CSR REPORT
2017
Responsibly Creating
Shared Value
Top Message

Amid Changing Times, We Will Strive to Meet the Expectations of Our Stakeholders with a Spirit of Challenge and Innovation

Sanden Holdings Corporation
Director & President
Kin-ei Kanda

Backed by key technologies related to cooling and heating, the Sanden Group conducts business with customers around the world, through diversified operations in the dynamic commercial store showcases, vending machines, and car air-conditioning compressor and systems industries.

The Sanden Group has undertaken comprehensive structural reforms since August 2016 in response to recent changes in foreign exchange rates and market conditions. A Company-wide effort to implement these reforms has generated steady results through improvement and innovation activities as each and every employee challenges to pursue meaningful work. We are grateful for the continued support and cooperation of all our stakeholders amid these changing times.

Initiatives to Create Corporate Value

In addition to targeting a return to a growth trajectory, the Sanden Group has launched a Corporate Mid-Term Plan for FY2017- 2020. We are moving forward with four key initiatives while rapidly working to fresh comprehensive structural reforms across the Company.

The Sanden Group is optimizing its business portfolio to create greater corporate value by concentrating its resources on growing in business fields related to the environment.

Corporate Mid-Term Plan (Consolidated FY2020 basis)

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>¥320 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Income Ratio</td>
<td>30%</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>25%</td>
</tr>
</tbody>
</table>

Four Key Initiatives

- Comprehensive cost structure to improve profitability
- Assay efficiency enhancement to strengthen the overall financial structure
- Optimization of the business portfolio to create corporate value
- Management system to achieve sustainable growth

In the Automotive Systems Business, Sanden targets further growth in the field of thermal management systems with new technologies and products, including heat pump systems, electric compressors, and compressors using low global warming potential refrigerants such as CO2, in anticipation of the automotive industry’s shift toward environmentally friendly hybrid, electric and new energy cars.

In the Commercial Store Systems Business, Sanden targets further growth in the field of thermal management systems with new technologies and products, including heat pump systems, electric compressors, and compressors using low global warming potential refrigerants such as CO2, in anticipation of the automotive industry’s shift toward environmentally friendly hybrid, electric and new energy cars.

In March 2017, Sanden and one of its Group companies in Europe were ordered by the European Commission to pay a fine for violations of the EU competition law. Taking this matter with the utmost seriousness, the Sanden Group is making every effort to thoroughly strengthen its compliance and corporate governance systems by reviewing rules, re-training employees, and conducting periodic audits.

In June 2017, Sanden added one more outside director to the Board and established the Executive Nomination and Compensation Committee. While further strengthening corporate governance, the Company aims to achieve sustained growth and improve corporate value over the medium term while fulfilling its corporate social responsibility.

Establishing the Sanden Brand as One Trusted by Society

Sanden will celebrate its 75th anniversary in 2018. Consistent with its Corporate Philosophy, the Sanden Group is striving to enable the Sanden brand to be trusted by society through the provision of products, systems, and services that match the needs of society, while continuing to take on challenges and evolve amid changing times.

We will seek opportunities to engage with our stakeholders and proactively enhance communications. We ask for your continued support and encouragement.

The Organizational Structure of the Company Principles

Founding Spirit

“Let Us Develop with Wisdom and Prosper in Harmony”

This philosophy sets forth systematically the behavior that the companies and employees of the Sanden Group, as global excellent companies, should follow.

Management Principles

- Satisfy our customers’ needs with high-quality products
- Contribute to the social and cultural improvement of the community through business activity
- Build a company of which all are proud, through the efforts of self-motivated employees

These principles have served as fundamental employee action guidelines since Sanden’s founding.

Corporate Philosophy

The Sanden Group (KSG-SECO) observes relevant laws and international rules both in Japan and overseas as it behaves according to the following 10 basic principles.

1. Good Corporate Citizenship and Harmony with Society: We will grow as good corporate citizens, trusted by society and in harmony with the international community.
2. Respect for Human Rights: We will establish a corporate culture based on respect for all individuals and human rights.
3. The Environment: We will contribute to preserving the environment in every aspect of our corporate activities as a means to ensure future generations inherit our beautiful, irreplaceable earth.
4. Corporate Ethics: We will conduct our corporate activities in a spirit of sincerity and fairness based on a strong sense of ethics.
5. Safety and Health: We will improve the working environment to ensure employees enjoy health and safety.
6. Basic Stance toward Stakeholders: We will be fair and transparent in dealing with our shareholders and investors.
7. Employees: We will foster the professional development of our employees and nurture their potential so that our employees can achieve their full potential.
8. Shareholders and Investors: We will provide thorough and transparent information to our shareholders and investors.
9. Communities: We will contribute to the cultural and social development of the communities where we are located.
10. Supplier: We will work together with our suppliers as business partners who provide us with the best possible products, systems, and services on the basis of fair and transparent relationships.

