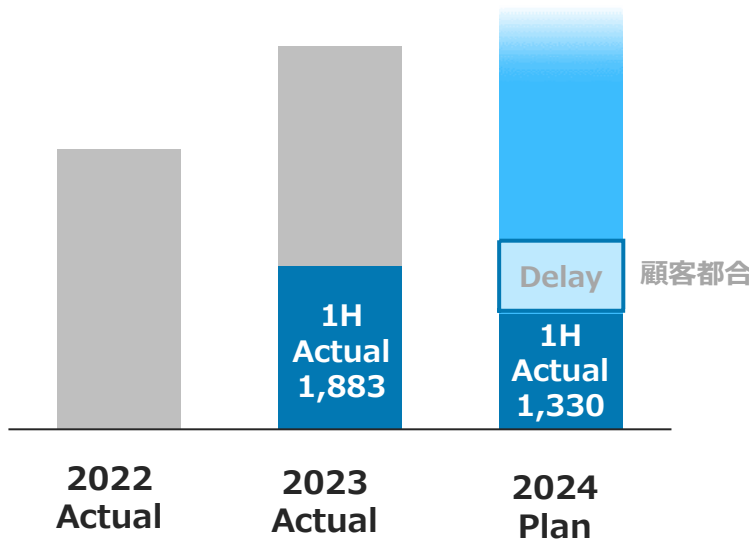


4. Key Indicator Trends: Acquisition of new commercial rights / Growth investment

Status of acquisition of new commercial rights

※Total Lifetime Sales of Acquired Commercial Rights (total amount of sales generated from the start of mass production to the end of the product's life for each project)

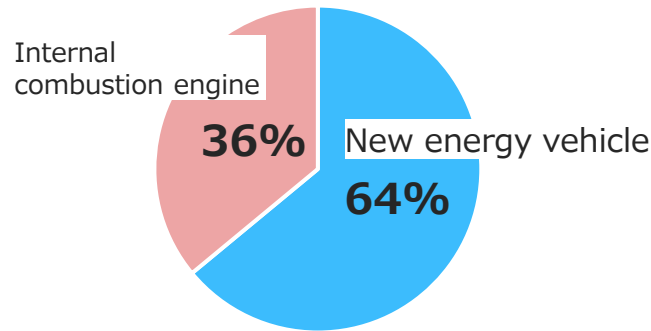
[Unit : ¥100M]



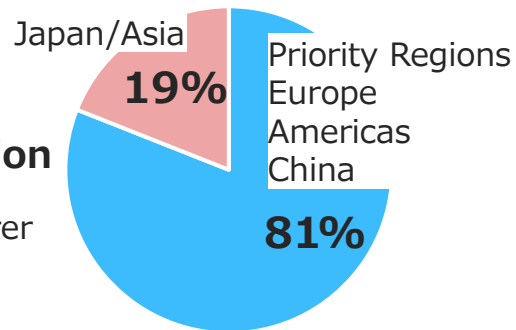
● Most recent major commercial rights acquisition

- China : Air-conditioning system for a Chinese EV manufacturer
- Europe : PX compressor for a key customer in Europe
- Japan : ITMS for a construction machinery manufacturer
PX compressor for a key Japanese customer
- Americas : Air-conditioning system for a US EV manufacturer

