

SANDEN HOLDINGS CORPORATION

<http://www.sanden.co.jp/english/>

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SANDEN

Delivering Excellence

SANDEN

CSR REPORT 2015



Car

Office

Town

Store

House

Sanden's CSR Programs Essentially Put Its Corporate Philosophy into Practice. This Remains Unchanged Even under Its Holding Company Structure.

Sanden's corporate philosophy, which was adopted in 2003, systematically states our universal shared values and our basic stance. By putting this corporate philosophy into practice, the Sanden Group aims to attain sustainable growth and continue to be a company that is trusted by society. The basic approach of the Sanden Group's CSR remains unchanged even under its holding company structure.



Approach to CSR and CSR Promotion Systems

The Sanden Group has established the management policies of Leverage "global" and "quality" to realize an additional surge in corporate growth centered on core business providing environment-friendly products. By undertaking corporate activities with emphasis on environmental protection, we are aiming to become excellent global companies by providing outstanding products, systems, and services to all our customers. Our Corporate Philosophy states the foundation of our corporate endeavors, and implementation of our Corporate Philosophy is the means by which we are proceeding to realize the Group's CSR programs.

In fiscal 2014, Sanden established its CSR Promotion Committee with the aim of helping to realize the consistent application of Sanden's Corporate Philosophy in practice. The new committee works to prioritize CSR objectives in focus, set related performance targets, and promote the implementation of related activities.

About This Report

Since 2005, the Sanden Group has annually published its "Sanden CSR Report," which is designed to offer information about Group operations and the relationships with stakeholders in those operations in an easy-to-understand format.

We have given priority to reporting the issues that stakeholders are believed to have a high level of interest in, centered on the Management Policies focusing ones "environment," "global," and "quality." The 2015 edition of this report includes special feature sections entitled "Working to Establish Priority Issues which is a progress report on these activities," "What are the Priority Environmental Issues," and "Aiming for Coexistence between Industry and the Environment through the Four 'Greens.'"

The printed version of this report offers concise information on the Sanden 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

The report primarily focuses on the period from April 1, 2014 through March 31, 2015. However, efforts have been made to include as much information as possible on the latest activities and trends, even when they are subsequent to that time period.

● Scope of This Report

The scope of data in the report includes the Sanden Group (Sanden Holdings Corporation as well as 68 consolidated subsidiaries and affiliates, although the scope of information in certain sections of the report may differ from this, as indicated.). Environmental burden (impact) and environmental accounting data are compiled from the Americas, Europe, Japan, and the rest of Asia. More detailed information on the scope of data is available on the Company's website: <http://www.sanden.co.jp/english/>

● Guidelines Used in the Preparation of This Report

This report was prepared with reference to the Global Reporting Initiative (GRI)'s *Sustainability Reporting Guidelines, Third Edition (G3)* and the Japanese Ministry of the Environment's 2012 *Environmental Reporting Guidelines*.

More Detailed Report on CSR Activities

Web

<http://www.sanden.co.jp/english/environment/index.html>

The website offers information on the Group's fundamental approaches to issues based on its Corporate Philosophy and Management Principles together with a comprehensive report on activities and detailed data that supplement the Sanden Report.

Report on Principal Activities



CSR Report

Contents

- Sanden's Corporate Philosophy
- CSR Policies/Editorial Policy
- Message from the President
- Sanden Group Company Information
- Special Feature**
CSR Activities of Sanden Holdings and Priority Issues
Creating Corporate Value from "Environment" and Aiming for Sustainable Growth
- Special Feature**
Environmental Activities within CSR Promotion—1
What Are Sanden's Environmental Activities?
- Special Feature**
Environmental Activities within CSR Promotion—2
Aiming for Harmonious Coexistence of Industry and the Environment through the Four "Greens"
- Environmental Report**
• Examples of Sanden's Activities in Fiscal 2014 under Its "Green" Strategies
- Stakeholders Reports**
• Relationships with Customers
• Relationships with Shareholders and Investors
• Relationships with Communities
• Relationships with Suppliers
• Relationships with Employees
• Targets and Performance
- Corporate Governance/Compliance
- Business Overview
- Third-Party Opinion/Response

Sanden is taking initiatives to create value based on its strengths and core competencies and will continue to respond to stakeholder trust and expectations.

Sanden Holdings Corporation
Director & President

Kin-ei Kanda



Transition to a Holding Company Structure

The Sanden Group's key technologies are cooling and heating. In line with the changing times, we have expanded our product portfolio to include freezers and refrigerated showcases for institutional use, vending machines, car air-conditioning compressors, car air-conditioning systems, and living environment systems. Today, we have business relationships with customers throughout the world.

To continue to realize global growth and respond to the growth in scale of our increasingly diverse businesses and the special features of our customers, we made the decision that a reconfiguration of the management systems of the Sanden Group as a whole would be necessary to increase our corporate value. Accordingly, on April 1, 2015, we made the transition to a holding company structure.

After this transition, we feel that the responsibilities and authority of the companies of the Group have been clarified, that the speed of decision making has increased, and that the distance between Sanden and its customers has been reduced. Looking ahead, we will proceed with fusing the dynamism of the Sanden Group and move toward our goal of being a global excellent company that is trusted by its stakeholders.



Initiatives to Identify Materiality

In 2003, to commemorate the 60th anniversary of Sanden's establishment, we prepared our Corporate Philosophy to systematically promote our shared values throughout the Sanden Group and its basic stance as a company. In 2011, we positioned the implementation of this Corporate Philosophy as the essence of Sanden's CSR program. Each and every Sanden employee acts with a constant awareness of this philosophy in conducting his or her daily activities.

Then, in fiscal 2014, with the objective of creating a society that can develop sustainably and continue to grow and to respond to the expectations of our stakeholders, we began initiatives to identify the material CSR issues in our activities. With our CSR Promotion Committee, established last year, as the focal point, as we take account of the requirements of society, we are identifying from all angles the issues the Sanden Group faces. These are introduced in the special feature sections in this CSR Report.

Business Development in Line with Our Management Policies

The management policies of the Sanden Group call on us to Leverage "global" and "quality" to create new corporate value from the environment. Under these policies, on a day-to-day basis, we are steadily drawing on our "quality," which has been built on Sanden's unique Companywide STQM (Sanden Total Quality Management) quality innovation activities, and our "global," which is based on our network of 54 business locations in 23 countries and regions, to attain further corporate growth and contribute to the community. We are doing this through our core capabilities for the development of environment-related technologies and products and our activities to contribute to society.

In 2002, we established the Sanden Forest/Akagi Plant complex based on the concept of "harmonious coexistence of industry and the environment." In March 2014, this complex became the seventh such project in Japan to receive the designation of "Superlative Stage" from SEGES (Social & Environmental Green Evaluation System). Also, in October 2014, Sanden made a presentation on its activities related to biodiversity at the COP12 conference held in South Korea.

Going forward, to hand down this beautiful and irreplaceable Earth to future generations, we will act in an environmentally responsible way in all areas.



Becoming a Company that Continues to Be Trusted by Society

We made the transition to a holding company structure in April 2015, but the core concept of our activities remains, as always, the spirit of "Let Us Develop with Wisdom and Prosper in Harmony." This means, in other words, that "we should use our intelligence in combining our development and pioneering abilities to win prosperity for us all." Looking forward, as the times change, we will not forget to tackle the challenges before us, and continue to innovate, and, working together with all members of the Sanden Group, we will offer the products and services that meet the needs of society.

As we announced in January 2015, we have entered into a plea agreement with the U.S. Department of Justice on issues related to sales of automobile air-conditioner compressors. We regard this matter as being of the utmost seriousness and are working to substantially strengthen all aspects of our compliance systems.

As we continue to establish the Sanden brand as one that is trusted by society, we will take every opportunity to deepen communication with our stakeholders. Accordingly, we will appreciate your giving us your frank opinions and views.

We look forward to your continuing support and encouragement in the years ahead.



Let us Develop with Wisdom and Prosper in Harmony

Sanden's Holding Company Structure Begins Operations

Sanden commenced operations under its holding company structure on April 1, 2015. Under this structure, using limited management resources effectively and undertaking R&D with an eye to the future, Sanden will grow globally. Sanden comprises a holding company, Sanden Holdings Corporation, and seven operating companies. Operating with this structure, Sanden will work toward achieving greater prosperity and contributing to global society by implementing the following policies: (1) Enhancing global management function, (2) Increasing business competitiveness, (3) Strengthening new product development, and (4) Improving group management efficiency.

SANDEN HD

Sanden Holdings Corporation

Management of Global Group Companies



Director & President
Kin-ei Kanda

SANDEN AT

Sanden Advanced Technology Corporation

Business activities R&D



Director & President
Mitsunori Kodaka

Sanden AT works to open up future horizons for the Sanden Group by supplying next-generation technologies and products to Group companies. Its activities are integrated from the planning and provision of new technologies and products, commercialization of products through R&D in the electrical and mechatronics fields, down through R&D related to production processes. Also, this company engages in the development of new products that will lead to the creation of new businesses over and beyond Sanden's current business domains as well as acts as Sanden's growth leader in R&D and excellence in manufacturing.

SANDEN AS

Sanden Automotive Climate Systems Corporation

Business activities Automotive Air-conditioning systems



Director & President
Tadashi Kondo

Sanden AS manufactures and delivers a diverse range of parts used in automobile air conditioners globally. As concern about environmental issues has risen around the world, Sanden AS's environment-related products have been highly appraised by its customers, and it has won a strong reputation for the reliability of its air-conditioning systems used in construction and other machinery that excel in durability and high-throughput volumes. Sanden AS is working to further enhance its system development capabilities drawing on its strengths in the development of compact, lightweight, environment-friendly technology. It will respond to the expectations of all by making even further major improvements in its global development and supply systems.

Major Products



HVAC unit



Ultra-lightweight, compact HVAC



Cool storage evaporator

SANDEN AC

Sanden Automotive Components Corporation

Business activities Compressors



Director & President
Tsuguo Ito

Sanden AC manufactures and delivers compressors, which are the motive force in car air conditioners. Sanden AC continues to be chosen by the world's leading automobile manufacturers, and it contributes to improving vehicle fuel economy through the provision of high-efficiency, compact, and lightweight compressors. It is also responding to the needs of environment-friendly automobiles, including hybrid, electric-powered, and other vehicles, and has won the satisfaction of customers throughout the world. Going forward, Sanden AC will aim for continued growth as an excellent partner of its customers.