Corporate Vision

Management Policies

Mid-Term Plan, Execution Plan

STOM »STOM SANDEN WAY»

About This Report

Since 2005, the Sanden Group has annually published its "Sanden CSR Report," which is designed to inform our stakeholders about the Group’s fundamental approach to issues based on its Corporate Philosophy and Management Principles. The Group’s website offers more detailed data as well as information on the latest CSR activities.

Period of Time Covered by This Report

This report covers the period from April 1, 2016 through March 31, 2017. However, efforts have been made to include as much information as possible in the latest activities and trends, even when they are subject to restrictions such as business competition.

Scope of This Report

The scope of data and other information in the report includes the Sanden Group (Sanden Holdings Corporation as well as consolidated subsidiaries and affiliates). Please note that the scope of information in certain sections of the report may differ from this, as indicated.

Guidelines Used in the Preparation of This Report

This report was prepared with reference to the Global Reporting Initiative (GRI)’s 2013 Sustainability Reporting Guidelines and the Japanese Ministry of the Environment’s 2012 Environmental Reporting Guidelines.
CSR Policy of Sanden

The Sanden Group has established the principle that “Sanden’s CSR activities fundamentally put its Corporate Philosophy into practice.” With interest in CSR rising among customers and our other stakeholders in Japan and overseas, in fiscal 2014, we established a CSR Promotion Committee whose members positively establish priorities for action.

At a Glance

Business Expansion

Composition of Net Sales by Business Segment (Fiscal 2016)

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>Automotive Systems Business</th>
<th>Commercial Store Systems Business</th>
<th>Other Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥282,061</td>
<td>70.6% (Millions of yen)</td>
<td>25.3% (Millions of yen)</td>
<td>4.1% (Millions of yen)</td>
</tr>
</tbody>
</table>

Automotive Systems Business

We are pursuing the further development of next-generation air-conditioning systems that are friendly to people and the earth. The Sanden Group’s car air-conditioning systems rapidly meet vehicle electrification requirements and are being adopted by automobile, construction equipment, and agricultural equipment manufacturers all over the world.

Commercial Store Systems Business

We provide support for the food product distribution, mainly through provision of our retail store systems and vending systems. We provide environmentally friendly products, systems, and services that globally contribute to the business growth of our customers.

Net Income (Loss) Attributable to Owners of the Parent

<table>
<thead>
<tr>
<th>Ordinary Income (Loss)</th>
<th>(Millions of yen)</th>
<th>Net Income (Loss) attributable to owners of the parent</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,843</td>
<td>4,976</td>
<td>5,494</td>
<td>5,494</td>
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Gross Profit Ratio

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<tr>
<td></td>
<td>17.2</td>
<td>16.6</td>
<td>16.1</td>
<td>12.8</td>
<td></td>
</tr>
</tbody>
</table>

Operating Income (Loss)

<table>
<thead>
<tr>
<th>Operating Income (Loss)</th>
<th>(Millions of yen)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>9,417</td>
</tr>
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</table>

Total Assets

<table>
<thead>
<tr>
<th>Total Assets (Millions of yen)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>281,308</td>
<td>271,686</td>
<td>299,265</td>
<td>299,265</td>
<td>280,194</td>
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</tbody>
</table>

Carrying Value

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<tbody>
<tr>
<td>60.6%</td>
<td>45.15%</td>
<td>40.84%</td>
<td>65.57%</td>
<td>65.57%</td>
<td>66.41%</td>
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ROE

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<tbody>
<tr>
<td>15.2%</td>
<td>8.7%</td>
<td>8.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Methods of Establishing Priorities and the Results

We identified the departments that have relationships with the CSR items listed in the Group’s Corporate Philosophy, including the environment, customers, employees, shareholders and investors, and suppliers. Then, for each department, we took into consideration two major angles: namely “importance for management” and “importance in the light of social requirements (expectations of stakeholders).” Going forward, we will set specific objectives for initiatives related to selected themes, specifically “environment” and “people”, and work to raise the level of these CSR activities throughout the Group.
Promotion of Work-life Balance
The Sanden Group has ensured workers get holidays, shortened daily working hours, and reduced overtime hours in order to promote "work-life balance." We introduced flexible working time, which was rare at the time, and non-core flexible work, to put in place work structures that are easy for employees to work under.

As a result, the total working hours average per person in 2016 was greatly reduced to 1,965 hours from 2,108 hours in 2005.

On the other hand, current issues are identified as encouraging employees to take paid holidays, and the realization of flexible employment taking into consideration the circumstances of the employees.

As for systems to encourage employees to take paid holidays, we have put in place consecutive annual paid holidays, memorial-day holidays, and recurrent holidays (five consecutive days), but it still cannot be said that progress has been made company-wide in encouraging employees to take paid holidays.

Additionally, we have introduced the "Childcare and Nursing Leave System," which was rare at the time, and non-core flex-time work, to put in place environment that is easier to work in has been implemented by using all stress checks of the employees to enable them to ascertain their own stress condition and evaluate the workplace environment.