Vehicle types of new commercial rights acquired in the first half of the year

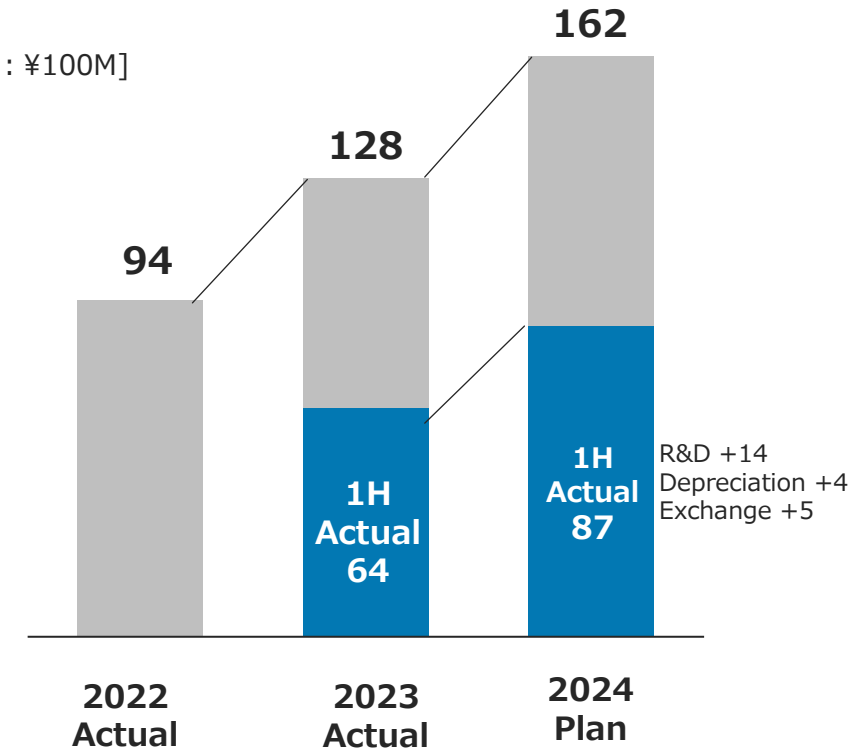


Share of priority regions in new commercial rights acquired in the first half of the year



Growth Investment Expenses

[Unit : ¥100M]



● Key drivers of 2023-2024 increase

- R&D expense
 - ITMS development
 - EC platform development
 - Next generation EC development
- Increase in depreciation expenses due to capital investment
 - EC line in Americas
 - EC line in Europe
 - ECH line in China

6. The progress of MTP Strategy: Area Strategy

Focused on the NEV market and with electric compressors at the core, we provide integrated thermal management system solutions that are competitive, adaptable, and close to our customers.

Europe

- Started construction of a new assembly line for next-generation electric compressors.
Received a ¥2 billion grant from the French government.



- Collaborating with Vitesco
Accelerating the development of ITMS that comply with PFAS regulations



China

- Strengthening production capacity for HVAC in the China area
Annual production capacity of 4.5 million units

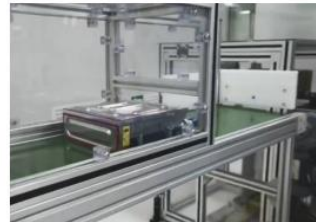


Chongqing



Tianjin

- Started ECH high voltage 800V MP
※ECH=Electric Coolant Heater



Americas

- Acquisition of commercial rights for two emerging EV manufacturers in North America
November 2023: Started production of electric compressors
Started study of HVAC production in Mexico.



Mexico



USA (Dallas)

- High durability wobble plate variable displacement compressor
January 2024: Production begins at the Indian plant (for trucks in the Americas)



6. The progress of MTP Strategy: Strategic Themes (Technology Development)

NEDO Promotion Programs to Achieve a Decarbonized Society
The innovative and original "New Compressor" was selected.



High Efficiency

Greatly improves both compression efficiency and motor efficiency.

Till 2025
Technology Development

Low Noise

Reduces noise with high rotation speed and structure with excellent quietness.

2026~2028
Product Development

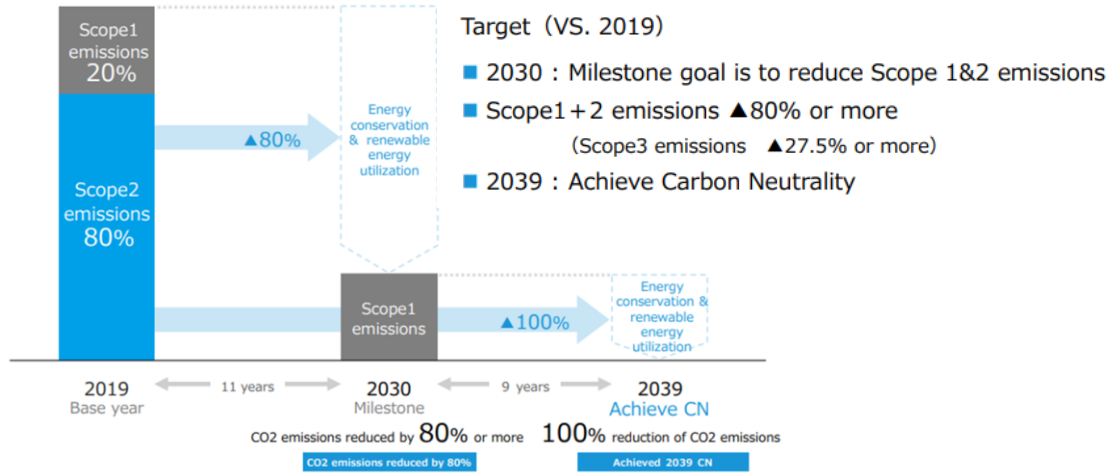
Low Cost

Reduce production costs by reducing the number of components and developing unique production methods.