Major Products



Piston-type Compressor



Scroll-type Compressor



Electric Motor Driven Compressor

SANDEN RS

Sanden Retail Systems Corporation

Business activities Retail Systems



Director & President
Satoru Iwasaki

The major products of Sanden RS include freezer and refrigerated showcases, vending machines, and coffee machines, and, always taking the perspective of its customers, it works to offer systems and services that are matched to its customers' business cycles. Sanden RS is accelerating its expansion in overseas markets where further growth is expected, including the ASEAN region and China. The company also works to provide value for customers in the development of their retail stores and structuring of food value chains, and, as it endeavors to expand its business domains, aims to improve its energy and laborsaving technologies.

Major Products



Self-contained ice cream case with CO₂ system

Convenience store showcase

Condensing unit



Fresh-Brew coffee machine

Vending machine with power-generator for emergency purpose

SANDEN LS

Sanden Living & Environmental Systems Corporation

Business activities Living and Environmental Systems

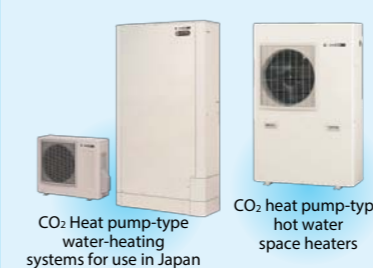


Director & President
Takeshi Osawa

Sanden LS is engaged in developing and selling environment-related products applying its core heat pump technology, including principally heat pump-type water heaters for the home, heat pump-type space heaters, and other related items that apply its core heat pump technology. The company's CO₂ heat pump-type water heaters and heat pump-type space heating systems are highly efficient and energy conserving.

The company's technology in this area has won a high appraisal not only in Japan but also in Europe and Australia for its economy and responsiveness to environmental needs. Sanden LS plans to expand this business into new markets, including China and North America.

Major Products



CO₂ Heat pump-type water-heating systems for use in Japan

CO₂ heat pump-type hot water space heaters



CO₂ Heat pump-type hot water heaters for use in Europe

CO₂ Heat pump-type hot water heaters for use in Australia

SANDEN EP

Sanden Environmental Products Corporation

Business activities Natural Refrigerant Products



Director & President
Junya Ichikawa

As concern about environmental issues rises around the world, a shift from fluoride-based to natural coolants is in progress. Interest in natural coolants is growing within the Sanden Group's businesses related to retail stores, vending machines, and living environment systems. The core of the product line is the CO₂ compressor, and, to respond to rising global demand, Sanden's manufacturing facilities for these units are operating at full capacity. Sanden EP is working to expand its CO₂ coolant products business globally and, thereby, contribute to the growth of the Sanden Group as a whole.

Major Products



CO₂ reciprocating-type compressor

Heat exchanger

CO₂ scroll-type compressor

SANDEN BE

Sanden Business Expert Corporation

Business activities Shared Service Center of Sanden Group including Administration, Accounting, Human Resources, and Logistics



Director & President
Shigenori Sasaki

With Sanden Group companies, including overseas and domestic subsidiaries as its clients, Sanden BE provides low-cost, prompt services related to accounting, human resources, general affairs, and distribution/logistics, working as the provider of "expert" professional, top-quality know-how in each of these areas. Sanden BE works to improve the quality of business operations in the Group and provide support for Group operations. Going forward, Sanden BE will aim for visible improvements in quality and costs in administrative and distribution/logistics activities.

Special Feature

CSR Activities of Sanden Holdings and Priority Issues Creating Corporate Value from “Environment” and Aiming for Sustainable Growth

The Sanden Group has established the principle that its “Sanden’s CSR Programs essentially put its Corporate Philosophy* into practice.” As interest in CSR among customers and our other stakeholders has risen overall in Japan and overseas, Sanden believes that it is necessary to create frameworks that can be implemented easily and formulate the content of specific action plans to further its CSR activities. Accordingly, in fiscal 2014, Sanden established its CSR Promotion Committee. This committee is moving forward with the selection of the CSR activities that are necessary for the Group as a whole, and, while linking these to the Group’s Corporate Philosophy, which forms the basis for Group activities, is working to identify priority CSR issues. This feature section reports on the Group’s environment-related activities, which form the core of Sanden’s approach to and management policies regarding priority CSR issues.

*For information on Sanden’s Corporate Philosophy, please refer to page 1 of this publication.



Approach to the Identification of Priority Issues

In recent years, inquiries from customers in Japan and overseas and questionnaires regarding Sanden’s CSR activities that we receive have increased in number. We have also received requests for direct inspection of our plants, and the number of assessment items (questions) has also risen. These developments indicate the growing interest among our customers in our CSR activities.

For example, in the United States, we have responded to inquiries in connection with “conflict mineral restrictions” (usage of minerals from specified regions), and the number of questions regarding the environmental impact of our activities along our supply chains and questions about human rights issues have been increasing. Also, interest is rising in CSR activities in overall supply chains, not limited to Sanden’s operations alone.

The Sanden Group conducts its activities in accordance with its established principle that “Its CSR activities are equivalent to putting its Corporate Philosophy into practice.” To further evolve

our CSR activities, conduct them sustainably, and generate results, in fiscal 2014, we established the CSR Promotion Committee, which comprises members in overall charge of each headquarter function and business domain, with the aims of “creating frameworks and systems where activities can be implemented easily” and “specific plans to further these CSR



activities.” In conducting these activities, we made reference to the opinion of a third-party assessor, who wrote “It will be necessary to structure frameworks and systems to implement CSR on a Companywide basis.”

In structuring these frameworks, we decided to reflect the requests of our stakeholders through initiatives to identify priority CSR issues taking account of the approaches that are currently required of global corporations contained in international CSR standards and guidelines.

Identifying Priority CSR Issues

Our basic approach to creating value centered on the “environment” based on our Management Policies and “people,” which is derived from our principle that “a Company is as Good as the People it Keeps,” is to draw linkages between CSR items that must be addressed and our Corporate Philosophy.

In the next step, with the CSR Promotion Committee as the focus of activities, we will identify the priority (material) issues. On the basis of above mentioned linkages, we will then conduct “an analysis of the importance of these issues for management of the Company” and “an analysis of the importance of these issues from the perspective of society.” This will clarify the CSR issues that the Company should address on a priority basis. (Please refer to “Steps in Selecting Priority CSR Issues” shown on the right.)

In fiscal 2014, we began the first half of the process of identifying priority issues. In fiscal 2015, as we confer with third parties outside the Company, we will move forward to identify and select the priority CSR issues.



Dialogue with students of graduate school of Waseda University

Discussing CSR items in CSR Promotion Committee



We will use the results of this process to achieve sustained activities by employees.

Satoshi Fukuoka General Manager of Corporate Communications & CSR Dept. Administration Division

To promote CSR activities on a Companywide basis that are appropriate for Sanden, we formed the CSR Promotion Committee in April 2014, and then launched Corporate Communications & CSR Dept.. Each time the committee meets, we deepen our understanding and thinking through discussions, and I feel the understanding and interest among employees are increasing. As we listen to the views of our many stakeholders and, through CSR activities that put our Corporate Philosophy into practice, we are moving closer to being significantly better able to respond to the trust and expectations of society.



Steps toward Identification of Priority CSR Issues

Reconfirmation of the Corporate Philosophy

The 10 principles of the Corporate Philosophy (5 Universal Values Shared by the Global Community and 5 items on Sanden’s Basic Stance toward Stakeholders) will be reconfirmed, and then, how these principles are being put into action in the Group as a whole will be confirmed.

Step 01

Selection of CSR Items

In this step, reference will be made to international CSR standards and guidelines as they relate to the 10 principles, and the necessary CSR activities will be selected.

Step 02

Linkages between the Corporate Philosophy and CSR Items

By drawing linkages between the Corporate Philosophy and CSR items, the necessary action plans and schedules will be prepared in each business domain.

Step 03

Analysis of Materiality for Sanden Management

In this step, an analysis will be made of the importance (materiality) for Sanden management of each of the CSR items that have been selected. Consideration will be given to medium-term industry trends and analyses of Sanden’s strengths and weaknesses.

Step 04

Analysis of Materiality in Light of Social Requirements

The requests and expectations of stakeholders that have been expressed to Sanden will be regarded as social requirements, and analysis will be conducted of the importance (materiality) of each of the selected CSR items.

Step 05

Identification of Priority CSR Issues

The priority CSR issues will be identified through the six-step process described above, and a report on the process and approach will be made.

Step 06

Environmental Activities within CSR Promotion—1 What Are Sanden's Environmental Activities?

Among the key areas with regards to CSR activities, "Environment," which is indicated clearly in Management Policies, is an area that Sanden promotes strongly. Environment-related technologies are one of Sanden's strengths, and it can best contribute to environmental preservation, fulfill its social responsibilities, and, thereby, have its existence and value accepted by society by continuing to enhance these technologies. Taking full advantage of opportunities presented by the holding company structure, the Sanden Group will implement environmental preservation initiatives on a global basis.



Environmental Issues Surrounding Sanden

The environmental preservation issues surrounding not only Sanden but also corporations in general are quite urgent and action must be taken. Many causes for this exist, including climate change, the exhaustion of resources, and the water shortage problem at the global level. While many of these are being addressed by governments in environmental regulations, such as energy conservation policies, recycling measures, policies related to waste management, measures related to fluorocarbon emission controls, and policies related to chemical substances, Sanden's customers also have their requirements. These include providing more environment-friendly designs, increase recycling ratios, computation of the environmental footprint of products, green procurement, and reduction in emissions of harmful chemical substances. Moreover, companies are being watched more carefully by society. Requirements for disclosure of activities to deal with environmental issues and environmental assessments are being required, and environmental rankings of companies are being published. It is no exaggeration to say that survival of corporations lacking environment-response policies will not be possible.

Sanden's Basic Approach to the Environment

What and how should the Sanden Group, including Sanden Holdings, its seven operating companies, and other Group companies in Japan and overseas, do regarding environmental issues? In considering this, Sanden has placed its Corporate Philosophy at the end of its thinking. The Corporate Philosophy states, "We will endeavor to preserve the environment in every aspect of our corporate activities to ensure that future generations will inherit our beautiful, irreplaceable earth." Therefore, the Corporate Philosophy affirms the universal and unchanging value of environmental preservation. In addition, the Sanden Group issued its "Sanden Environmental Charter" in October 1993 and revised it in May 1997.

The Environmental Charter is composed of an Environmental Doctrine and Environmental Principles of Action, which all Group employees in Japan and overseas are expected to abide by.