Case Studies
Childcare and Nursing Care Leave System
The Sanden Group has put in place a system for childcare and nursing care so that both male and female employees can continue working without leaving their jobs during pregnancy, childbirth, childcare, and when nursing care of a family member is necessary. Cases of employees leaving their jobs due to childbirth have been almost eliminated, but we believe that in order to realize an environment in which employees can continue working with even more peace of mind, introduction of working arrangements that take into consideration the variety of circumstances of the employees is necessary. In fiscal 2016, the percentage of employees in the nursing care generation leaving their jobs tends to be increasing year by year, and the Sanden Group has currently 960 employees who are in the 45-55 years old nursing care generation; so we have made it easier to get systems related to nursing care and have expanded the period in which it can be used. Currently, we are considering the further introduction of working arrangements that take into consideration the variety of circumstances of the employees.

Initiatives for Health and Safety
In 2016, Sanden established the health and safety policy of "creating workplaces where each and every employee can work in safety and security through giving safety highest priority and having everyone participate in safety and healthy activities", additionally ensured thorough implementation of basic behaviors such as the Kyt activities, etc., and implemented a "Risk Improvement Campaign." In order to lead to the improvement of workplaces, individual employees report risks such as tasks, equipment, etc. in their daily work where they were surprised, almost had an accident, or felt danger. A total of 2,126 people participated in these activities, and steps were taken to improve 3,265 unsafe situations.

Furthermore, regarding health, Sanden introduced a stress check system, and improvement to a workplace environment that is easier to work in has been implemented by using all stress checks of the employees to enable them to ascertain their own stress condition and evaluate the workplace environment.

Sequence of Working Style Reforms (Introduction of Systems and Mechanisms) in Sanden

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<tbody>
<tr>
<td>Employment System</td>
<td>Introduction of the new employment system</td>
<td>Introduction of the planned annual paid holiday taking system (non-core day holidays, consecutive holidays, recurrent holidays)</td>
<td>Introduction of the volunteer holiday system</td>
<td>Introduction of the return to work trial work system</td>
<td>Introduction of the company's basic policies</td>
<td>Introduction of the company's basic policies</td>
<td>Introduction of the company's basic policies</td>
<td>Introduction of the company's basic policies</td>
<td>Introduction of the company's basic policies</td>
<td>Introduction of the company's basic policies</td>
</tr>
<tr>
<td>Childcare and Nursing Care Support</td>
<td>Introduction of the childcare support system services</td>
<td>Introduction of the childcare support system services</td>
<td>Introduction of the childcare support system services</td>
<td>Introduction of the childcare support system services</td>
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<td>Introduction of the childcare support system services</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Commencement of risk assessment activities</td>
<td>Commencement of mental health education for managerial personnel</td>
<td>Commencement of mental health education for managerial personnel</td>
<td>Commencement of mental health education for managerial personnel</td>
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</tbody>
</table>

Social Issues

Working Style Reforms
In Japan the population is declining, the birthrate is falling, and the population is aging; so it is estimated that the total population will be 49,592,000 people in the year 2100. For that reason, the Sanden Group has been working on a variety of "working style reforms" and has developed systems tailored to the needs of society against the background of that historical context, including childcare and nursing care support, promotion of the employment of the elderly, and restriction of total working hours. (Refer to the Chronological Table.)

In response to the setting of the material CSR item "people" in fiscal 2015, in fiscal 2016 Sanden organized the measures for "working style reforms" that had been taken so far into a Chronological Table to identify the outstanding issues.

Strategic Areas

Introduction of the volunteer holidays system
Introduction of the planned annual paid holiday taking system (non-core day holidays, consecutive holidays, recurrent holidays)
Introduction of the volunteer holiday system
Introduction of the return to work trial work system
Introduction of the company's basic policies
Introduction of the childcare support system services
Introduction of the internal reporting system
Implementation of the executive management survey
Commencement of risk assessment activities
Commencement of mental health education for managerial personnel
Commencement of mental health education for managerial personnel
Commencement of mental health education for managerial personnel
Commencement of mental health education for managerial personnel
Responsibly Creating Shared Value

Environmental Technologies to Launch a New Era

The Sanden Group considers preservation of the global environment to be the most important shared responsibility of people everywhere. Consistent with our Environmental Charter, as an industrial company grounded in technology development, and manufacturing, we are developing business initiatives that take into consideration environmental conservation in all aspects of our corporate activities.

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Automotive Systems Business

Call for Automobiles with Lowered Environmental Impact

While automobiles are indispensable to society, drive systems related engines, motors, and the like are diversifying due to heightened environmental regulations and consumer concern for the environment. Amid such environmental change, automobile manufacturers recognize global warming countermeasures as a critical undertaking and target automobiles with lowered environmental impact.

Commercial Store Systems Business

Demand for Food Safety and Environmental Measures

In the distribution industry, both products and services are diversifying in light of changing customer needs and societal issues such as declining birthrates and aging. In line with supporting economic revitalization and maintenance of local communities, there is strong demand for quality control measures ensuring food safety and security as well as environmental management to minimize food waste.

