

SANDEN CSR REPORT 2016



SANDEN HOLDINGS CORPORATION
<http://www.sanden.co.jp/english/>

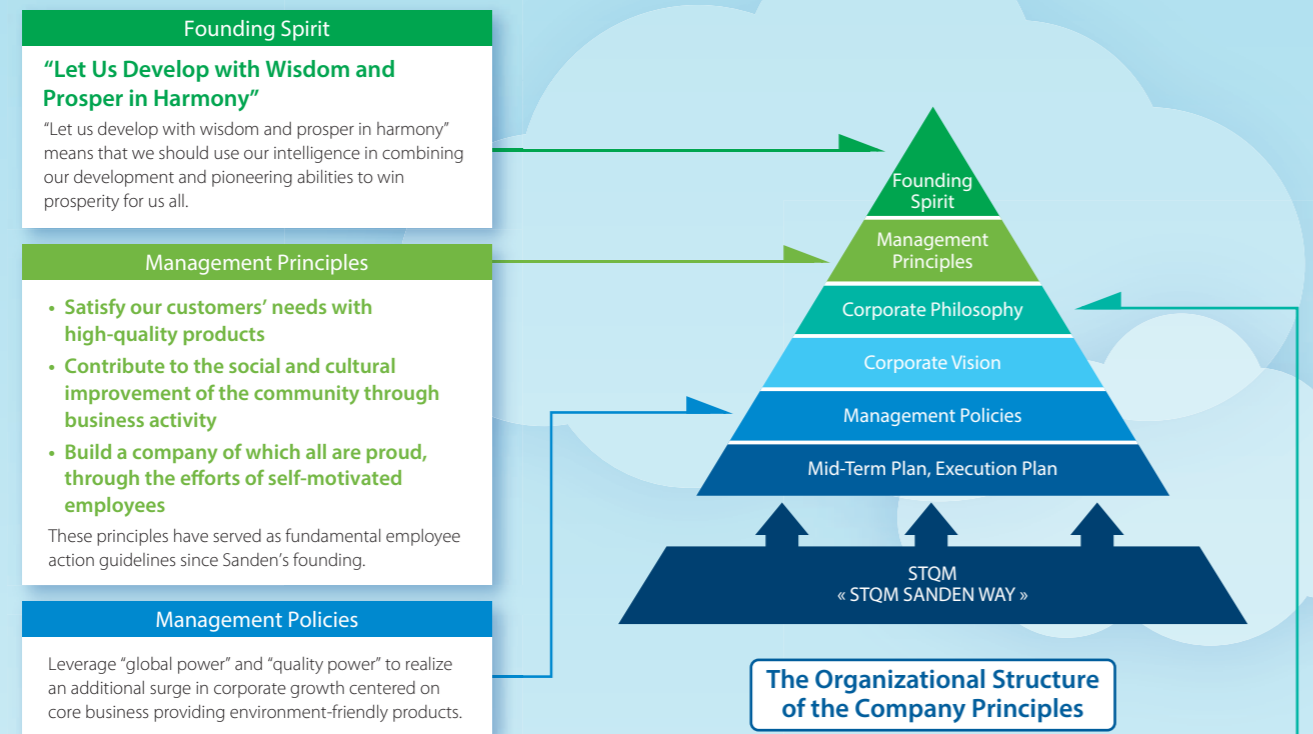
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Sanden's CSR Programs Essentially Put Its Corporate Philosophy into Practice

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. Sanden Group will further evolve its CSR activities under its holding company structure.



Corporate Philosophy

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

Basic Principles	Universal Values Shared by the Global Community	Basic Stance toward Stakeholders
1	Good Corporate Citizenship and Harmony with Society We will grow as good corporate citizens, trusted by society and in harmony with the international community.	6 Customers We will stand on the admired ability of engineering development and manufacturing, and can offer products, systems and services, based on the QUALITY FIRST, that provide constant satisfaction to our customers around the world.
2	Respect for Human Rights We will build a corporate culture founded on respect for all individuals and human rights.	7 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.
3	The Environment 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.	8 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.
4	Corporate Ethics We will conduct our corporate activities in a spirit of sincerity and fairness based on a strong sense of ethics.	9 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.
5	Safety and Health We will enable our employees to achieve a healthy life style by creating an environment that assures their health and safety.	10 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.

Approach to CSR and CSR Promotion Systems

The foundation of the corporate activities of the Sanden Group is our Corporate Philosophy, and our CSR programs are essential for this Philosophy and putting into practice. 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 activities of this Committee are to set targets for putting the Corporate Philosophy into practice and it engages in activities to implement our Philosophy.

About This Report

Since 2005, the Sanden Group has annually published its "Sanden CSR Report," which is designed to offer information about Group businesses and the relationships with stakeholders in those operations in an easy-to-understand format. The 2016 report has been organized around the key word of "evolution." In the Feature 1 section of this report, we report on our progress toward dealing with the Priority Issues of the Sanden Group's CSR program that we have been considering since 2015 and realizing our goals of "Respect Human Beings" and "Contribute to Society through the Power of Our Environment-friendly Technologies." In Feature 2, we discuss our Environment-friendly technology and innovation related to the concept of "The Sanden Group: Contributes to Society through Technology, Ideas, and Innovation." 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. We have asked Ms. Manami Yamaguchi, Representative Director of FEM Co., Ltd., to provide her views, as a third party, related to the content of our CSR disclosure, including the portion on our website.

More-Detailed Reporting on CSR Activities

Report on Principal Activities

Reports on the activities related to important activities that the Sanden Group is undertaking on a priority basis.

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.

- **Period of Time Covered by This Report**
The report primarily focuses on the period from April 1, 2015 through March 31, 2016. 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 and other information in the report includes the Sanden Group (Sanden Holdings Corporation as well as 68 consolidated subsidiaries and affiliates). Please note that 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 major regions covered by Sanden, namely, the Americas, Europe, Japan, China and 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)(Third Version)'s *Sustainability Reporting Guidelines*, and the Japanese Ministry of the Environment's *2012 Environmental Reporting Guidelines*.

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Sanden Holdings Corporation
Director & President
Kin-ei Kanda

Aiming to Become a Global Excellent Companies that Is Trusted by All Its Stakeholders

One Year since the Transition to a Holding Company Structure

Beginning in April 2015, the Sanden Group made the transition to a holding company structure. After this transition, we feel that the responsibilities and authority of each business companies have been clarified, hence the speed of decision making has increased, and the relation between Sanden and its customers have become closer.