Based on this Charter, all Sanden Group employees have the responsibility of conducting their activities with due regard for environmental preservation.

Environmental Charter

Environmental Doctrine

Sanden, as a worldwide corporate citizen, recognizes that preserving the earth's environment is the most-important shared responsibility of mankind. In order to pass on a safe and clean Earth to the next generation, Sanden will take appropriate steps in all areas of business activities to preserve the environment.

<http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=13&lang=en>

Environmental Activities as a Priority Issue

The Sanden Group is an enterprise that provides systems and services to its customers operating in the automotive systems, commercial store systems, and living & environment systems and it is working to reduce the burden that its products place on the environment over their respective life cycles. Even after the transition to the holding company structure, these activities will continue unchanged, and, by applying the Sanden Group's original technologies, Sanden intends to continue to contribute to the Earth's environment. For this reason also, Sanden has positioned environment-related activities as a key CSR issue under its Environmental Charter, and the Group, including Sanden Holdings, its seven operating companies, and other Group companies in Japan and overseas are implementing environment-related initiatives.

The Sanden Group's "Medium-Term Basic Policy on the Environment"

Fundamental Principle

The Sanden Group will contribute to society as an environmental protection pioneer by leveraging its environment-friendly technologies and manufacturing expertise to provide environment-friendly products, systems, and services that benefit customers.

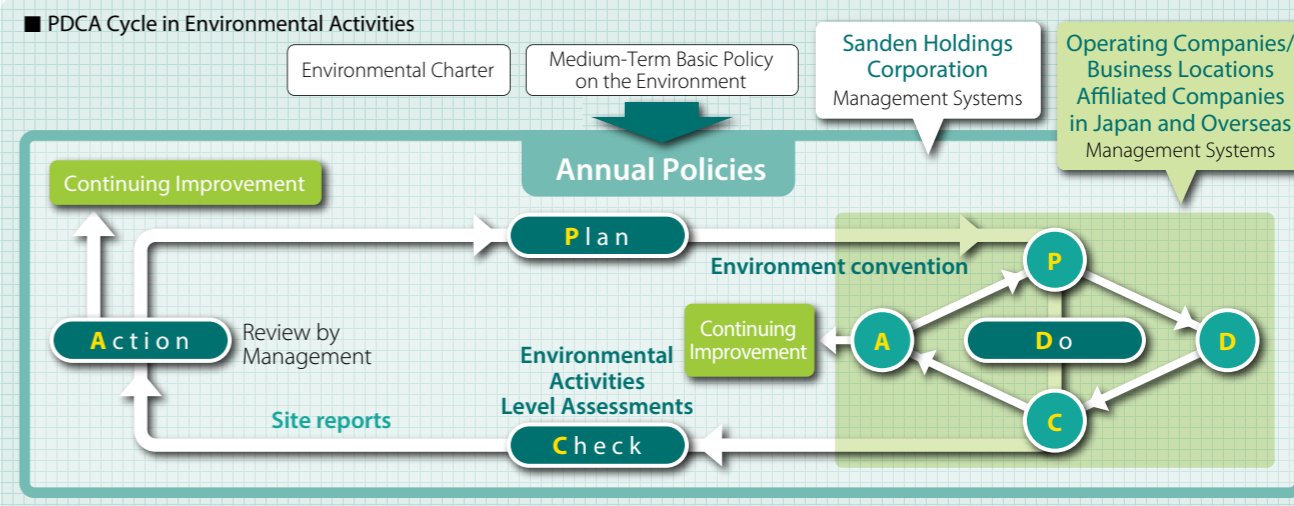
Strategies

- Green Technologies:** Develop unique environment-friendly technologies to increase product environmental values
[Target]
• Attain product environmental value targets (targets set for individual products)
- Green Processes:** Take thorough measures to eliminate all kinds of waste and thereby reduce the environmental impact of operational processes
[Targets]
• Reduce environmental impact/energy consumption by 15% or more
• Reduce waste product volume by 15% or more and reduce water consumption by 5% or more
• Reduce harmful chemical substance emissions by 5% or more (All targets set based on actual performance in fiscal 2013)
- Green Management:** Strengthen global environmental governance and thereby upgrade environmental activities
[Target]
• Realize "A" or higher evaluations of environmental activities at all business sites
- Green Communication:** Upgrade environmental brand value through information dissemination and communication with entities outside the Group
[Target]
• Realize "A" evaluations of environmental activities from external entities

Basic Environmental Policies and the Environmental Management Cycle

Sanden's Medium-Term Basic Policy on the Environment states four "Green" strategies: Green Technology, Green Process, Green Management, Green Communication. Specific numerical goals will be established annually for each year through fiscal 2018, and, to attain these, Sanden has introduced the "plan, do, check, action" (PDCA) management cycle.

The operating companies and other business locations of the Group will be required to conduct their business activities in a manner that will result in continuing improvement, based on their respective basic policies in their business domains. In addition, Sanden Holdings will take initiatives to achieve continuing improvements by monitoring the "Do" cycle of the operating companies.



Special Feature

Environmental Activities within CSR Promotion—2 Aiming for Harmonious Coexistence of Industry and the Environment through the Four “Greens”

The Sanden Group positions “environment” as one of the Basic Principles of its Corporate Philosophy and issued its Environmental Charter in 1993. As part of initiatives related to the environment, which is at the core of Sanden’s Management Policies, Sanden has set goals based on its Medium-Term Basic Policy on the Environment. Through business activities in line with the four “Green” strategies contained in the Medium-Term Basic Policy on the Environment, Sanden works to nurture employees who have “environmental mind,” to develop technologies, and to conduct manufacturing activities that make use of environment-friendly technologies as well as thoroughly eliminate all forms of waste. Through these various activities, Sanden works to contribute to the environment. The following sections explain Sanden’s four “Green” strategies.

Green Technology— Enhancing the Environmental Value of Products

Since fiscal 2011, Sanden has introduced its “Product Environmental Indicator” for all new products. The indicator is calculated from the three elements of “energy-saving,” “compact and lightweight,” and “efficient.” The benchmark product for comparison is set at “1,” and the performance of new products is measured in 1% units. The three elements are multiplied together to compute the product score. Since 2011, Sanden has been working to attain a score of 0.9 or less in comparison with the benchmark. In the Medium-Term Basic Policy on the Environment, for the goal, 0.9 or less, has been maintained, and additionally for businesses and product types where product development lead times may be long, Sanden is setting goals by product to secure its product superiority in the long term, and is implementing initiatives to develop products with even better environmental performance.

At present, Sanden, which has “cooling” and “heating” products as core environment-related technologies, is working to make advances in natural coolant technology. Sanden has given attention to coolants and their effect on the natural environment for many years and it received the Ozone Layer Protection Prize from the U.S. Environmental Protection Agency (EPA) in 1996. Sanden is focusing especially on the development of high-efficiency compressors that use CO₂, which is present in the atmosphere, as a coolant for use in compressors in vending machines, freezer and refrigeration showcases, and heat pump water heaters. Through these various activities, Sanden products are making contributions to the environment.



EPA Award



Green Management— Reducing the Environmental Burden

The Sanden Group has worked to reduce the burden it places on the natural environment through thoroughgoing activities to eliminate all forms of waste in its business processes. Under the Medium-Term Basic Policy on the Environment, Sanden monitors

its environmental footprint by keeping up with energy usage (as measured on a CO₂ conversion basis), waste emissions, water usage, and emissions of harmful chemical substances. Goals for each of these measures of the environmental burden are “reduction in energy usage of 15% or more,” “reduction in waste emissions of 15% or more,” “reduction in water usage by 5% or more,” and “reduction in emissions of harmful chemical substances by 5% or more.” (All of these are measured on a per unit of sales basis. The year for attainment of the goals is 2018, and reductions are in comparison with 2013 levels.) In addition, to further reduce the burden on the environment, beginning in fiscal 2015, along with reduction in unit usage, Sanden is working to reduce the total volume of usage and emissions.

Regarding energy usage, in addition to SCOPE 1 and SCOPE 2, described below, Sanden is also computing SCOPE 3 and working to reduce SCOPE 3 emissions.

Meaning of Scope 1, 2, and 3

- SCOPE 1:** Volume of direct emissions of greenhouse gases through the use of natural gas and certain other sources of energy
- SCOPE 2:** Volume of indirect emissions of greenhouse gases through purchasing electric power from external sources
- SCOPE 3:** In addition to the volume under SCOPE 1 and SCOPE 2, reduction in the volume of greenhouse gas emissions along all the supply chains that are linked to Sanden businesses

Green Management— Stepping Up the Level of Environmental Activities

Specific initiatives related to environmental preservation are being implemented in various regions and at various business locations, companies, and departments. The results of these initiatives and assessments based on these results are tallied for the Sanden Group as a whole. Therefore, even though there may be differences in the circumstances surrounding different business units, there should be no differences in the level of enthusiasm or other such difference by unit. At Sanden, assessments of each business location, mainly (production plants in Japan and overseas) regarding the state of environmental activities are calculated based on replies to a wide range of questions from Environment Division. Sanden takes the transition to the holding company structure, changes in the operating environment are taken as an opportunity, and measures are being implemented to raise the level of environmental activities at individual locations.

Under the Medium-Term Basic Policy on the Environment, the goal is “realize “A” evaluations of environmental activities at all business locations.” Therefore, Sanden is working to revitalize environmental activities, focusing on locations that do not meet standards, principally in the emerging countries. In addition, by strengthening education and training related to the natural environment, Sanden is working to nurture employees with “Sanden Environmental Mind” around the world.

Green Management— Enhancing Sanden’s Environmental Brand

The many activities and initiatives of the Sanden Group in the area of environmental preservation are receiving attention not only from stakeholders but also from society at large, and this attention is leading to an enhancement of Sanden’s reputation as a corporation. The clearest example of this is the evaluation of customers of the environmental performance of Sanden products, which is supported by Sanden technology.

Sanden’s Medium-Term Basic Policy on the Environment sets the goal: “Upgrade environmental brand value through information transmission and communication with entities outside the Group” and set the target of “Realize “A” evaluations of environmental activities from external entities” by winning high and objective assessments.

Sanden has been taking environment-related initiatives such as those of the Sanden Forest/Akagi Plant, holding and participating in environmental events for the community in various parts of the world, collaborating with local governments and economic/business organizations, and participating in international conferences. Going forward, Sanden will continue to communicate information both internally and externally on the benefits of Sanden products for the environment in order to firmly establish the Sanden brand as one synonymous with effective environment preservation.