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CSR Activities of Sanden

Sanden and the Environment

In the Sanden Group’s “Third Medium-Term Basic Policy on the Environment,” which was prepared in fiscal 2014, Sanden has taken initiatives for four Green Strategies: Green Technologies, Green Management, Green Processes, and Green Communication.

Green Technologies

The Sanden Group is accurately ascertaining the environment-oriented needs of people and customers to proceed with innovative technology development and product development that produces “new products that contribute to the environment” that combine the Group’s core technologies for “cooling and heating” with “energy-saving technologies.” In the Automotive Systems Business, in addition to the development of technologies to make the equipment more compact, lighter in weight, and more efficient, Sanden became the first in the world to realize mass production of variable compressors that use CO₂ as a refrigerant because it has a small global warming coefficient and does not destroy the earth’s ozone layer. Furthermore, it has developed highly efficient automobile air-conditioning systems utilizing heat pump technologies. Note that the goal regarding making products lighter in weight could not be achieved in the product environment indicators of in-house indexes that measure the environmental contribution of the products; so, the objective attainment rate for the indicators was 95%.

Use of Sanden Technologies Is Spreading Globally

Furthermore, in order to be able to respond to the diversification in the tastes of our customers, we have established “HOT & COLD foam” foam milk cooking technologies that are “based on technologies developed in-house,” “fetiduous,” “shining,” and have “variable foam density,” and have developed and introduced coffee vending machines that can provide such new milk products as a high-quality latte menu, and are environmentally friendly.

Green Management

As activities to support environmental management that realizes the management policy “To create corporate value by the environment,” Sanden is promoting the practice of environmental management based on ISO 14001, the training of personnel who have an environmental “mind,” and environmental activities with the participation of everyone. Environment problems have regional characteristics such as in China where environmental problems such as air pollution are becoming more serious and in Europe which is driving global chemical substance regulations. Therefore, in China, with the objectives of sharing the environmental activities in each business location, discussion for environmental risk solutions, and improving the environmental activity level of each business location to contribute to environmental issues solutions in China, Sanden held the First China Region Environmental Congress. Furthermore, in Europe as well, representatives of each business location and environmental officers gathered together to hold the First European Environmental Convention, adopting the Tinténiac Agreement named after the location of the congress, and confirmed the continuing environmental improvement activities.

Domestically, the Tokai-Hokuriku Branch has been certified as an Eco Business Site by the City of Nagoya. This certification is a manifestation of the fact that the management policy and environmental management have penetrated within the Group. Furthermore, as a part of fostering an environmental “mind,” since 2009 when the management policy was announced, Sanden has been encouraging the domestic personnel to take activities. Usage of energy was the same level as in the previous fiscal year, but, domestically, the basic sales unit worsened by 5%, compared to fiscal 2015 due to falling sales and the impact of the exchange rate. Working toward attainment of the Medium-Term Basic Policy on the Environment, Sanden has been promoting productivity improvements, revision of energy use, upgrades to energy-saving devices, etc., and organized improvement committees, etc. at the business locations to advance operational quality improvements seen from the perspective of energy use.

Green Processes

The Sanden Group has stipulated its “Medium-Term Basic Policy on the Environment,” which covers the period through fiscal 2018 and is currently working, and is developing environmental activities at each business location. In fiscal 2016, in order to implement the PDCA cycle reliably, we introduced the global environmental information management system, and aim to ascertain detailed changes in environmental data and conduct environmental management leading to improvement activities. Usage of energy was the same level as in the previous fiscal year; but, domestically, the basic sales unit worsened by 5%, compared to fiscal 2015 due to falling sales and the impact of the exchange rate. Working toward attainment of the Medium-Term Basic Policy on the Environment, Sanden has been promoting productivity improvements, revision of energy use, upgrades to energy-saving devices, etc., and organized improvement committees, etc. at the business locations to advance operational quality improvements seen from the perspective of energy use.

Use of Sanden Technologies Is Spreading Globally

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Use of Sanden Technologies Is Spreading Globally

Use of Sanden Technologies Is Spreading Globally

In each domestic business location, Sanden has been promoting productivity improvements, revision of energy use, upgrades to energy-saving devices, etc., and organized improvement committees, etc. at the business locations to advance operational quality improvements seen from the perspective of energy use.
Green Communication
Based on the “Biodiversity Policy,” which was prepared in 2014, as one corporate citizen Sanden is actively participating in local environmental preservation activities. Here, we introduce a variety of initiatives at each global business location.

Biodiversity Policy

**Basic Approach**
The Sanden Group is aware of the impact that business activities have on the ecosystem and develops activities aimed at “harmonious coexistence of industry and the environment” to contribute to the realization of a sustainable society.

