

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.

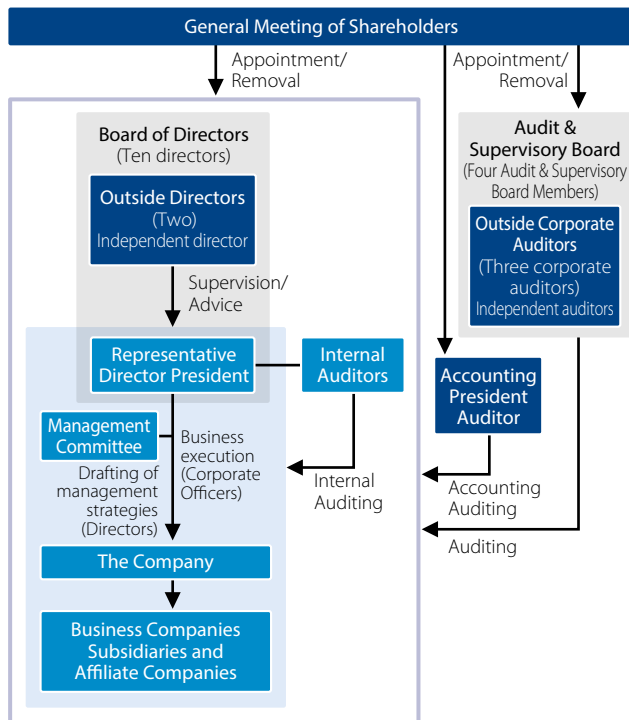
Strengthening Corporate Governance

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



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

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