Harmonious Co-Existence between Environment and Industry— Sanden Forest/Akagi Plant

What Sanden is aiming for in the years ahead is embodied in the Sanden Forest/Akagi Plant. This facility is a plant located in a verdant wooded area with broad open spaces, where cutting-edge research on technologies and manufacturing take place. This facility is Sanden’s “environmental symbol” and has received highly favorable recognition, including the Prime Minister’s Award for Work on Greening Promotion in 2013 and the Superlative Stage certification of Social and Environmental Green Evaluation System (SEGES) in 2014.

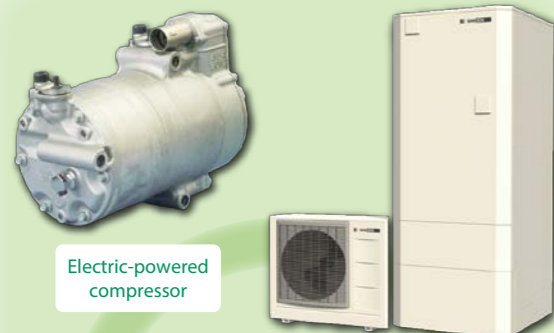


Examples of Sanden's Activities in Fiscal 2014 under Its "Green" Strategies

Green Technology

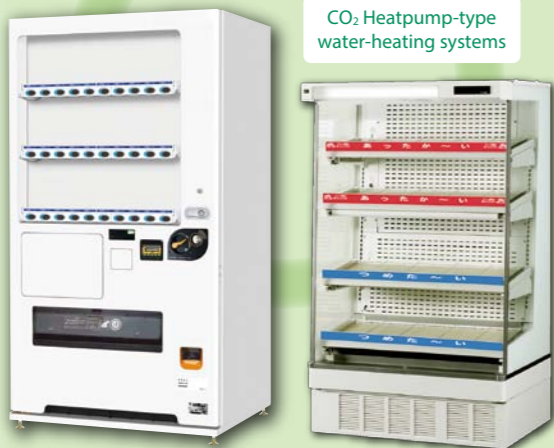
To help preserve the Earth's environment, Sanden is giving priority to research on its core technologies of "cooling" and "heating" to develop products that embody technology for natural coolants and heat pumps that reduce the burden on the environment. In fiscal 2014 also, Sanden actively introduced environment-friendly products and systems that incorporate Sanden compressors using CO₂ as a natural coolant, mainly for the commercial store systems, including vending machines that have the lowest level of electric power consumption in Japan.

In its automotive systems business, Sanden is also working to reduce the environmental burden of vehicles through the provision of electric-powered compressors and other products that help the world's automobile manufacturers meet increasingly strict environmental regulations.



Electric-powered compressor

CO₂ Heatpump-type water-heating systems



Ultra energy-saving vending machine

Self-contained showcase

Green Management

Sanden conducted a questionnaire survey, containing about 100 items, regarding the "assessment of environmental activities" that was answered by internal respondents on a self-assessment basis. The business locations responding were then ranked in four categories from "S" to "C" on the basis of their implementation of environment-related activities. In the fiscal 2014 survey, "A" rankings or higher, indicating a high level of implementation of the environmental PDCA cycle, were assigned to 10 of the 13 domestic locations and 5 of Sanden's 27 overseas locations. Going forward, Sanden will strengthen its environment-related activities at its overseas offices.

To enhance the level of environmental awareness among Group personnel, Sanden newly launched an environmental education program for managerial-level personnel in the latter half of fiscal 2014, and a total of about 380 personnel including persons overseas participated.



Environment Education in Thai factory



Environment Education in Akagi Plant

Green Process

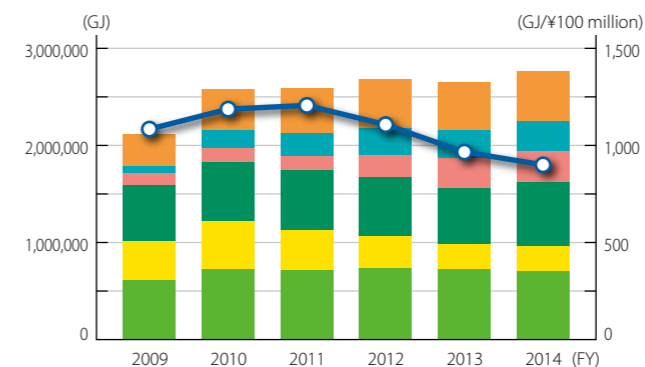
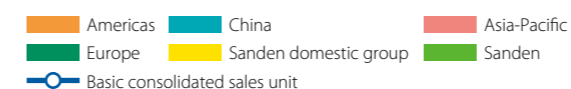
Under its Medium-Term Basic Policy on the Environment, which was introduced in fiscal 2014, the Group has set specific goals for fiscal 2018 for reducing the burden its activities place on the environment, including the level of energy usage, and is implementing measures to attain them. The goals are stated in terms of usage per unit of sales, and Sanden is working to strengthen its capabilities for meeting these goals. However, in fiscal 2014 sales expanded along with corporate growth, and, although the Group may attain these goals, overall usage volumes will rise over the previous year. Accordingly, along with the conclusion of the first year under the Medium-Term Basic

Policy on the Environment, to conduct its environmental preservation activities more aggressively, in fiscal 2015, in addition to goals per unit of sales, the Group has also set new goals for maximum overall usage and will also set medium-term goals for usage volume.

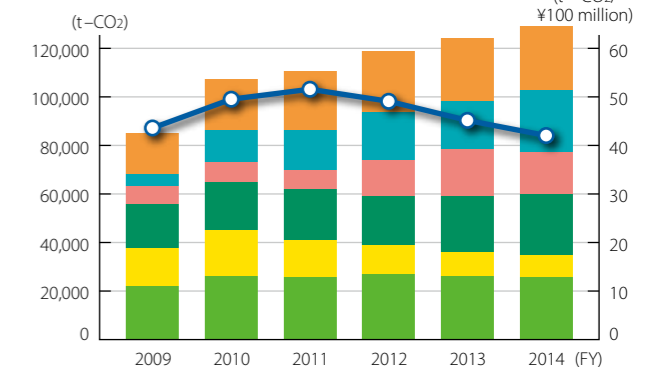
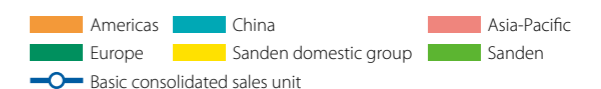
Also in fiscal 2014, the Environment Division restarted to check the environment activities of each overseas affiliate and give instructions on site. Looking ahead, the Group will work to contribute to society by reducing the environmental burden of its activities by increasing the efficiency of all business processes and the "elimination of all forms of waste."

Information on the Sanden Group's Environmental Performance in Fiscal 2014

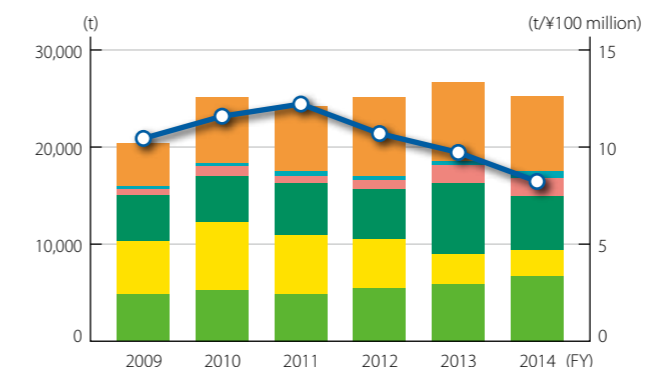
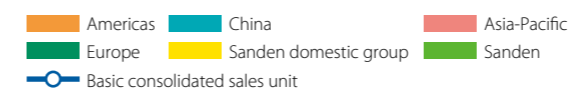
Trends in Energy Usage by Region



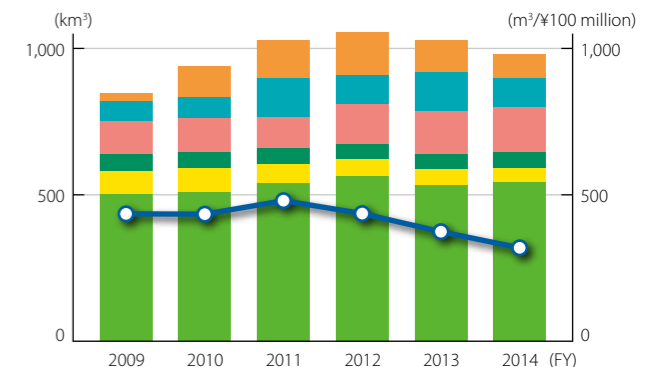
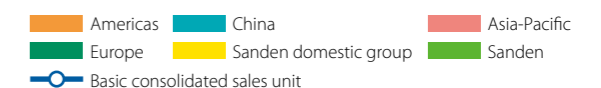
CO₂ Emissions by Region



Trends in Waste Emissions by Region



Trends in Water Usage by Region



Examples of Sanden's Activities in Fiscal 2014 under Its Green Strategies

Green Communication

Sanden displayed its products at the Eco-Products 2014 exhibition held in December 2014 for the fourth consecutive year. Inside the exhibition space, timber from thinning of the Sanden Forest was used extensively and environment-related products were on display. The exhibition was an expression of the concept underlying the Sanden Forest/Akagi Plant, which is "harmonious coexistence of industry and environment." The Sanden exhibition space, which expressed this message, received the Special Grand Prize for Eco-Design.



Sanden participated in the meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 12) held in Pyeongchang, South Korea, in October 2014, as a member of the Nippon Keidanren (Japan Business Federation), and gave presentations on Sanden's activities at the Sanden Forest/Akagi Plant.



Sanden Manufacturing Europe S.A.S. in France held an Industrial Waste Week in 2014. Activities at these events included a range of exhibits, etc., and were aimed at deepening the understanding of people inside and outside the company, including primary school children from the surrounding region, of the company's initiatives to reduce industrial waste.



SME <France>

SandenVendo Europe S.p.A. in Italy is conducting the Green Children Project, which involves dispatching its employees to local schools to give talks on the environment. Sanden regards environmental education for children, who will be the next generation, as an extremely important issue.



Presentation at the Competition for "Low Carbon Trophy 2015"



SVE <Italy>

Sanden also participate actively in environment-related events and area cleanup activities in Japan and overseas.