**Initiatives**
1. Promote business activities that enable people and nature to co-exist
2. Actively use resources taking into consideration the ecosystem
3. Collaborate and cooperate with local communities and carry out activities from a global perspective
4. Develop environmental education activities for learning about the blessings of nature
5. Communicate the outcomes of activities widely to stakeholders

**Initiative 1**
Sanden is actively participating in tree-planting and environmental improvement activities, such as Green Wave* activities.

**Initiative 2**
Sanden conducts “Environmental Originality” activities, which involve developing original environment-related initiatives tailored to the current situation in local communities and at each business location.

**Initiative 3**
The Sanden Forest/Akagi Plant, the Sanden Group’s symbol of its environmental activities, celebrated the 15th anniversary of its establishment. The Company held a variety of events, and there have been approximately 15,000 visitors a year. Furthermore, at the “Civil Engineering Design Prize 2016” hosted by the Japan Society of Civil Engineers, the preparation of the site of the Sanden Forest/Akagi Plant using close-to-nature construction methods was highly praised, and the Nishinohin Institute of Technology and other related organizations involved in the preparation received the award for excellence.

Attainment of Medium-Term Basic Policy on the Environment Targets since FY2016
This table summarizes (a) Medium-Term Basic Policy on the Environment Ending FY2018; (b) Policy Targets Set in FY2016; and (c) Attainment of Targets Since FY2016

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Basic Strategy</th>
<th>(a) Medium-Term Basic Policy on the Environment Ending FY2018</th>
<th>(b) Policy Targets Set in FY2016</th>
<th>(c) Attainment of Targets since FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Green Communication</strong></td>
<td><strong>Global development of biodiversity activities</strong></td>
<td>Participate in environmental preservation activities as a corporate citizen</td>
<td></td>
<td>A</td>
</tr>
<tr>
<td></td>
<td><strong>Getting external assessments</strong></td>
<td>Revision of activities using the questionnaire and environmental assessment results</td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>2. <strong>Green Technology</strong></td>
<td><strong>Reduction in environmental burden</strong></td>
<td>● 15% or more in energy usage</td>
<td>● Reduce CO₂ emissions per unit of sales by 9% in comparison with fiscal 2013</td>
<td>C</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 15% or more in waste emissions</td>
<td>● Total emissions not to exceed actual for fiscal 2015</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 5% or more in water usage</td>
<td>● Reduce emissions of waste per unit of sales by 9% in comparison with fiscal 2013</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 5% or more in emissions of harmful chemical substances</td>
<td>● Total emissions not to exceed actual for fiscal 2015</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td><strong>Green Process</strong></td>
<td>Reduction in environmental burden</td>
<td>● Reduce energy usage per unit by 1% or more</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 15% or more in energy usage</td>
<td>● Total emissions not to exceed actual for fiscal 2015</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 15% or more in waste emissions</td>
<td>● Total emissions not to exceed actual for fiscal 2015</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 5% or more in water usage</td>
<td>● Total emissions not to exceed actual for fiscal 2015</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● 5% or more in emissions of harmful chemical substances</td>
<td>● Total emissions not to exceed actual for fiscal 2015</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td><strong>Green Management</strong></td>
<td>Level of attainment of environment activities at all sites: A or higher</td>
<td>Implementation of assessments of environmental activity levels and feedback to business locations</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strengthen implementation of environmental policy and environmental management</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Heighten awareness through implementation of environmental education</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td><strong>Level of attainment:</strong> A: goal(s) attained; B: generally attained; and C: insufficient</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Level of attainment: A: goal(s) attained; B: generally attained; and C: insufficient
Sanden believes that providing human resources development and the proper working environment that encourages all employees to draw on their full capabilities will lead to corporate growth. Furthermore, Sanden makes every effort to ensure the physical and mental health of employees and strictly maintains labor safety and safety standards and is focusing on creating a working environment that considers work-life balance.

Promotion of Diversity Activities
In December 2016, the Sanden Group held the Sanden Diversity Forum 2016, with the objective of promoting and motivating diversity activities. The forum had the theme of “What is diversity considered from the perspective of management strategy?” and was divided into two parts, and was attended by approximately 130 people, including female leaders and female leader candidates for the next period and their immediate superiors. In addition, female personnel in remote business locations also participated by using tablet computers.

Promotion of Human Resources Development
Sanden Holdings Corporation and the seven business companies consider the basic spirit of human resources education that “human power” X “technological power” = “managerial power” to be our foundation, and we are consistently implementing “leadership education” as shared education from the perspective of customers.

Initiatives to Improve Customer Satisfaction
The Sanden Group formulates policies and measures for each business company in an effort to improve customer satisfaction. Specifically, we hold regular meetings every month with our customers, implement assessments based on interviews once a year, and implement customer satisfaction surveys, etc.

The Customer Service Center (in Japan) receives inquiries about products and service requests 365 days a year. The basis of the QC Circle, it is conferred on QC circles that carry out activities and improving the level of individual QC Circle activities. In accordance with the spirit of "the basis of the QC Circle," it is centered on QC circles that carry out activities that are an example to others.