On the other hand, there were concerns that under the holding company structure the unity of the Group might be weakened, but our Corporate Philosophy (See page 1) has played the role of bringing us together. This philosophy sets forth systematically the behavior that the companies and employees of the Sanden Group, as a global excellent companies, should follow.

The Corporate Philosophy contains 10 basic principles under the categories of "Universal Values Shared by the International Community" and "Basic Stance toward Stakeholders." Sanden's CSR activities is essentially putting these principles into practice, and each and every employee continues to be aware of these principles and puts them into action on a daily basis.

Establishing Priority CSR Issues Starting from "Environment" and "People"

Interest in CSR among our stakeholders, including customers, in Japan and overseas, is rising. Also, for us to implement our CSR activities strategically, we formed our CSR Promotion Committee in fiscal 2014. This committee has selected the CSR activities the Group as a whole should undertake, and, as they have evaluated the appropriateness of these activities from the perspective of stakeholders, has given them consideration over the past year. After this process, the committee has selected as material domains the "environment," which is one of the Group's areas of strength, and "people," which is in accord with our basic concept "a company is as good as the people it keeps." In this year's report, as in the previous year, we feature our CSR activities. By pursuing these material CSR issues on a groupwide basis, we are aiming to increase the Group's corporate value and contribute to society.

Technological Development and Social Contribution

The management policy of the Sanden Group is "to attain the next stage in growth, with the environment as the core of its activities, based on its global capabilities and ability for delivering high-quality products." By making the environment the core of our management, as a manufacturing company, we create and deliver environmentally superior technologies, and, in all phases of our activities, we seek to contribute to society like the wheels of a vehicle.

Research and development (R&D) is the source of our growth, and we also take excellence in manufacturing to be another basis for our activities. The aim of these activities is to have our customers use our better products.

In our Automotive Systems Business, we seek to increase efficiency and make our products more compact and lighter. In our Commercial Store Systems Business, we aim for further energy conservation and efficiency. Through the innovative products, systems, and services that we develop through these initiatives, we contribute to making a high-level recycling and low-carbon society a reality.

In addition, in each of our businesses, we are working to broaden our product lines and to respond quickly to the needs of our customers in Japan and overseas through the realization of global business expansion and optimal production systems. Through these initiatives, we are seeking to attain sustainable growth.

Strengthening Corporate Governance

To attain sustainable growth and increase the Group's corporate value in the medium- to-long term as we fulfill our social responsibilities, we believe it is necessary to substantially strengthen our corporate governance systems. For this purpose, in June 2015, the Sanden Group newly invited another outside director to join its Board of Directors, thus bringing the number of outside directors to two, with the aim of strengthening management surveillance functions. In addition, with the objectives of enhancing the fairness, transparency, and efficiency of management, the Group issued its *Corporate Governance Report* in December 2015 containing the Group's response to the issuance of Japan's Corporate Governance Code.

To realize sustainable growth, the Group engages in activities to increase its corporate value that are appropriate for Sanden, and to respond to the trust and expectations of all our stakeholders; from now on also, we will actively take every opportunity to deepen communication with our stakeholders.

As we move forward with these initiatives, we look forward to your continuing support and cooperation.

SANDEN HD

Sanden Holdings Corporation



Director & President
Kin-ei Kanda

SANDEN AS

Sanden Automotive Climate Systems Corporation

Business activities: Automotive air-conditioning systems



Director & President
Tadashi Kondo

Sanden AS develops, manufactures, and sells car air conditioning systems. Its systems have earned a strong reputation for being compact & lightweight, durable, and high-performance, and they are used around the world not only in automobiles but also in construction machinery and other applications.



SANDEN AC

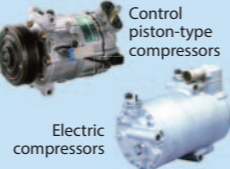
Sanden Automotive Components Corporation

Business activities: Compressors for Automotive air conditioners



Director & President
Tsuguo Ito

Sanden AC develops, manufactures, and sells compressors, which are the "heart" of car air conditioners, globally. Sanden AC supplies its products, which are efficient, compact & lightweight, and applies Sanden's environmental technology, for use in a range of vehicles from gasoline-powered automobiles to electric cars. These units contribute to improvement in fuel conservation.



SANDEN RS

Sanden Retail Systems Corporation

Business activities: Commercial Store Systems Business



Director & President
Akihiro Yamato

The principal products of Sanden RS include freezer and refrigerated showcases, vending machines, and coffee machines. Its lineup of products contributes to conservation of energy and labor in a wide range of applications, and it works to propose and supply systems and services that are matched to its customers' business cycle needs.



SANDEN LS

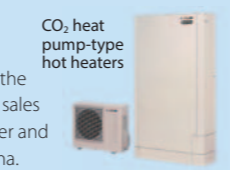
Sanden Living & Environmental Systems Corporation

Business activities: Living & Environmental Systems Business



Director & President
Hideyasu Kamioka

Sanden LS is engaged in developing, manufacturing, and selling environmentally friendly products applying its core heat pump technology, including principally heat pump-type water heaters for the home, and heat pump-type space heaters. Sanden LS is developing sales of its high-efficiency, energy-conserving CO₂ heat pump water heater and heat pump space heating systems in Europe, the Americas, and China.



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. Accordingly, the Sanden Group is working to further develop globally its CO₂ compressor business, which is at the core of its retail store, vending machine, and environmental systems businesses.



SANDEN AT

Sanden Advanced Technology Corporation

Business activities: R&D



Director & President
Mitsunori Kodaka

Through planning/proposal and R&D activities, Sanden AT works to develop new technologies and new products in the electrical and mechatronics fields. These activities contribute not only to supporting Sanden's growth but also to initiatives for creation of new businesses through discovery of new customer value. In this way, Sanden AT is working to open up Sanden's future.



SANDEN BE

Sanden Business Expert Corporation

Business activities: Shared service center and logistics



Director & President
Shigenori Sasaki

With Sanden Group companies, overseas subsidiaries, and individual companies as its clients, Sanden BE works to provide services related to accounting, human resources, administration and distribution/logistics, working as the provider of "expert" professional, top-quality know-how in each of these areas. In this role, Sanden BE provides support for the Group's future growth.