Cleanup Activity by Polish Factory



Cleanup Activity <Japan>

Web [Sanden Environmental Management](http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=17&lang=en) Search

Targets and Performance

The following table summarizes the environmental goals set for fiscal 2018 under Sanden's Medium-Term Basic Policy on the Environment and activities to attain these objectives.

* Level of attainment: A: goal(s) attained; B: generally attained; and C: insufficient

Basic Strategy	Medium-Term Targets for FY2018	FY2014 Targets	Results of Activities in FY2014	Evaluation*
Green Technology	All mass-produced products meet product environment indicators (Goals are set by product)	Attain product environmental indicators of 0.9 or less in priority products	<ul style="list-style-type: none"> All priority products attained indicators of 0.9 or less 	A
		Obtain Eco-Leaf environmental label for vending machines	<ul style="list-style-type: none"> Newly registered 37 types of heat pump machinery 	A
		Reduce environmental burden in use of products through application of innovative technology	<ul style="list-style-type: none"> Expanded sales of electric-powered compressors Developed and introduced ultra-lightweight HVACs equipped with filters for ultrafine PM2.5 particles Attained energy-conservation ratios of 20% in the whole store Developed and introduced heat pumps for canned beverage vending machines with the lowest electric power consumption in Japan 	A
Green Process	Reduction in environmental burden <ul style="list-style-type: none"> 15% or more in energy usage 15% or more in waste emissions 5% or more in water usage 5% or more in emissions of harmful chemical substances (All figures are on a per unit of sales basis and are comparisons with fiscal 2013.) 	Reduce CO ₂ emissions per unit of sales by 3% in comparison with fiscal 2013	<Consolidated> <ul style="list-style-type: none"> Reduced CO₂ emissions per unit of sales by 8% <In Japan> Reduced CO₂ emissions per unit of sales by 13% 	A
		Reduce emissions of waste per unit of sales by 3% in comparison with fiscal 2013	<Consolidated> <ul style="list-style-type: none"> Reduced waste emissions per unit of sales by 17% <In Japan> Reduced waste emissions per unit of sales by 10% 	A
		Reduce water usage per unit of sales by 1% in comparison with fiscal 2013	<Sanden and domestic group companies> <ul style="list-style-type: none"> Maintained 99% or more recycling ratio at all sites in Japan that have received ISO 14001 certification (eight sites) 	A
		Reduce emissions of harmful chemical substances per unit of sales by 1% in comparison with fiscal 2013	<Sanden> <ul style="list-style-type: none"> Reduced water usage per unit of sales by 15% <In Japan> Reduced water usage per unit of sales by 10% 	A
		Reduce energy usage per unit by 1% or more (in comparison with the previous fiscal year)	<Sanden> <ul style="list-style-type: none"> Reduced emissions of harmful chemical substances by 46% (substances subject to PRTR registration) 	A
		Standardize calculation of SCOPE 3	<Sanden> <ul style="list-style-type: none"> Energy usage per unit rose 6.9% from the previous fiscal year Note: The per unit usage of energy increased because of growth in sales of large retail store showcases that resulted in a deterioration in transportation efficiency. 	C
Green Management	Level of attainment of environment activities at all sites: A or higher	Strengthen implementation of environmental policy and environmental management system	<ul style="list-style-type: none"> Strengthened global communication activities through holding environment convention and morning meets Convened the Central Environmental Committee and Environmental Strategy Meeting Implemented guidance for overseas business locations Implemented internal environmental audits at domestic locations Convened meeting(s) of persons in charge of promoting environmental activities at domestic Group companies Held meetings for promoting environmental activities at business locations 	A
		Heighten awareness through implementation of environmental education	<ul style="list-style-type: none"> Promotion of attaining eco-certifications (163 qualified additionally) Implemented ISO 14001 training for internal auditing staff Conducted environmental education for managerial-level personnel in domestic locations, China, and Southeast Asia 	A
		Feedback assessments of environmental activity levels to business locations	<ul style="list-style-type: none"> Implemented feedback on assessments of domestic and overseas business locations and took initiatives to make improvements 	A
Green Communication	External evaluation: A level	Exhibit products/systems at environmental exhibits	<ul style="list-style-type: none"> Presented exhibit at Eco Products 2014 exhibition. Received Special Grand Prize for Eco-Design 	A
		Participated in international environmental meetings	<ul style="list-style-type: none"> Attended meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 12) in Pyeongchang, South Korea as a member of the Nippon Keidanren Nature Protection Council Participated in "United Nations 10 Years of Education in Sustainable Development" meeting held in Nagoya, Japan 	A



Relationships with Customers



We will stand on the admired ability of engineering development and manufacturing can offer products, systems, and services, based on the QUALITY FIRST, that provide constant satisfaction to our customers around the world.



Relationships with Shareholders and Investors



We will respond to the trust and expectations of our shareholders and investors by expanding the Sanden Group, enhancing our corporate value and making our management more transparent.

One of the tenets of the Management Principles of the Sanden Group is "Satisfy our customers' needs with high quality products." We practice the spirit of putting customers first by continuing to offer them attractive products, systems, and services at all times.

To promote the long-term support of shareholders and investors, the Sanden Group considers it important to explain its current operations and provide other information to facilitate investment judgments.



R&D EXPO

Since 2008, Sanden holds R&D EXPO every year with the aims of "creative motivation of engineers facilitating exchanges beyond business units" and "creating new businesses based on thorough understanding of development themes." At the EXPO this time, we adopted the concept of "Sharing a Stance that We Are Creating the Future: Sanden's Future Creation," and over the two days of the EXPO, 840 persons attended.



STQM World Convention Held in Shanghai

With the aim of raising the level of our original, Companywide STQM activities, we constantly hold World STQM Convention in order to raise management quality as well as product quality to deliver excellence to our customers. We held the Eighth STQM World Convention in Shanghai in October 2014.

STQM activities are conducted by 1,200 circles, and the Grand Champion circle was chosen from among the finalists of 15 circles from 10 countries and regions around the world.



Increasing the Number of Outside Directors

To gain the trust and respond to the expectations of individual shareholders and corporate shareholders, including financial institutions and institutional investors, it is important for the Company to manage its assets soundly, work to safeguard and expand these assets, and continue to improve its management at all times.

At the first General Meeting of Shareholders held by Sanden Holdings Corporation in June 2015, the number of outside Directors was increased from one to two with the aim of strengthening Sanden's corporate governance. For shareholders, Sanden's basic stance is to continue to maintain stable dividends, after giving due regard to the status of its consolidated performance.



Expansion of Investor Relations Activities through "Interchange"

Sanden issues *Summary of Consolidated Financial Statements* in Japanese and English on a quarterly basis, and, in addition to its *Securities Report* (in Japanese), Sanden also publishes an *Annual Report* in English. In addition, after the close of the second and fourth quarters, Sanden holds presentations for investors and posts the related materials on the Company website in Japanese and English.

In addition, Sanden representatives, including the president of Sanden Holdings, visit financial institutions and institutional investors in North America and Europe, and the president gives his views on the management of Sanden and the outlook for performance. In addition, Sanden also holds about 120 meetings annually for small groups of investors.



Annual Report

Recognition from Outside Sanden

Sanden Receives "2014 Supplier Quality Excellence Award" from General Motors

For the second consecutive year, General Motors (GM) awarded its "2014 Supplier Quality Excellence Award" to Sanden. This is the highest award presented by GM to its suppliers at the plant level. Winners are determined based on GM's original criteria for quality, from among suppliers that have scored the full 100 points for their activities over the previous one-year period.



Received "Officier" Legion of Honor from the Republic of France

In March 2015, Sanden's Chairman Masuyoshi Ushikubo received the Legion of Honor Officier decoration. This award follows his receipt of the Chevalier decoration in 2000. The receipt of these decorations was in recognition of his efforts to strengthen relations between Japan and France. His contributions include furthering the construction of a plant in France in 1995, the establishment of an office of Sanden Environmental Solutions in 2014, and his work as chairman of the Gunma Japan-France Association since 2009. These awards testify to the high regard in France for his many contributions to cultural exchange between the two countries.



Sanden Forest/Akagi Plant Certified as a "Place for Firsthand Experience"

In August 2014, the Sanden Forest/Akagi Plant was certified to be a "Place for Firsthand Experience" related to environment education, based on the Environmental Education Basic Law. It was the seventh such site in Japan to be certified. The certification was given because of the high evaluation of the many opportunities for "environmental education." These include the range of programs for environmental education through contact with nature over the course of the year and guided tours of Sanden's vending machine and freezer/refrigerator showcase plant.

Inclusion in the MS-SRI Index



Sanden has been chosen for inclusion in Morningstar, Inc.'s socially responsible investment (SRI) index, known as "MS-SRI" (the Morningstar Socially Responsible Investment Index). The MS-SRI index includes the stocks of 150 domestic companies selected from about 4,000 stocks listed on exchanges in Japan that are judged to be outstanding in terms of corporate social responsibility. This index provides an investment vehicle for socially responsible investing.

Relationships with Communities



We will respect regional customs and cultures around the world and contribute to the social and cultural development of the communities, which we are related with.

Relationships with Suppliers



We will grow together with our suppliers as business partners who provide our customers with the best-possible products, systems, and services on the basis of fair and transparent relationships.

The Sanden Group is engaged in diverse activities designed to deepen its relationships with communities and thereby carry out its mission as an excellent corporate citizen. Based on our fundamental concept of emphasizing harmony between Sanden and society, we are moving forward with efforts to build strong ties with communities.

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 close working partnerships with its suppliers based on mutual trust.

Mutual Interchange Meetings with Middle-School Students in Isesaki City

Beginning in 2013, Sanden International (U.S.A.) Inc. has arranged for mutual interchange meetings among local (United States) staff and middle-school students in Gunma Prefecture where Sanden was founded. In 2014, prior to visits of the students from the United States, to deepen mutual understanding, communication was established through training and live broadcasts.



Person in charge at SIA



CSR Education for Local Primary School Students

SandenVendo Europe S.p.A. in Italy is providing a CSR education program for local primary school students. This initiative is being conducted together with local primary schools with the aim of having the students learn about sustainable behavior. Activities are conducted each month and include lectures by SandenVendo Europe personnel.



Donations for Repairing Schools

Sanden (Thailand) Co., Ltd. sponsors a charity golf tournament with its suppliers, and, as part of its community support activities, donates the proceeds to schools in Ayutthaya in Thailand. The funds are being used for repairing schools where infrastructure has not been developed sufficiently and for renewing older school buildings.