Personnel Data

<table>
<thead>
<tr>
<th>(Numbers of employees)</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees</td>
<td>2,414</td>
<td>2,457</td>
<td>2,394</td>
<td>2,304</td>
</tr>
<tr>
<td>Full-time employees</td>
<td>270</td>
<td>278</td>
<td>284</td>
<td>292</td>
</tr>
<tr>
<td>Corporate officers</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Managerial personnel</td>
<td>4</td>
<td>10</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Leadership roles</td>
<td>5</td>
<td>4</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Number of foreign nationals hired (new graduates)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Employees with disabilities</td>
<td>90</td>
<td>92</td>
<td>92</td>
<td>91</td>
</tr>
<tr>
<td>(2.46%)</td>
<td>(2.46%)</td>
<td>(2.46%)</td>
<td>(2.46%)</td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1. Figures are as of March 31 of each year.
2. These figures are for Sanden Holdings and its seven business companies.
3. Employees with severe disabilities are accounted for as corresponding to one employee with disabilities.
4. The figures in parentheses ( ) are the percentage of disabled employees.
5. Includes the number and percentage of disabled persons employed in specific purposes companies.

Sanden and our Employees

Promotion of Regional Economic Activities
Furthermore, Sanden has partnered with Waseda Business School to ensure that women participate every year and take on new challenges in the “Business School, Regional Revitalization and Human Resources Development Program” that is being held for the purpose of developing future business leaders for the next generation, who will be the drivers of regional economic growth.

Encouragement of Health and Safety Activities
Health and safety activities at the Sanden Group are carried out in cooperation with the people in charge of health and safety at each plant, business base, and Group company. Regarding the acquisition of the international OHAS 18001 standard, since the beginning of acquisition in fiscal 2012, the acquisition has been completed at a total of 16 domestic business locations. Regarding the overseas business locations, the certification was newly attained at five business locations in fiscal 2012, six business locations in fiscal 2013, one business location in fiscal 2014, one business location in fiscal 2015, and two business locations in China and elsewhere in Asia in fiscal 2016, meaning that acquisition has been completed at 31 domestic and overseas business locations.

SANDEN CSR REPORT 2017
Promoting the Sanden Group’s sustained global development requires the reliable and efficient supply of competitive materials and components. To ensure that it can obtain such supplies, Sanden is striving to build mutual trust with its suppliers as business partners. Furthermore, to promote the long-term support of shareholders and investors, the Sanden Group considers it important to provide them with beneficial information for facilitating investment judgements, and we are endeavoring to communicate actively with them.

**Holding G-CF* Conferences to Build Solid Relationships of Trust**

G-CF Conferences are organized for suppliers to express appreciation for their day-to-day manufacturing activities and their promotional activities related to Sanden Group product marketing promotion. These conferences are also held to promote suppliers’ understanding of the Group’s global operations and build solid relationships of trust.

A total of 162 representatives from 84 suppliers, consisting of 61 domestic companies and 23 overseas companies, participated in the February 2017 G-CF Conferences. Awards were presented to 19 companies in recognition of their outstanding contributions, and two cooperating companies who achieved excellent outcomes in their engineering chain and the supply chain activities thereby contributing to Sanden’s technology development and product competitiveness were given the Green Product Award (for the best proposal for environment-related technology) and the Green Process Award (for manufacturing excellence that is environmentally friendly), and their achievements were presented as examples of excellent cases.

*  **Stands for Global Create Future**

**Information Disclosure**

Sanden issues quarterly reports in Japanese and English with the goal of promoting the understanding of the Group, Sanden’s Corporate Philosophy, management strategy, Corporate Mid-Term Plan, etc., and they are published on the Sanden website and in its Securities Report, etc. Sanden also gives presentations, to financial institutions and institutional investors, of performance results at the end of the second and fourth quarters, and the materials are posted on the Sanden website in Japanese and English. Going forward, Sanden will continue to enhance information disclosure in line with the purposes of Japan’s Corporate Governance Code.

**Communication with Shareholders and Investors**

The 91st ordinary general meeting of shareholders was held in June 2017 at the Sanden Communication Plaza located in Hino City, Saitama Prefecture. Sanden has installed display booths and presents the products of each business company in panels with the goal of promoting the understanding of the Corporate Mid-Term Plan and environmental growth areas of the Sanden Group among its shareholders. Furthermore, since 2014, Sanden has been holding a tour of the Company facilities for its shareholders after the General Meeting of Shareholders. In 2017, approximately 50 shareholders viewed the Sanden Forest/Akagi Plant, a factory in a forest that has realized “Harmonious Coexistence of Industry and the Environment,” Small meetings for financial institutions and institutional investors were held 115 times during the year. To respond to the trust and expectations of shareholders, Sanden will continue working to promote further interactive communication.

**Total Shares Issued and Composition of Shareholder Base**

As of September 30, 2017, Sanden Holdings had a total of 140,331,565 shares issued and outstanding. The total number of stock trading units (with 1,000 shares each) was 139,692, and the total number of shareholders was 9,280.