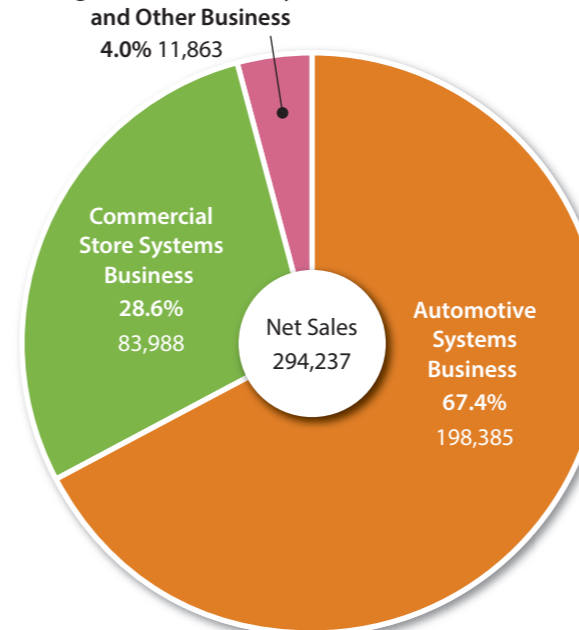


Business Development with Emphasis on Environmental Technologies

The Sanden Group conducts its business operations generally in the three businesses shown below. All of the Group's businesses are expanding through continuing improvement in environment-related technologies.

SANDEN CORPORATION	
Established	: July 30, 1943
Number of Employees	: 13,000 (consolidated)
Paid-in Capital	: ¥11,037 million
Net Sales	: ¥294,237 million (Fiscal 2015)

Composition of Net Sales by Business Segment
Living & Environmental Systems and Other Business (Millions of Yen)



Automotive Systems Business

We are pursuing the further development of 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 for their efficiency and quality and have been adopted by many automobile manufacturers as well as farm and construction equipment manufacturers around the world.

Commercial Store Systems Business

We provide support for the food product distribution, mainly through provision of our commercial store systems and vending machines. We also provide full services for commercial store freezers and refrigerated showcases as well as assistance over the full lifecycle, from planning and design of stores to installation and maintenance.

Emergency Lifeline Defense featured vending machine "Eneranger"

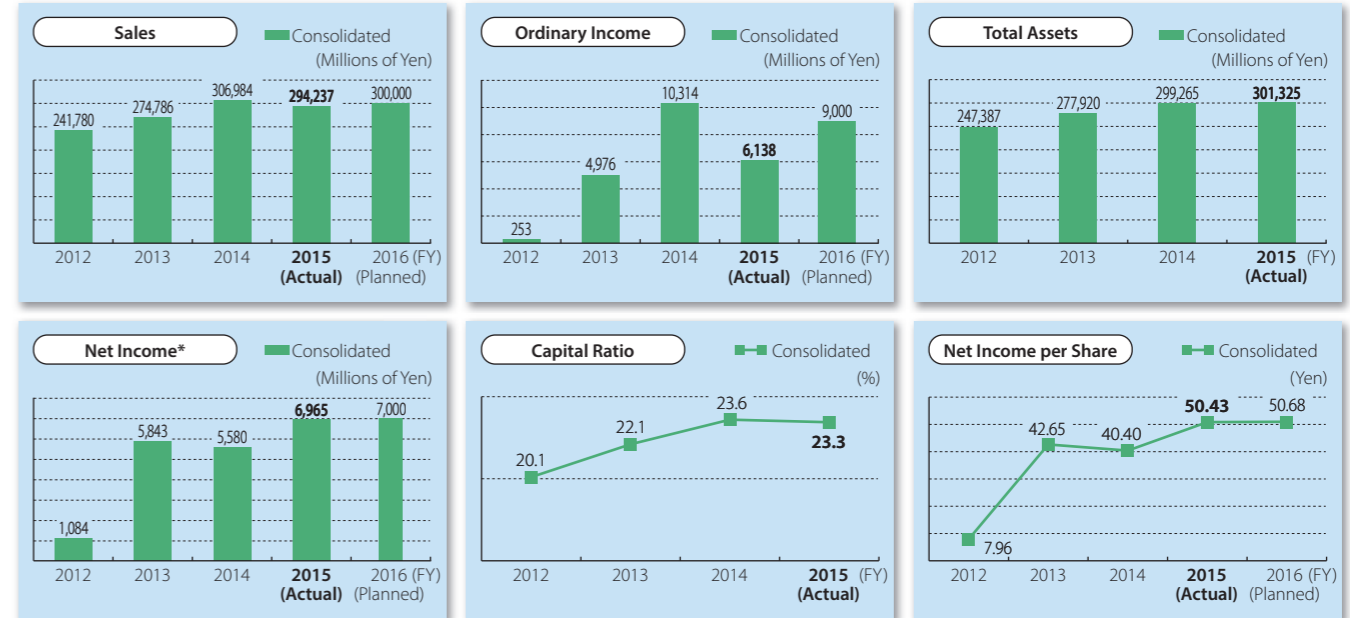
Living & Environmental Systems and Other Business

To 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, the Sanden Group 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



* Net income attributable to owners of the parent

Feature 1

Formulating Policies for the Sanden Group's Priority CSR Issues

Respect Human Beings

Care for the Environment

Contribute to Society through Technological Capabilities

To promote CSR activities on a companywide basis, beginning in fiscal 2014, the Group has moved forward with the preparation of policies for addressing priority CSR issues.

In this Feature 1, following on from the previous year, we report on the Sanden Group's progress toward formulating policies for priority CSR issues.



Progress in Formulating Policies for Priority CSR Issues

The Sanden Group has established the principle that "Sanden's CSR activities essentially put its Corporate Philosophy into practice." (See page 1) 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.

With this committee as the focal point, we have taken into account the issues raised by our customers in Japan and overseas as well as by research institutes, the content of ISO 26000, the principles of materiality of the GRI Guidelines, and other views. We have then selected the CSR activity items that the Group should address and linked these with the Group's Corporate Philosophy.

In fiscal 2015, we identified the departments that have relationships with the CSR items listed in the Group's Corporate Philosophy, including the environment, customers, employees, shareholders and investors, and business partners. Then, for each department, we took into consideration two major angles: namely "materiality for management" and "importance in the light of social requirements (expectations of stakeholders)."