Before repairs



After repairs

Supporting Children in Orphans' Homes through Charity Events

Sanden Manufacturing Poland Sp z o o, held a charity event for the benefit of children in welfare facilities. In addition to persons with relationships to the welfare facilities, suppliers of Sanden Manufacturing Poland, local companies, and people from the surrounding area were invited to the event, where pictures painted by children were sold. The proceeds will be used for financing a trip during the summer for the children.

Implementing CSR Procurement

Sanden established its "Green Supply Guidelines" in 2010 and began to respond to environmental requirements over its entire supply chain. In addition, in CSR procurement also, beginning in March 2014, requests to suppliers have been included in basic contracts.

Requests to suppliers

- (1) Fulfilling social responsibilities in areas of the environment and human rights
- (2) Preparation of business continuity plans after natural disasters
- (3) Creating management systems (quality, environment, chemical substances)

Teamwork with Development Departments

In fiscal 2014, as a new activity, Sanden has held an event entitled "Strengths and Technologies We Take Pride In," with the aim of encouraging innovation in manufacturing by working with suppliers to further increase the level of manufacturing activities. At these events, participants share information on issues they confront, ranging from planning to development and production processes. With the objective of taking the initiative in developing competitive products, participants are asked to make proposals for improvement related to new products, new materials, new production methods, and from other perspectives.

In fiscal 2014, 159 proposals were made and cited as themes for improvement activities. From among these proposals, two companies that submitted proposals that were considered "outstanding examples" were asked to make presentations at the "G-CF Conference," which is held to express thanks to suppliers around the globe. Going forward, we will exchange technologies and set objectives for each of these themes.

Sponsorship of "G-CF Conference" as an Expression of Gratitude to Suppliers

The Sanden Group holds its "G-CF Conference" each year to express its gratitude to suppliers for their daily production and sales expansion activities.

The G-CF Conference held in February 2015 was attended by a total of 192 persons, including 72 of the total of 84 MPS Association members, 16 top suppliers from overseas, and 6 companies recommended by Sanden. In addition, 18 suppliers were presented awards for their contributions to the Sanden Group in fiscal 2014.



2015 Sanden G-CF Conference

Web Search
<http://www.sanden.co.jp/english/environment/activity.html>

Web Search
<http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=4&lang=en>



Relationships with Employees



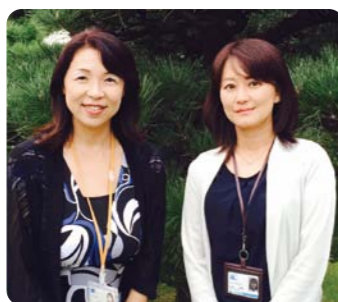
We will grow together with our employees by creating an organizational culture that encourages free and vigorous communication imbued with a spirit of respect for humanity in line with our corporate culture of challenge and innovation.

Sanden believes that providing the proper working environment that encourages employees to draw on their full capabilities will lead to corporate growth. That is another reason why 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 work environment where a diversity of employees can go about their work with peace of mind.



Embracing Diversity

The Sanden Group's approach to diversity is "to recognize diversity and difference and draw on them." Diversity means differences among individual human beings, including differences in nationality, gender, age, religion, and physical capabilities. Sanden has thus far sought to draw on these differences and move ahead to frameworks and systems that will allow for the expression to the maximum of the abilities of a diverse range of human resources. For Sanden to continue to develop as an enterprise in the years to come, we believe that even greater initiatives in diversity-related activities must be implemented globally.



Persons in charge of diversity initiatives

Sanden's Japan headquarters, to perform a driving role in the development of Sanden's global development, must undergo major change. With this in mind, first in the promotion of diversity, we must take initiatives in promoting the activities of women.

To kick off these initiatives, in December 2014, we held the "Sanden Women's Forum" and issued the "Sanden Diversity Activity Proclamation," which is based on Sanden's founding spirit. In our proclamation, we set a specific numerical goal of appointing women to 12% of managerial leadership positions by 2020, with interim objectives of 4% in fiscal 2016, 5% in fiscal 2017, 7% in fiscal 2018, and 9% in fiscal 2019.

These numerical goals will undoubtedly be challenging to reach and extremely difficult to attain if we maintain the status quo. To realize these objectives, we must change the nature of the Company, and the management and employees will work together to change the mindset.

Sanden's Declaration

We will actively promote Diversity within the global Sanden Group of companies, consistent with our Founding Spirit ... "Let us develop with wisdom and prosper in harmony."

We will build a corporate culture founded on respect for all individuals and human rights.

We will respect differences in gender, race, ethnicity, religion, age, physical abilities and other individual characteristics within our workplaces.

We will create a work environment which is inclusive and enables all employees to contribute their "Wisdom" so that Sanden will become a group of globally excellent companies.

We will work in "Harmony" in a positive and nurturing environment while embracing the rich dimensions of diversity and uniqueness contained within each individual.

As a first step, Sanden Japan will increase the number of women new recruits and strongly nurture all women within Sanden to realize 12% women in leadership roles by 2020.

4th December, 2014
Mitsuya Yamamoto
President, SANDEN CORPORATION

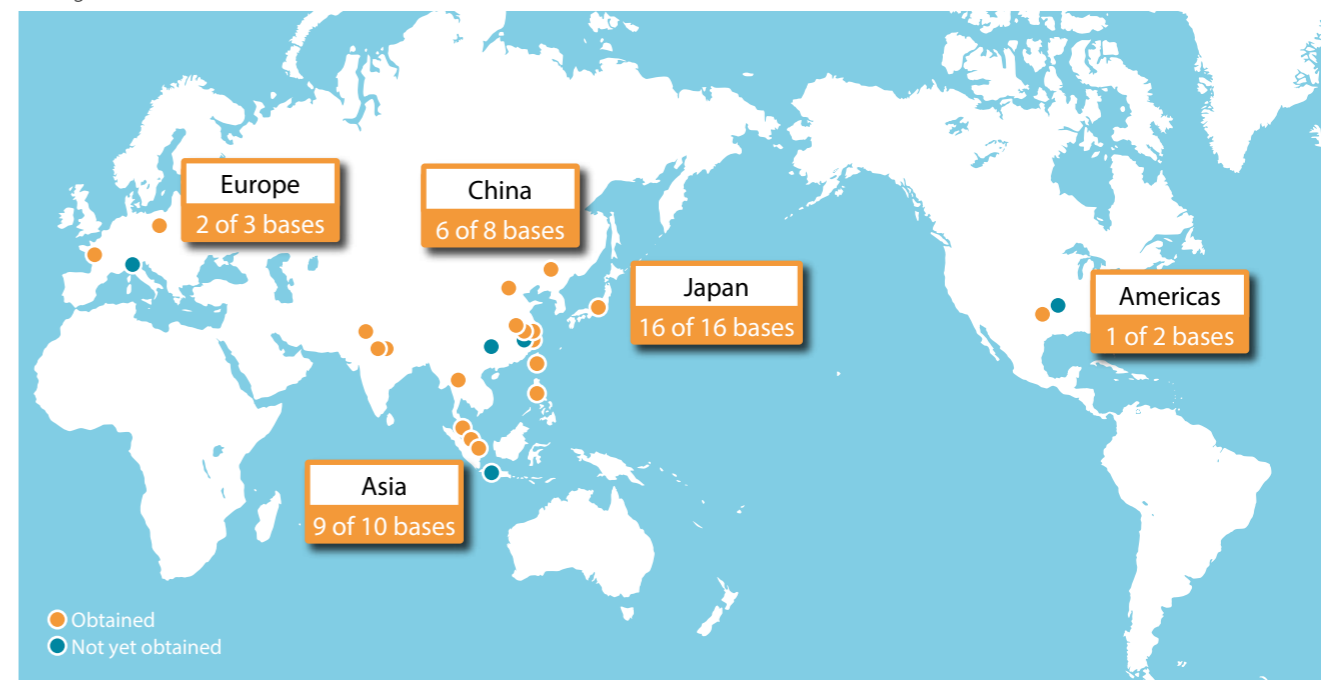
Sanden's Diversity Activities Proclamation



The three objectives that Sanden's headquarters in Japan has set for promoting the activities of women

- (1) Create a company where anyone can draw on their sensitivities and reach their goals without discrimination (create a workplace where women as well as men and non-Japanese personnel find it easy to work)
- (2) Increase the percentage of women in managerial leadership positions to 12% by 2020
- (3) Attain the external objective of transforming Sanden equities into "Nadeshiko stocks" (which satisfy the criteria of the Tokyo Stock Exchange and Japan's Ministry of Economy, Trade and Industry of being a company "where women can play starring roles")

Progress in the Global OHSAS Certifications



Initiatives to Meet OHSAS 18001 International Qualifications

To make dramatic improvements in Sanden's labor safety and health practices, beginning in January 2012, Sanden has been moving ahead with activities to obtain certification under the OHSAS 18001 standards. As of May 2015, all of Sanden's 16 locations in Japan and 18 of its 23 locations overseas had obtained certification. Business locations that have not yet been certified are implementing activities to obtain certifications.



Promotion of Proper Work/Life Balance

Under the CSR policies of Sanden Manufacturing Poland Sp. z o.o. (SMP), the support that women will be provided for childbirth and raising children is clearly indicated. SMP has also established working hours and compensation of women who bear additional children.



Persons in charge at SMP

A week for training and returning to work is provided for female employees prior to returning to their posts when they can have health examinations and training for returning to their positions. In addition, female employees who are four to six months into pregnancy are allowed to work six hours a day, and, after the sixth month, five hours, but continue to receive compensation for an eight-hour workday.



Continued Employment of Non-Japanese Personnel

For Sanden to accelerate the global development of its activities, it must emphasize hiring and training a diversity of human resources. As part of these initiatives, Sanden is continuing to hire non-Japanese personnel. In fiscal 2013, Sanden hired three non-Japanese employees, two in fiscal 2014, and one in fiscal 2015.

Number of Employees by Special Category (Numbers of employees)

	FY2011	FY2012	FY2013	FY2014
Total number of employees	2,435	2,427	2,414	2,658
Female employees	245	264	275	302
Executive officers	0	0	0	0
Department managers	2	2	2	1
Leaders and higher	5	6	6	10
Non-Japanese employees (newly graduated from universities)	2	6	3	2
Employees with disabilities	48	59	68	76

Notes:

1. Figures are as of March 31 of each year.
2. Figures are for the parent company alone.
3. Employees with severe disabilities are accounted for as corresponding to two employees with disabilities.
4. Includes the number of disabled persons employed in a specific-purpose company.