<table>
<thead>
<tr>
<th>Distribution of shares by type of shareholder</th>
<th>139,692 units</th>
<th>100.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>112,008 units</td>
<td>80.5%</td>
</tr>
<tr>
<td>Other</td>
<td>18,702 units</td>
<td>13.4%</td>
</tr>
<tr>
<td>Foreign Entities, etc. (individuals)</td>
<td>6,978 units</td>
<td>5.0%</td>
</tr>
<tr>
<td>Foreign Entities, etc. (Other than individual)</td>
<td>1,903 units</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

* Effective from October 1, 2017, Sanden carried out a consolidation of Sanden shares by converting 5 shares to one share, and changed the number of shares per unit to 100 shares per unit.

**United States**

**Exchanges with Middle-school Students from Japan**

Beginning in fiscal 2013, Sanden International (U.S.A.), Inc. has arranged for mutual interchange meetings with middle-school students in Iwaki City, Gunma Prefecture where Sanden was founded, as a part of its human resources development. In fiscal 2016, 65 middle-school students studied about the global expansion of Sanden, and they deepened their understanding of a different culture as they communicated in English with the local (U.S.) staff while making ice cream.

**Philippines**

**Participation in Tree-planting Activities**

In March 2017, Automotive Air-conditioning Technology Philippines, Inc. (Philippines) donated 110 trees to the tree-planting activities organized by the Philippines City Environment & Natural Resources Office (CENRICO) and the employees participated in the tree planting.

**Japan**

**Great East Japan Earthquake Revival Project**

In March 2017, a certificate of appreciation was delivered from Higashi-Matsushima City, Miyagi Prefecture to Sanden to recognize the Company’s continued support over five years for the Atan Earthquake Revival Project. This project has worked on assistance for reforestation and psychological care for people in the afflicted region.

**Italy**

**Donation of Reconstruction Costs for a School Stricken by a Disaster**

In February 2017, SandenVendio Europe S.p.A. (Italy) and the SandenVendio German Branch of Sanden International (Europe) Ltd. (Germany), together with the Sanden Group of Japan and other organizations, donated 22,231 euros to the Colonic City Hall, in order to support the region afflicted by the central Italy earthquakes, and of that amount 10,000 euros donated by the Sanden Group was used for the reconstruction costs for a school in Amatrice.
Corporate Governance

Employing the “company with auditors” model based on Japan’s Corporate Law, Sanden has created a corporate governance system that includes a Board of Directors, Audit & Supervisory Board Members, and Accounting Auditor. In addition, with the aim of securing the transparency and objectivity of management, Sanden has also established the Executive Nomination and Compensation Committee as an advisory committee to the Board of Directors. The Board of Directors has 10 members, including 3 outside directors, while the Audit & Supervisory Board has 4 members, including 3 outside Audit & Supervisory Board Members. To strengthen management oversight functions, Sanden appoints fully independent Outside Directors and Outside Audit & Supervisory Board Members. Currently, Sanden’s 5 Outside Executives are certified as “independent” under the Securities Listing Regulations of the Tokyo Stock Exchange. By setting Directors’ terms to one year, Sanden has put in place a system to ensure management transparency and one that enables quick responses to changes in the market environment. Also, by adopting a corporate officer system, the Group aims to strengthen business execution functions and increase management efficiency. Moreover, the Management Committee and Board of Directors deliberate in a timely fashion on important matters in compliance and risk management. Furthermore, by putting in place internal and external hotlines as an internal reporting system, Sanden is working to strengthen risk management, corporate ethics, and legal compliance.

Organization Units and System

General Meeting of Shareholders

Appointment/Removal

Board of Directors (Election/Withdrawal)

Outside Directors

Representative Director/Group CEO

Executive Director/President

Director/Managing Director (Strategic Business)

Director/Chief Financial Officer

Director/Chief Executive Officer

Director/Chief Information Officer

Director/Chief Accounting Officer

Director/Chief Human Resources Officer

Internal Audit

Business Companies, Subsidiaries and Affiliated Companies

Compliance

Implementation of the Global Compliance Training

The Sanden Group is advancing the strengthening of compliance globally. We provide training for employees responsible for overseas subsidiaries, staff in North America, China, and Europe, and employees stationed overseas primarily about the differences between Japanese and overseas laws and regulations, anti-monopoly laws, bribery of foreign public officials, etc. Moreover, in March 2017, we implemented e-learning about anti-monopoly laws for all of the domestic personnel. In addition to this, in export management training, awareness was raised about the regulations of the Foreign Exchange and Foreign Trade Act and issues to be careful about when handling the equipment owned by the overseas affiliated companies.

Initiatives for Compliance Education

Meetings of the compliance officers and the harassment prevention task force were held four times during the year. The meetings of the compliance officers included training for the strengthening of compliance management. Reports on the setting of compliance goals in each company and the status of those initiatives, and Group learning regarding compliance violations. Furthermore, the harassment prevention committee implemented harassment education every time it was held.