A Company Is as Good as the People It Keeps

In the process of narrowing down the list of items with high materiality within the categories of the environment, customers, employees, shareholders and investors, and business partners, we gave consideration to a number of factors. First, we considered Sanden's founding spirit, which is expressed as "Let Us Develop with Wisdom and Prosper in Harmony." We next took into consideration Sanden's basic concept, "a company is as good as the people it keeps" (See page 21) because this concept flows strongly through the Sanden spirit even now. We then considered Sanden's corporate spirit today and its management policy "Creating Corporate Value from 'Environment.'" As a result of various considerations, we established two basic domains for material CSR items, "people" and "environment."

Then, after listening to the views of employees and third parties, in the people domain, we selected "promotion of diversity," "work/life balance initiatives," "human resource training," and "working to bring full infusion of and adherence to compliance" as the material themes. Going forward, we will set specific objectives for initiatives related to these themes and endeavor to raise the level of these CSR activities throughout the Group.

Creating Corporate Value from Environment

Turning next to the environment, which is the second CSR materiality domain, we selected as priority CSR issues: "Promote R&D for environmental technologies," "respond to the need to reduce environmental impact," "promote recycling of products," and "respond to climate change issues."

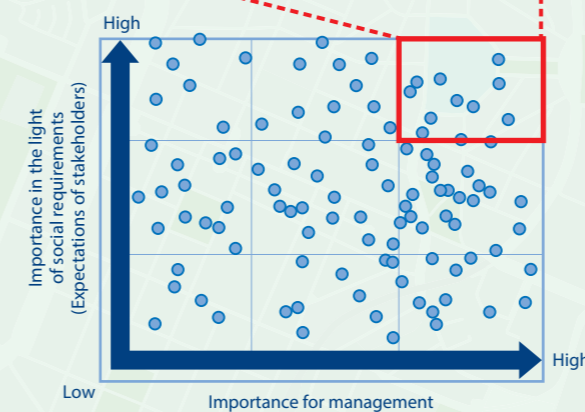
The Sanden Group, as a manufacturing concern, focuses on environmental R&D and social contribution as the wheels of a vehicle for its CSR activities.

The basic elements of environmental R&D are product development and excellence in manufacturing, and the aim of these activities is to provide our customers with better products. The Sanden Group positions CO₂ refrigerant and heat pumps as the core of its R&D activities. By further R&D in these areas, we are making steady and sure advances in the environmental performance of our products.

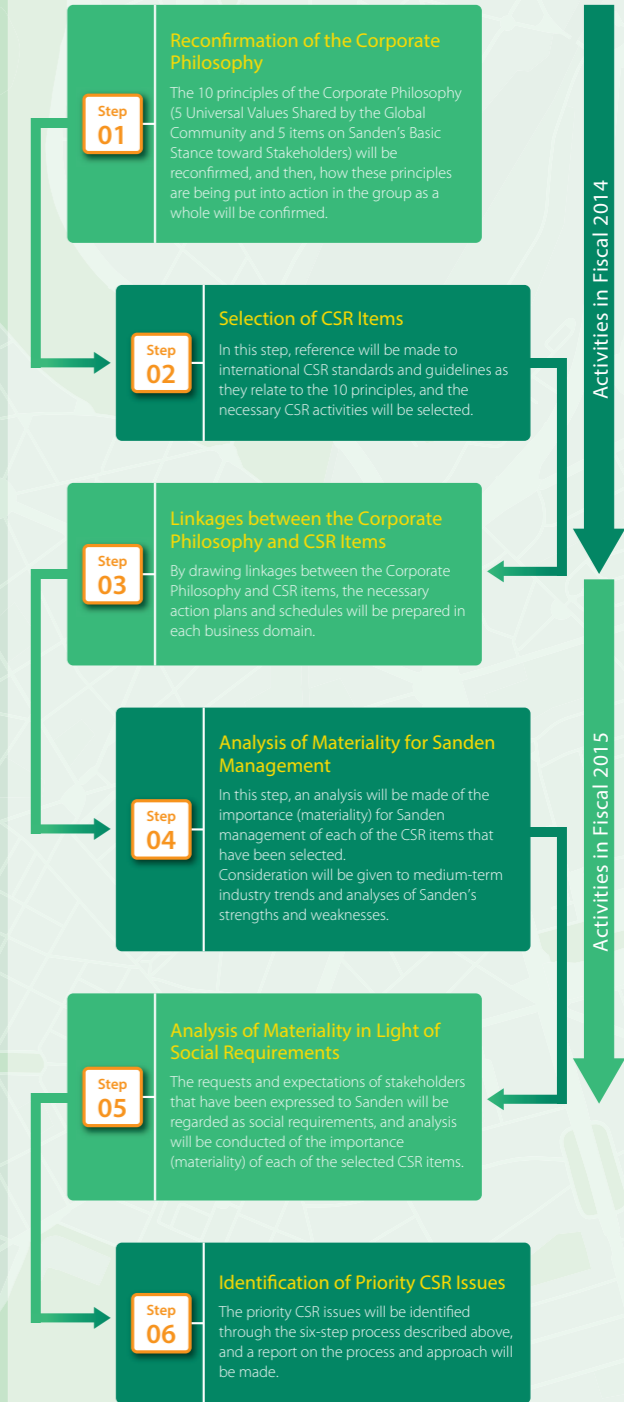
Looking ahead, in all of our businesses, through R&D that leads to products that are more compact, lighter in weight, and more efficient, we will contribute to the realization of the recycling, low-carbon society.

Evaluation Map of Material CSR Items

Material CSR Domains	Environment	People
Material CSR Issues	<ul style="list-style-type: none"> Promotion of environmental R&D Responding to lowering the burden on the environment Promotion of recycling Responding to climate change problems 	<ul style="list-style-type: none"> Promotion of diversity Initiatives to achieve a good work/life balance Human resource training Full infusion of and adherence to compliance