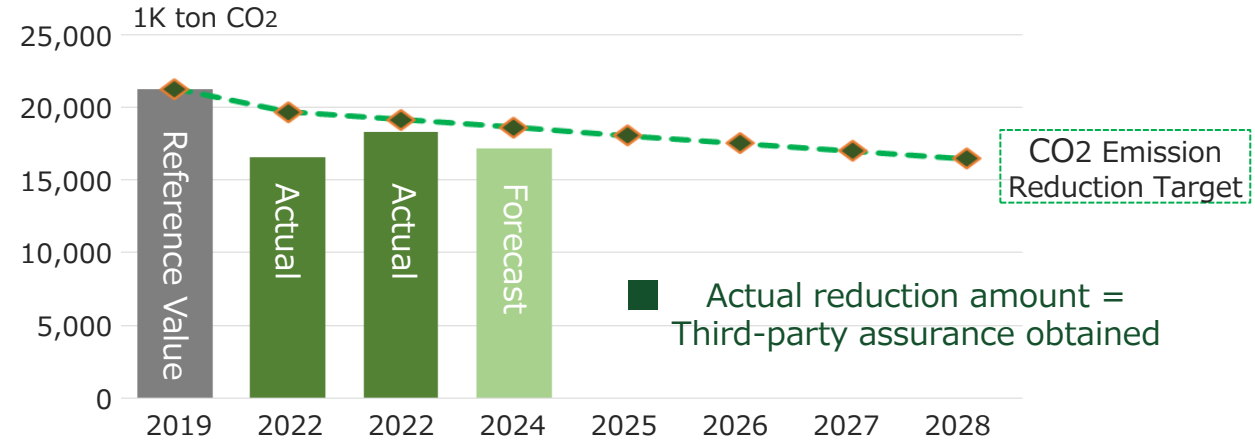
From 2029
Start Mass Production

6. The progress of MTP Strategy: Strengthening the Foundation (Sustainability)

Accelerating Sustainability Initiatives



Progress of CO2 reduction activities throughout the supply chain



Global activities accelerate toward carbon neutrality goal

Europe

France: Introduction of methanation gas
Started using carbon-neutral gas (methanation) produced by generating methane gas from CO2.
Germany: Introduction of electric company cars

Japan: Switching from kerosene to gas
15% CO2 reduction compared to CY23

USA: Purchase of a non-fossil certificate
Start using 100% green electricity (from June)

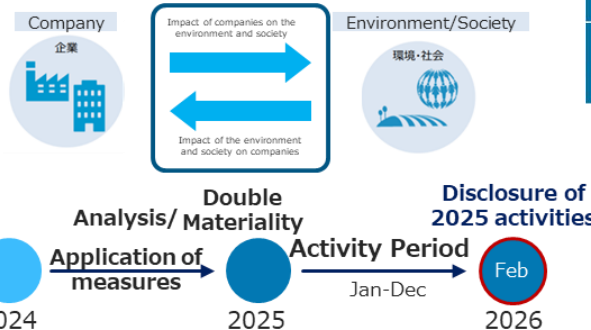
China & Asia: Introduction of solar power generation systems
Introduction and expansion of solar power generation systems in China (Tianjin Plant) Singapore and Malaysia.

Activities to comply with the CSRD disclosure requirements



Phase 1

- Double Materiality Assessment
- (ESRS) GAP Analysis **Complete**
- Development of an activity roadmap



Cross-cutting criteria	Criteria by Topic		
	Environment (E)	Society (S)	Governance (G)
ESRS1 General Requirements (All Divisions)	ESRSE1 Climate Change (Admin HQ)	ESRS S1 Own Workforce (HR HQ)	ESRS G1 Business Conduct (Corp Fin/Legal HQ and Audit Unit)
ESRS2 General Disclosure (All Divisions)	ESRSE2 Pollution (Admin HQ)	ESRS S2 Workers in the Value Chain (HR/SCM/Product Planning HQ)	
	ESRSE3 Water and Marine Resources (Admin HQ)	ESRS S3 Affected Communities (Admin/HR HQ)	
	ESRSE4 Biodiversity and Ecosystems (Admin HQ)	ESRS S4 Consumers and End-users (S&M HQ)	
	ESRSE5 Resource Use and Circular Economy (Admin HQ)		



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The forward-looking statements contained in this document are based on information available as of the date of this document and certain assumptions and expectations.

Accordingly, actual results, outcomes, performance, etc., may differ materially due to various risks and uncertainties, including economic trends, market price conditions and exchange rate fluctuations, etc., but the Company assumes no responsibility for any damages arising from the use of the information in this document.

In addition, we undertake no obligation to update any of the forward-looking statements contained in this document.

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