

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



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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/TC207/WG8 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
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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.