Steps toward Identification of Priority CSR Issues



Utako Higuchi
CSR Consultant

Looking with Anticipation to Responses to Material CSR Issues

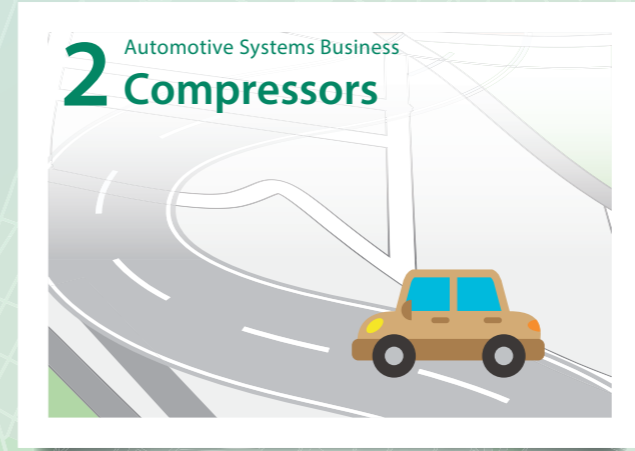
Regarding the selection of material CSR issues in the Sanden Group in fiscal 2015, I was consulted to provide an external point of view, participate in discussions, and make proposals. Through many exchanges of views based on the results of an awareness and understanding survey among Sanden employees as regards the expectations of stakeholders, the business environment, and CSR reports, two areas for direction of CSR activities emerged. These are to proceed with innovative R&D in the environmental field and usage of personnel. Going forward, in line with the management strategy of the Sanden Group, responses will be made to material CSR issues based on the identification of issues at this time, and I hope Sanden will proceed in a more-integrated form.

**Feature
2**

Environmental Technology of the Sanden Group

The Sanden Group Contributes to Society through Technology, Ideas, and Innovation

The environment is one of the material CSR domains in which the Sanden Group responds to the trust and expectations of stakeholders. Supporting Sanden's activities in this domain are its capabilities for deploying original environmental technologies, ideas, and innovativeness. In this second case study, we will introduce actual examples in several business domains.



1 Automotive Systems Business Car Air Conditioners

2 Automotive Systems Business Compressors

Heat Pump Systems for Car Air Conditioners

Along with the rising interest in the environment on a global scale, progress is being made in expanding the usage of environment-friendly vehicles, including hybrid cars and electric-powered automobiles. However, as a result of the shift to electric-powered systems, it is no longer possible, especially on electric-powered

vehicles, to use exhaust heat because they do not have internal combustion engines. As a consequence, heat sources for heating systems are insufficient. Normally, vehicles would make use of electric heaters for supplementary power, but, since this would make use of power from the drivetrain batteries, the problem is that the feasible vehicle running distance is reduced.

To solve this problem, Sanden's Automotive Systems Business makes use of the technology it has developed for automatic vending machines, for heat pump hot water systems, and other applications. This technology has also been applied in the development of Sanden's original Heat pump a/c system for automobile. Under this system, the heat in the air outside the vehicle is absorbed by the coolant, and, with relatively little energy usage, it is possible to use this limited energy efficiently for cooling.

Air-Conditioning Systems for Parked Trucks

Sanden's Automotive Systems Business has developed a new Integrated Parking Cooling (IPC) system that can be installed in vehicles during the assembly process for a European truck manufacturer.

In Europe, as a result of the environmental restrictions of countries in the region, when of the vehicle engine stops, the vehicle air-conditioning system is operated with an electric-powered compressor. This system thus contributes to reducing fuel consumption and increasing driver comfort.

■ Maintain comfortable vehicle air-conditioning level while parked



Electric-Powered Compressors

To realize a society where automotive transportation is environment-friendly, the world's automobile manufacturers are developing and marketing vehicles that respond to the need to reduce the burden on the environment. These include hybrid cars, electric cars, fuel cell vehicles, and other automobiles.

Sanden's Automotive Systems Business has been developing and marketing Electric compressors for automobile air conditioner since 2009. In general, belt-driven compressors take power from the engine, and, when the engine stops, the air conditioner ceases to function, but electric-powered compressors, which do not depend on the engine for power, can maintain optimal

air-conditioning functions and comfort in the vehicle, while also showing superior fuel economy performance. Sanden's Electric compressors have been adopted by domestic and overseas customers, including Daimler AG.

Compact and Lightweight Compressors

In the Automotive Systems Business, Sanden has developed and sold compressors for automobile air conditioners that are 25% lighter than Sanden's previous models.

In the new compressors, Sanden has changed the material for the parts that transfer the motive power of the engine's rotation to internal equipment to a plastic material and changed the structure that controls the movement of the pistons. As a result, Sanden has succeeded in making the units more compact and lighter in weight.

Increasing fuel economy is an issue that all automobile manufacturers are addressing. Making compressors more compact and lighter will contribute to improving fuel economy as well as reduce the burden on the natural environment.

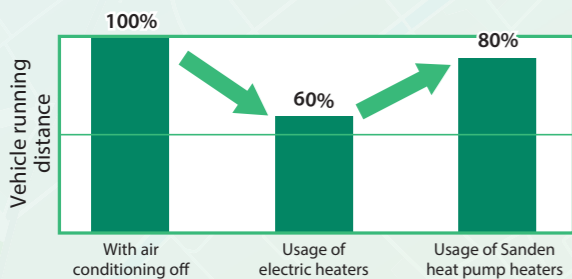


Electric Compressor



Compact and Lightweight Compressor

■ Heat Pump Systems



■ Sanden's Value Chain and CSR Activities



● Initiatives Related to Conflict Minerals

In January 2013, Article 1502, which is related to conflict minerals, of the U.S. Financial Regulation Reform Law (Dodd-Frank Act) went into effect. Although the Sanden Group is not listed on U.S. securities exchanges, as a member of the supply chain providing goods to companies that are listed in the United States, we are aware that the issue of conflict minerals may be material. To enable customers to use Sanden products without concerns for this issue, Sanden cooperates with its business partners and has conducted investigations regarding the sources of conflict minerals in the Republic of the Congo and other neighboring countries and has given its response regarding this matter.



● Material Flow-Cost Accounting (MFC) Activities

The Sanden Group has adopted MFC accounting standards for its business locations and parts manufacturing subsidiaries and affiliates since fiscal 2005 and has implemented initiatives to reduce the burden their activities place on the natural environment. The expenses related to losses arising from product manufacturing are analyzed as negative product costs. Negative product costs that arise from reductions in materials and changes in blueprints as well as cuts in manufacturing wastes in the production processes are restrained, and efforts are made to use assets efficiently and lower the usage of waste materials and energy.



3 Commercial Store Systems Business Automatic Vending Machines



The automatic vending machines developed and manufactured by Sanden's Commercial Store Systems Business use CO₂ refrigerant in virtually all models in the product lineup. These machines achieve top-class energy conservation and environmental performance in the industry. In addition, by incorporating unique features, the products contribute to society.