Web <http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=12&lang=en>



Targets and Performance

Category	Emphasized Activities	FY2014 Target	FY2014 Results	FY2015 Target
Customers	Quality Management	(1) Thorough policy management consistently maintained globally in all units (2) Attain strategic business objectives (3) Build SQMS (Sanden Quality Management System)	Extended work quality improvement activities globally (1) Implemented global cross-divisional management policies and put them into practice to realize strategic objectives (2) Implemented continuing product quality and management quality policies (3) Held STQM world conference in Shanghai	(1) Strict implementation of cross-divisional management policies (2) Attain strategic business objectives (3) Build SQMS (Sanden Quality Management System)
	Service	Optimize value provision systems through workflow streamlining adjustments (1) Strengthen delivery services (2) Select issues from the check sheet (3) Reduce burden on the environment by eliminating waste (4) Increase logistics efficiency by working together with customers	(1) Expanded joint delivery, increased loading efficiency, reduced number of touch points (2) Expanded container round use (Reduce volume of empty runs) (3) Implemented receipt-type distribution; increased turnover ratio through more-efficient set-ups	Promote environmentally conscious distribution activities (1) Increase rate of eco-cars used (2) Reduce use of transport vessels (vehicles) through reorganization of factory procurement distribution (3) Expand container round use
Employees	Human Resource Development	(1) Implement management knowledge/technologies classes for corporate officers and employees (2) Foster development of business managers through specialized courses focused on service technologies (3) Hold second sessions of the Management School to train next-generation managers	(1) Implemented training by job level for middle managers and middle-level union members (2) Began to hold a second period course at the Sanden Management School (3) Implemented overseas assignment and training to develop personnel with global capabilities	(1) Hold management skill improvement training for newly appointed managerial personnel (2) Further strengthen human resource development and capabilities by restructuring the training system (3) Begin to make cross assignments among global business locations to train personnel with global capabilities
	Diversity	(1) Arrange re-hiring opportunities for 100% of employees retiring during FY2014 (2) Promote female employees' participation in management training programs	(1) Secured 100% placement of retiring personnel (2) Made the Sanden Diversity Proclamation and began to hold a Sanden Women's Forum (3) Set objectives in Medium-Term Vision for appointing women to management positions (4) Disclosed management objectives by posting autonomous conduct plans on the Nippon Keidanren (Japan Business Federation)'s HP	(1) Revise assessment system with the aim of making greater use of re-employed personnel (2) Actively appoint women to management positions with the goal of 12% by 2020. In fiscal 2015, 15 women in such positions, or 2.0%
	Health and Safety	Build pleasant work environments through measures to promote stable and thorough OHSAS compliance (1) Implement daily management item checklist (2) Continue mental health education and have everyone practice self-care (3) Conduct thoroughgoing hygiene and health risk assessment	(1) OHSAS certification: Completed for all domestic business locations and 18 of 23 overseas locations (2) Developed safety assessment indicators by business location and standardized implementation of PDCA management cycle (3) Developed training course system for health and safety supervisory personnel and implemented training activities (4) Implemented training (primary level) for mental health supervisory personnel (5) Encouraged awareness of each and every employee through issuance of self-care health and safety booklet (6) Developed and applied health assessment indicators	Safety: Improve awareness and sensitivity to safety matters (1) Improve awareness through conducting a campaign to discover risks (2) Increase sensitivity to safety issues by installing a booth for experiencing dangers Health: Strengthen training for supervisory personnel and promote healthy behavior for each and every employee (1) Strengthen care activities in organizational groups through practical training for mental health supervisory personnel (2) Promote health consciousness and improvement through conducting a campaign to reduce metabolic syndrome
Shareholders/ Investors	Communication	(1) Hold presentations on performance results (2) Arrange for plant tours (3) Expand number of analysts covering Sanden (4) Augment overseas IR activities (5) Undertake overseas IR activities led by top executives (Europe and the U.S.)	(1) Implemented earnings announcement meetings with top management participating (2) Conducted plant tours (Sanden Road) (3) Expanded coverage by securities analysts. 32 reports on Sanden were issued by analysts, an increase of 6 over the previous fiscal year. (4) Expanded IR materials for overseas audiences. Held meeting and teleconferences with 29 investors (5) Overseas IR activities of top management: 16 investors in the U.S. and 18 in Europe	(1) Implement earnings announcement meetings with top management participating (2) Conduct plant tours (3) Further expand analyst coverage (4) Improve IR programs for foreign investors (5) Expand opportunities for dialog between top management and shareholders/investors
Communities	Local Contribution Activities	Promote social contributions in collaboration with local communities at all Group bases worldwide	Implemented social contribution activities at business locations globally (1) Support for orphanages (2) Support for groups assisting physically challenged persons (3) Business guidance for children and students (4) Participation in cleanup activities	Promote social contribution activities at all Group business locations worldwide in collaboration with local communities
Suppliers	CSR Survey	(1) Identify global challenges based on check-sheet-based hearings (2) Strengthen collaboration with suppliers engaged in transactions worldwide (3) Strengthen competitiveness by considering cooperation with suppliers in developing new products	(1) Clarified necessary conditions in Materials & Parts Supply (MPS) business and implemented supervisory activities and attainment level assessments (2) Discussed management and MPS policies at G-CF conference and worked to facilitate technology interchange through the "Future Technology Exhibition" (3) Worked to identify themes and encourage development of new products through holding presentation meetings for suppliers to introduce the technologies they take pride in	(1) Strengthen supply chain competitiveness through promoting and expanding CSR procurement (2) Arrange visits by top management to major suppliers and identify issues (3) Strengthen teamwork with suppliers Sanden deals with globally and build ties of trust
	Communication			

Note: The "category" list shown above is presented on page 1 under Corporate Philosophy.

Based on the Corporate Philosophy of the Sanden Group, the Group is working to create global frameworks for corporate governance and compliance with laws and regulations.

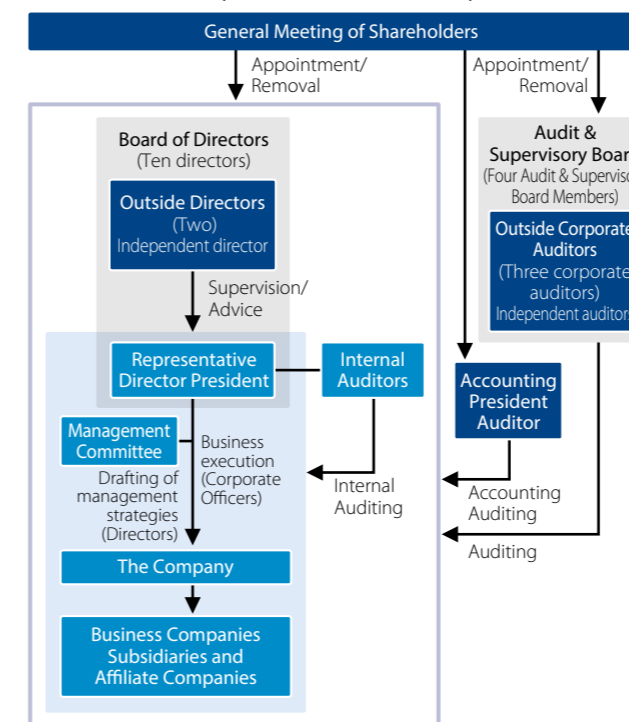
Strengthening Corporate Governance

The Sanden Group strictly complies with all relevant laws and regulations, based on its Corporate Philosophy and is working to strengthen its corporate governance systems to enhance the quality of its management.

Sanden has structured a governance system comprising a Board of Director, Auditors and a Board of Auditors, and an independent external audit firm. At present, there are 10 Directors (including two Outside Directors) and 4 auditors (including three Outside Auditors). To strengthen the oversight of management, Sanden has appointed Outside Directors and Outside Auditors who are highly independent. All five of the Outside Directors and Outside Auditors meet the qualifications for independence as specified by the Tokyo Stock Exchange. The term of office of Directors is one year, and Sanden's governance system ensures the transparency of management and prompt responses to changes in the business environment. Also, through the introduction of the Corporate Officer system, Sanden's business execution functions have been strengthened, and the efficiency of management has been enhanced.

Major management issues, such as compliance and risk management, are discussed meetings of the Management Committee and Board of Directors. In addition, Sanden has provided for a "whistle blower" system for internal reporting and is working to enhance and strengthen its systems for ethical compliance and risk management.

Overview of Timely Information Disclosure System



Web <http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=1&lang=en>

Compliance Performance

The Sanden Group positions compliance with laws and regulations as a management issue of highest priority. A range of initiatives are ongoing to ensure that all directors and employees act in compliance with all relevant laws.

In January 2015, the Sanden reached agreement on a settlement with the U.S. Department of Justice regarding violations of U.S. antitrust laws, as they apply to compressors for automobile air conditioners. To restore confidence going forward, the entire Sanden Group is giving strictest attention to compliance matters.

Structuring of Global Compliance Systems

At Sanden, the Administration Division is responsible for planning and promotion related to compliance. Under Sanden's global compliance structure, persons responsible and persons in charge of compliance matters have been appointed in all departments and Group companies to take charge of formulating and implementing proposals. In accordance with actual conditions, policies are implemented in order of priority.

Since the commencement of investigations by the U.S. Department of Justice, Sanden has strengthened its activities to reduce legal violation risks, especially overseas. In fiscal 2014, Sanden continued to make requests of persons in charge in local operations and to confirm the operation of compliance systems. In fiscal 2015 also, Sanden is expanding and improving related systems and strengthening teamwork to improve compliance.

Compliance Training Initiatives

Training sessions are held using related laws and regulations as teaching materials. Training is available both for all personnel, organized by different levels within the Company, and by department for persons in specified activities. In addition, e-learning courses are made available periodically. For matters related to antitrust laws, training courses are given on a periodic basis. When employees have contact with competitor companies, strict internal rules apply.

Consideration and Review of Internal Rule System and Regulations

In fiscal 2014, Sanden made preparations for considering and reviewing internal rule systems and regulations with a view to the transition to a holding company structure. In fiscal 2015, consideration will be given to reaching the objectives of creating the holding company and necessary changes in systems and regulations.

Establishment of Compliance Hotline and Advisory Functions

To prevent compliance violations and discover those that occur as quickly as possible, Sanden has created a hotline for internal reporting (comprising two advisory desks internally and two external functions). Sanden is working to acquaint all employees with this function by distributing a card explaining how to access these functions.