In fiscal 2016, Sanden implemented basic compliance education for 83 new employees and implemented education about the fundamentals of compliance, the Whistle-blower System, etc. 28 times for 642 managerial personnel in the domestic Group.

Review of Internal Rule System and Strengthening of Labor Compliance

In fiscal 2016, Sanden reviewed and revised the rules in the headquarters and the business companies. In order to strengthen the management of information for internal use only, Sanden held training about the importance of document management, etc. In the second half of the year (October to March). Furthermore, regarding labor management compliance, we provided education to our managerial personnel from September to December 2016.

Strengthening of the Security and Trade Management Structure

In fiscal 2016, Sanden expanded the scope of application of export management and worked to thoroughly implement and strengthen the procedures in each business company. Furthermore, we acquint all employees with legal revisions, etc. and implement the related training in the hope of maintaining an export management level that is unchanged from before.

Third-Party Opinion

Ms. Yamaguchi began her career in a research institute and then founded FEM Co., Ltd., in 2003. In addition to praising training, FEM conducts research and assessments related to the environment, CSR, biodiversity, and international certifications. In addition, at Control Union Japan, an international certification body, Ms. Yamaguchi is involved in a wide range of certification activities, focusing on international standards for sustainability that give proper regard to the environment and society. Ms. Yamaguchi also serves as a director of the Japan Ethical Initiatives, in addition to other positions at various organizations.

Manami Yamaguchi, Environmental specialist and representative director of FEM Co., Ltd.

As times change, the value of corporations to society and the future of their business also evolves. The Sanden Group has been engaged in sweeping structural reforms since August 2016 in pursuit of meaningful work. While taking action to improve and reform operations, the Group is taking bold steps again this year to achieve two-pronged growth in new markets as well as new technologies and products.

The Sanden Group has established the principle that “Sanden’s CSR activities fundamentally put its Corporate Philosophy into practice.” Its Automotive Systems Business and the Commercial Store Systems Business support individual lifestyle and broader society more environmental technology is needed in the fields. Sanden was the first company in the world to build out a mass-production system for compressors that utilize carbon dioxide refrigerant for automotive air conditioning and began delivering the compressors to the market in earnest. By providing the world with the technologies it needs, including a comprehensive understanding of temperature and humidity management systems for the entire food distribution chain and by addressing growing cold-chain needs with e-mail modes, Sanden helps prevent environmental and social issues from arising. Combining “energy-saving technology” with its core technologies for “cooling and heating,” the Group contributes to the environment through “products.” Sanden endeavors to understand the environmental impacts of its manufacturing activities by taking into account changes in environmental data, including its overseas bases. While there is some room for improvement in terms of CO2 emissions and other materials, the Group’s major results are to reduce waste emissions and water usage. I expect the Group to enhance its globally linked activities by creating energy and environment initiatives.

Moreover, Sanden continues to improve work conditions and train employees while focusing on the customer in all its activities.

taking care of its people by advancing diversity and work-life balance, while promoting women to management and leadership roles as well as hiring more people with disabilities. While restructuring, I believe the Sanden Group could make new discoveries and accelerate initiatives by documenting the actions being taken by its diverse employees around the world, guided by the principle that “a company is as good as the people it keeps,” while harnessing a corporate culture that facilitates work.

With ESG investment and sustainable development goals (ESDG) popular topics lately, companies are expected to disclose more detailed information that is useful for making investment decisions. In this context, the relationships of trust that Sanden has built through the Global Create Future (G-CF) Conference should strengthen its foundation for responsible procurement and business activities while avoiding environmental and social risks throughout the supply chain. The Sanden Group reports on its website and in printed reports information about its CSR business practices, including at the Sanden Forest-Island Project, and contributions to local communities in Japan and foreign countries. In order to further improve the transparency and objectivity of management, as well as enhance responsibility and accountabilities to the stakeholders, I believe the Sanden Group could work harder to spread awareness of its procurement policies and decision criteria, which would lead to a better relationship with society through its business activities.

The Sanden Group promotes activities aimed at “harmonious coexistence of industry and the environment” to contribute to the realization of a sustainable society. Amid constant change, Sanden aims to build bridges to a better future for society while preserving the natural environment in management policies to achieve the next stages on growth based on the environment, utilizing our global strengths and quality capabilities.

With regard to the environment, the Group has positioned as a key priority the concentration of management resources to growing environment-related fields, centered on new technologies, products, and markets, based on the Corporate Mid-Term Plan. The Group is well positioned to contribute more to the realization of a sustainable society.

Regarding people, as a corporation with a presence in 23 countries and regions overseas, Sanden aims to spread its philosophy around the world while advancing reforms to work styles with the ultimate aim of creating a work environment that draws out the best of each and every employee.

In 2018, the Sanden Group will celebrate the 75th anniversary of its founding. With an eye on becoming a 100-year company, Sanden will endeavor to improve information disclosure and remain a company trusted by society.