Vending Machines with Digital Signage

Sanden's "Smart Vendor" incorporates digital signage systems that were developed jointly by V-Sync Co., Ltd. and Intel Corporation. This machine also display information, including text and voice data, in multiple languages, on traffic conditions, events, tourist attractions, shopping, and other topics. In addition, this machine can also offer Wi-Fi free of charge and have high-level security system, including face recognition capabilities.

Vending Machines with Features for Times of Disasters

Sanden's "Eneranger" vending machines have lifeline features for times of emergency, and can dispense products during power outages and other disaster-related conditions. Eneranger units have power generation and power storage devices, and, during power outages, users can turn the handle to generate electric power, store it, and obtain products from the machines. Since these units can generate power at any time, they can be used without concern even if power outages last several days. By using a high-capacity double-layered capacitor, the units can generate and provide electricity quickly; this restrains deterioration caused by generating and discharging electricity and enables the machines to provide services over a long useful lifetime. These units remain usable even in times of disaster, thus providing peace of mind for users.

Sanden began to display these Eneranger vending machines in 2011, and, today, more than 10,000 units have been installed and are in use. At the time of the heavy snows in the Kanto region in 2014 and following the Kumamoto earthquakes in 2016, these Eneranger vending machines installed in inns and government offices proved themselves useful to everyone during times of such natural disasters.

Vending machines with radio features provide disaster-related information and instructions on places to go for refuge via the radios installed inside. These units were developed to lend a helping hand in providing security in regional areas when needed.

4 Commercial Store Systems Business Retail Store Showcases



Showcases that Use Natural Refrigerant CO₂

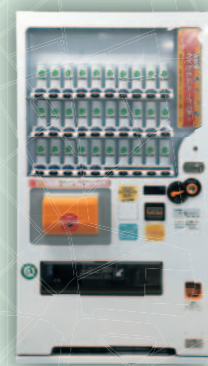
The Commercial Store Systems Business is promoting product development and customer support with the objective of adapting to the recycling society. Sanden is promoting the use of its retail store showcases that employ its energy-conserving, high-efficiency compressors that use CO₂ as a natural, environment-friendly refrigerant.

The image of CO₂ as the cause of global warming is strong, but when used as a refrigerant, CO₂ does not destroy the ozone layer but has the least effect on global warming and is environment-friendly.

However, CO₂ used as a refrigerant has relatively low heat exchange ratios compared with other alternative refrigerants in general use. Nevertheless, Sanden has been able to develop systems that have efficient cooling properties through a combination of its technologies. These include a high-efficiency compressing system and heat exchange using Sanden's original technology, its original compressing control technology used for a separate system, and other technologies.



Digital Signage Vendor "Smart Vendor"



Emergency Lifeline Defense Featured Vending machine "Eneranger"



Vending machine with radio features for times of disaster



Multi-shelf open showcase



Island Open Case

Sanden Receives Minister of the Environment Award

19th Annual Award for Protection of the Ozone Layer and Preventing Climate Change

In September 2016, Sanden received one of the highest level awards, the Minister of the Environment Award, among the Awards for Protection of the Ozone Layer and Preventing Climate Change in a contest sponsored by *Nikkan Kogyo Shimbun*. The award recognized Sanden for its "Development and Commercialization of CO₂ System for Compressor Built-in Type and Separate Type" for use in convenience stores, drugstores, and other applications.

Showcases that display beverages, dairy products, and other items are divided into two categories: namely, those where the freezer unit is inside the showcase and those where it is separate. Sanden was recognized for commercializing systems that can be used in either of these applications and also employ CO₂ as a refrigerant.

Under Japan's Freon Discharge Restraint Law, the usage of non-freon cooling equipment has spread among convenience stores, beverage manufacturers, and other enterprises. As of fiscal 2015, the number of stores adopting showcases with such cooling systems had exceeded 100. Also, the number of such units delivered in Japan on an accumulated basis has reached 2,000.



Column 3R Activities

In the Commercial Store Systems Business, Sanden is taking initiatives under its "3R Activities," with the aim of adapting to the recycling society. The 3R Activities aim at facilitating Reducing, Reusing, and Recycling Sanden products.

Through the periodic maintenance of store equipment and fixtures, it is possible to "reduce" breakdowns and lower energy usage through more-efficient operation.

Similarly, in many cases, such as the opening of new stores, remodeling, and store closure, Sanden works to "reduce" gas emissions and waste disposal volume through joint deliveries and simultaneous removal.

In addition, "reusing" equipment and fixtures, which are assets of retail stores, after restoration to near their original condition, lowers the initial costs of the next store. Through these 3R Activities, Sanden is working to realize simultaneously reductions in the burden on the natural environment and make economical operations possible.

Sanden's Value Chain and CSR Activities



The Four "Green" Initiatives Sanden Group Undertook in Fiscal 2015

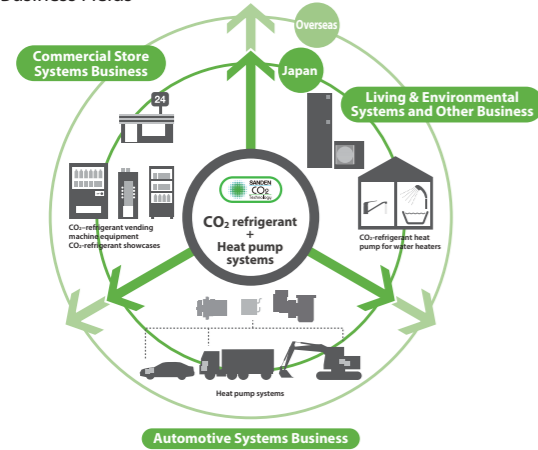
In the Sanden Group's "Medium-Term Basic Policy on the Environment," which was prepared in fiscal 2014, Sanden is implementing four Green Strategies: Green Technologies, Green Management, Green Processes, and Green Communication, as it takes initiatives in its environmental activities (R&D and social contribution).

Green Technology

With the objective of creating more-comfortable environments for people while preserving the environment at the same time, the Sanden Group has emphasized the development of natural refrigerant technologies and heat pump technologies. Through these activities, the Group advanced its R&D focusing on cooling and heating.