Web <http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=2&lang=en>

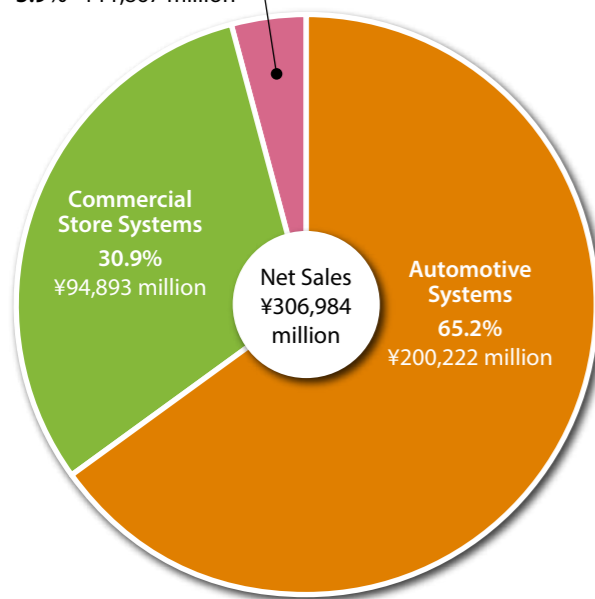
All of the Sanden Group's Operations Put Emphasis on "Environmental Technologies."

The Sanden Group is engaged in business operations that fall into one of the following three segments, each of which continues to grow by pursuing core "environmental technologies."

SANDEN GROUP	
Established	: July 30, 1943
Number of Employees	: 11,000 (consolidated)
Paid-in Capital	: ¥11,037 million
Net Sales	: ¥306,984 million (Fiscal 2014)

Composition of Net Sales by Business

Living & Environmental Systems and Other
3.9% ¥11,867 million



Automotive Systems

We are pursuing next-generation air-conditioning systems that are friendly to people and to the earth. The Sanden Group's car air-conditioning system products have been highly evaluated and adopted by many automobile manufacturers as well as farm and construction equipment manufacturers around the world.



Commercial Store Systems

Sanden develops, manufactures, and markets refrigerated and freezer showcases used in convenience stores and other kinds of stores as well as vending machines for products including beverages and foods. The Company's global market share in the field of vending machines is approximately 30%. We offer vending machines and refrigerated showcases that employ environment-friendly CO₂ refrigerant.

In 2011, we launched a non-freon, heat-pump vending machine with LED illumination, and it is now the industry's top product with respect to energy conservation. Sanden has also been an industry leader in providing equipment maintenance and renovation services that customers require in connection with their store network expansion and store rebuilding strategies.



Vending machine with power-generator for emergency purpose

Living & Environmental Systems

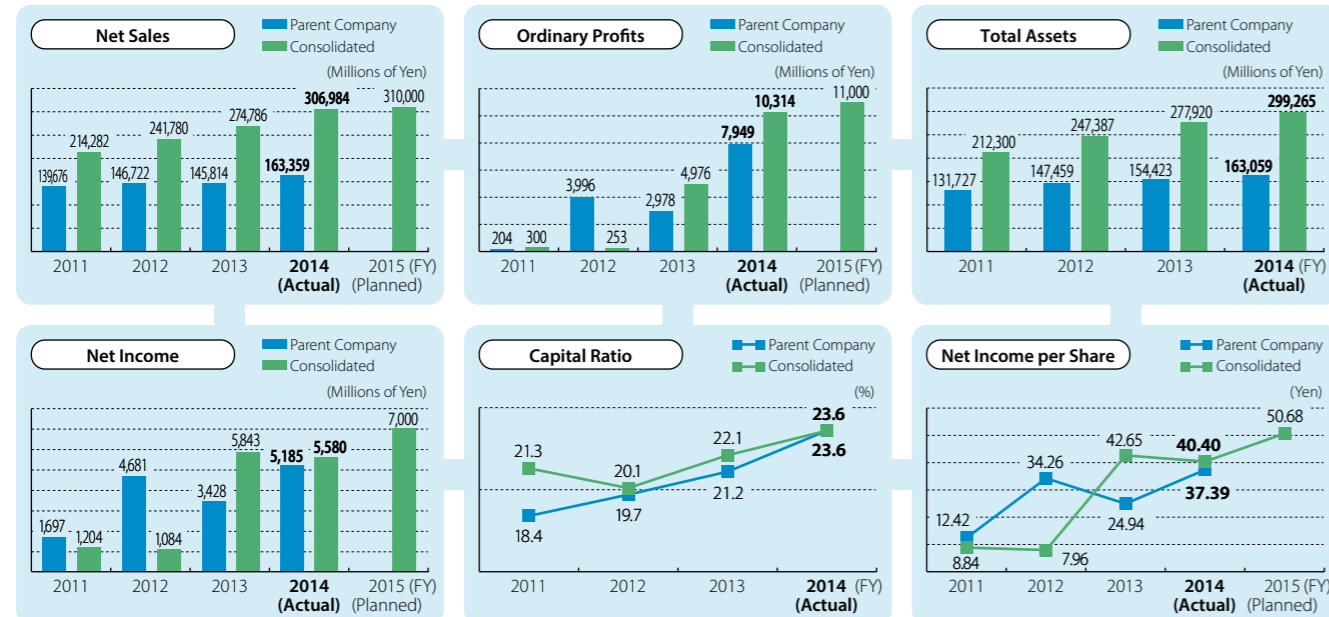
To help create comfortable living environments and promote energy conservation, we are using heat-pump technologies to develop and manufacture such products as Eco Cute* and other room heating systems. In this way, Sanden is increasing the application of its advanced technologies in the home as a foundation of our lifestyles.



CO₂ heat-pump-type hot water supply for room heating unit

*"Eco Cute" is the nickname given to CO₂ natural refrigerant heat pump hot water supply systems that have been promoted by electric power companies and by companies manufacturing and marketing these units.

Consolidated Financial Data



Review of the 2015 Edition of the Sanden CSR Report

This edition of the report focuses on the identification of priority issues in Sanden's CSR activities. I believe this is important for making further major advances in CSR. Based on my perspective as a third-party observer, I will present some comments on the matters contained in this year's report.

● Significance of Formulation of Priority Issues

Because views have been expressed that, in general, previous CSR Reports have tended to present something for everyone and not identify what is important, requests have been made for specifying which topics are material (priority) issues. Since reporting and activities are two sides of the same coin, naturally, activities cannot be the same as before. Identifying priority issues is an expression of the Company's intentions to allocate management resources to addressing such issues and take strategic initiatives, and I think it implies commitment. For this reason, I believe this is an opportunity for further advancing CSR activities.

What priority issues are is something that ultimately every company must decide for itself, but, if the content is not persuasive, it will not gain the support of society. In view of the special features of businesses, the impact on the natural environment and society may be substantial, and it is essential to address those issues that will influence the judgments of stakeholders, including customers and investors. For this reason, since Sanden has championed the idea of "symbiosis, without contradictions, between the environment and industry," I believe that, going forward, environmental preservation will become the core of the Company's priority issues. I think that all of the four "Green" strategies presented in the feature section of the report will be important, but I have positive expectations that the Company will focus R&D on technologies that will have a decisive effect in eliminating greenhouse gas emissions and will work toward preventing global warming.

In addition, if we remember that Sanden has a high ratio of sales and production activities outside of Japan, I believe that having a diverse workforce overseas, giving due regard to the natural environment and human rights in the supply chain, and related matters will be important.

● Transition to a Holding Company Structure and Pursuit of Priority Issues

As Sanden transitions to a holding company structure and Group companies act independently, I believe that pursuing CSR initiatives



Takeshi Mizuguchi
Professor, Takasaki City University of Economics

Professor Mizuguchi has served in numerous prominent posts, including the Chair of the Sustainability Disclosure Technical Committee of the Japanese Institute of Certified Public Accountants; member of the Cabinet Office Multi-Stakeholder Forum on Social Responsibility for a Sustainable Future; member of the ISO/TC207WG8 MFCA Response Domestic Committee; member of the Committee on Environment and Finance of the Central Environment Council; and member of the Evaluation Committee for the Green Reporting Awards jointly sponsored by Toyo Keizai Inc. and the Green Reporting Forum.

as a Group will be one of the issues Sanden will have to address. In this sense, I think that the formulation of priority issues will have the positive impact of giving a sense of unity to Group activities.

Now that Sanden has introduced a holding company structure, each Group company will demonstrate its uniqueness, and this structure will have the merit of providing flexibility for the Group to address a diverse range of issues. On the other hand, results of individual Group companies will receive attention, and, if too much emphasis is placed on short-term performance, there is a danger it will become difficult to implement initiatives with a long-term perspective. We would hope that Sanden would take aggressive initiatives in seeing R&D projects, which may take long periods to bring to fruition and involve uncertainties, through to their finish. I think that one approach would be to include the status of pursuing priority CSR issues among the items used for evaluating business enterprises.

● Compliance and Other Issues

In January 2015, it was reported that Sanden had reached a plea agreement with the U.S. Department of Justice, based on charges that it violated U.S. Antitrust law. More details relating to the specific content of these arrangements and how Sanden will respond have been disclosed on the Internet. This was an unfortunate development, but we hope that Sanden will use this as an opportunity for strengthening its compliance systems to prevent a recurrence of such issues.

I would like to express my admiration of Sanden for its many practical CSR initiatives. These include activities that led to the designation of its Sanden Forest/Akagi Plant as a "Place for Firsthand Experience" related to environmental education, its many contributions to regional areas, diversity initiatives, and Sanden's Total Quality Management (STQM) World Convention aimed at enhancing quality on a global scale. I am looking forward to seeing considerable further progress in this area.

Response to the Third-Party Opinion



Takao Kaihatsu
Director, Senior Corporate Officer and Division General Manager of the Administration Division

I would like to thank Professor Takeshi Mizuguchi for his invaluable opinions and suggestions, following the publication of the Sanden CSR Report 2015. The Sanden Group made the transition to a holding company structure in April 2015, and his comments are a rich source of suggestions for the Group. Going forward, as we identify priority issues, we are aware that we must give careful thought to the viewpoints of our wide range of stakeholders.

We believe that putting into practice our Corporate Philosophy, which sets forth the Group's universal sense of values and basic approaches, is the essence of our CSR activities. Even as the Group has adopted a holding company structure, this policy will remain unchanged.

Taking Professor Mizuguchi's comments on compliance as a starting point, we will work to further advance our CSR activities.