In its Commercial Store System Business and Living & Environmental System Business, in fiscal 2015, the Sanden Group actively introduced high-efficiency, energy-conserving products and systems equipped with compressors that use CO₂ as a refrigerant because it has a low global warming coefficient and does not destroy the earth's ozone layer. In the Automotive Systems Business also, Sanden is working with automobile manufacturers around the world to reduce the burden cars place on the natural environment through the application of cutting-edge technologies that incorporate Sanden's advanced heat pump technology.

Use of Sanden Technologies Is Spreading Globally in a Wide Range of Business Fields



Environmental Education Activities in Various Locations



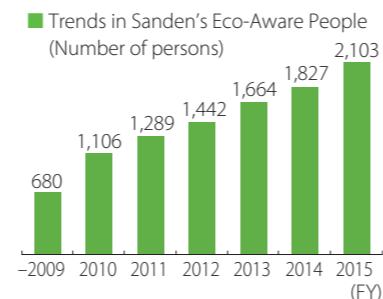
Green Management

In line with its management policy of "To create corporate value by the environment," the Sanden Group believes that education and training of personnel are essential for continuing to upgrade environmental management. Let us introduce some of the environmental education activities undertaken by the Group to nurture an environmental "mind" and consciousness among its personnel.

The basis of environmental management is the implementation of the ISO 14001 environmental management system. In fiscal 2015, revisions in ISO 14001 were announced, and, at that time, Sanden implemented educational activities for its internal environmental specialist personnel, with the participation of about 200 employees.

In addition, since fiscal 2009, employees have been encouraged to take examinations in Certification Test for Environmental Specialists [Eco test], managed by The Tokyo Chamber of Commerce and Industry. In fiscal 2015, at the time of the certification tests in July and December, Sanden held eco-test seminars, and about 100 employees participated in these meetings. More than 250 persons qualified in this series of two seminars, and, on a cumulative basis, 2,103 people have qualified as "Eco People."

In overseas affiliated companies, Sanden is continuing related education as well as a wide range of environmental educational activities.



Study meeting for the revised ISO 14001



Eco-verification seminar

Green Process

The Sanden Group has formulated its "Medium-Term Basic Policy on the Environment," which covers the period through fiscal 2018 and is currently working, as a manufacturing company, to reduce the burden on the natural environment, including lowering the usage of energy. In fiscal 2015, along with activities to enhance environmental performance through meeting regional environmental preservation goals on a per unit of sales basis, to strengthen its contribution to environmental preservation, Sanden has also set the goal of not allowing the total volume of various kinds of burdens on the environment to exceed those of the previous year and has passed a turning point to implement activities to restrain the total volume of these burdens going forward.

To attain these objectives, Sanden has specified China as the region for greatest focus and has begun to expand its support systems and strengthen its related environmental activities. As a result, Sanden has made progress in making clearer the numbers

related to the environmental burden that were not quantified and followed previously. Because of this factor and the rapid rise in sales in this region, during fiscal 2015, certain indicators of the environmental burden were higher than planned on an overall global basis, making it difficult to attain the burden reduction targets.

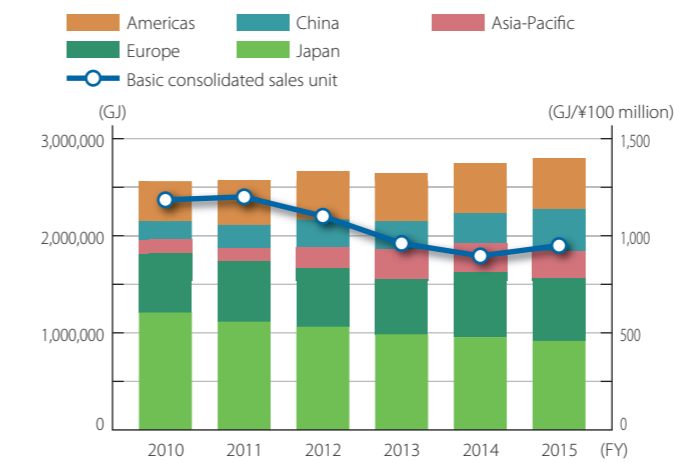
To provide for improving the speed and accuracy of data collection and compilation in China and other areas, in fiscal 2016, the Sanden Group has introduced a new environmental information monitoring system and is endeavoring to apply this thoroughly on a global basis to reduce the burden of its activities on the environment.



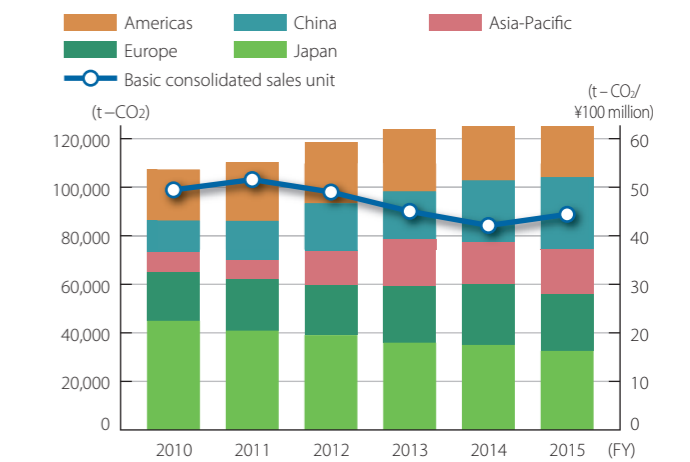
Environmental instruction in China

Information on the Sanden Group's Environmental Performance in Fiscal 2015

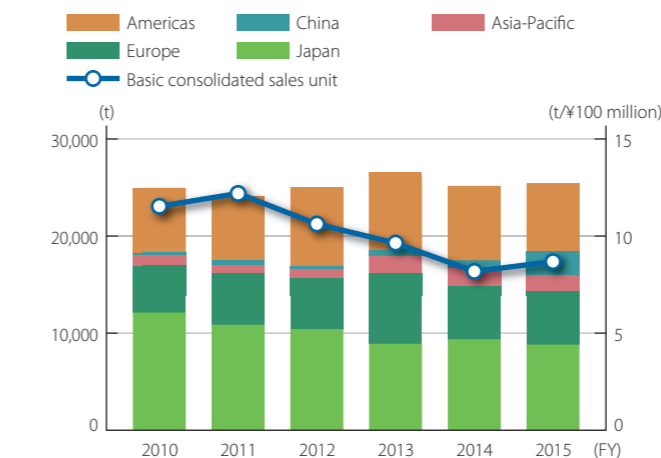
Trends in Energy Usage by Region



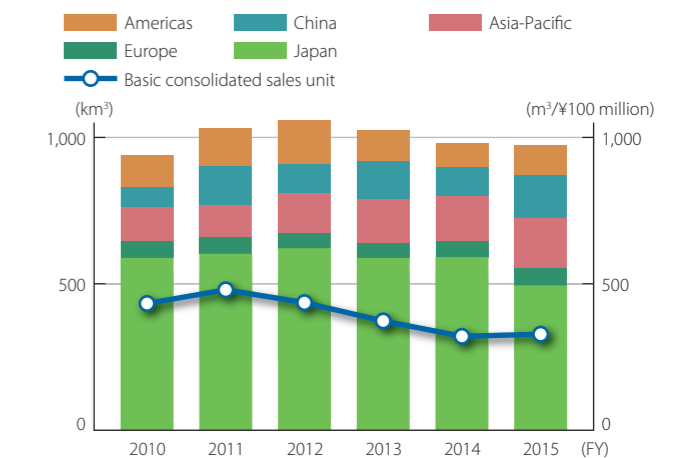
CO₂ Emissions by Region



Trends in Waste Emissions by Region



Trends in Water Usage by Region



Examples of Sanden's Activities in Fiscal 2015 under Its Green Strategies

Green Communication

With the aim of strengthening Sanden's environmental brand, member companies of the Sanden Group are implementing a wide range of environmental initiatives around the world.

- Sanden presented an exhibit at the Eco Products 2015 expo, which was held in December 2015 at the Big Sight exhibition hall in Tokyo. The 2015 exhibit focused on the themes of "CO₂ Refrigerant Technology" and "Heat Pump Technology" and made an appeal for the effectiveness and superiority of these Sanden technologies.



- At the request of the Biodiversity Convention Secretariat, Sanden is a participant in the Green Wave 2015, which is advocated by Japan's Ministry of the Environment, Ministry of Agriculture, Forestry and Fisheries, and Ministry of Land, Infrastructure, Transport and Tourism. On the occasion of International Day for Biological Biodiversity (May 22) which has been established by the United Nations, Sanden Group companies at business locations in Japan and overseas, planted trees during May and June.



- At business locations around the world, Sanden conducts "Environmental Originality" activities, which involve registering and reporting on original environment-related initiatives.



- Sanden Manufacturing Europe S.A.S. (in France) has begun to process the garbage left over by its employee cafeterias and other activities into fertilizer.



- At Sanden Forest Akagi Plant, a number of events were held and were attended by a total of more than 15,000 visitors.

Construction of a forest deck



Mushroom festival at Sanden Forest Akagi Plant



Elimination of invasive alien species



Open-air classroom

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	FY2015 Targets	Results of Activities in FY2015	Evaluation*
Green Technology	All mass-produced products meet product environment indicators (Goals are set by product)	<ul style="list-style-type: none"> ● Attain product environmental indicators of 0.9 or less in priority products 	<ul style="list-style-type: none"> ● All distribution/living environment business locations attained indicators of 0.9 or less ● Certain new products of Automotive Systems Business didn't attain indicators of 0.9 or less 	B
		<ul style="list-style-type: none"> ● Obtain Eco-Leaf environmental label for vending machines ● Reduce environmental burden in use of products through application of innovative technology 	<ul style="list-style-type: none"> ● Newly registered 29 types of heat pump machinery ● Expanded lineup of cooling equipment using CO₂ as a refrigerants ● Began production of next-generation electric-powered compressors for automobile use ● Reduced idling CO₂ emissions through development and sales of HVAC units for trucks 	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.) 	<ul style="list-style-type: none"> ● Reduce CO₂ emissions per unit of sales by 6% in comparison with fiscal 2013 ● Total emissions not to exceed actual for fiscal 2014 	<p><Consolidated></p> <ul style="list-style-type: none"> ● Reduced total CO₂ emissions per unit of sales by 2% (compared with fiscal 2013) ● Total CO₂ emissions rose 1% (compared with fiscal 2014) <p>Note: Because of the increase in total emissions in China and the Asia region, targets for emissions per unit of sales could not be met.</p> <p><In Japan></p> <ul style="list-style-type: none"> ● Reduced CO₂ emissions per unit of sales by 6% (compared with fiscal 2013) ● Total emissions of CO₂ were reduced 6% (compared with fiscal 2014) 	C
		<ul style="list-style-type: none"> ● Reduce emissions of waste per unit of sales by 6% in comparison with fiscal 2013 ● Total emissions not to exceed actual for fiscal 2014 	<p><Consolidated></p> <ul style="list-style-type: none"> ● Reduced waste emissions per unit of sales by 8% (compared with fiscal 2013) ● Total waste emissions increased 4% (compared with fiscal 2014) <p>Note: Total emissions increased over the previous year, in part because of higher capture ratio in China.</p> <p><In Japan></p> <ul style="list-style-type: none"> ● Waste emissions per unit of sales increased by 2% (compared with fiscal 2013) ● Total waste emissions decrease 6% (compared with fiscal 2014) 	B
		<p><Japan business locations and domestic Group companies></p> <ul style="list-style-type: none"> ● Maintain recycling ratio of 99% or more (zero emissions) 	<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
		<ul style="list-style-type: none"> ● Reduce water usage per unit of sales by 2% in comparison with fiscal 2013 ● Total emissions not to exceed actual for fiscal 2014 	<p><Consolidated></p> <ul style="list-style-type: none"> ● Reduced water usage per unit of sales by 12% (compared with fiscal 2013) ● Total water usage decreased 1% (compared with fiscal 2014) <p><In Japan></p> <ul style="list-style-type: none"> ● Reduced water usage per unit of sales by 13% (compared with fiscal 2013) ● Total water usage decreased 16% (compared with fiscal 2014) 	A
		<p><Japan business locations></p> <ul style="list-style-type: none"> ● Reduce emissions of harmful chemical substances per unit of sales by 5% in comparison with fiscal 2014 	<p><Japan business locations></p> <ul style="list-style-type: none"> ● Reduced emissions of harmful chemical substances by 7% (substances subject to PRTR registration) 	A
		<p><Japan></p> <ul style="list-style-type: none"> ● Reduce energy usage per unit by 1% or more (in comparison with the previous fiscal year) 	<p><Japan></p> <ul style="list-style-type: none"> ● Energy usage per unit decreased 11% from the previous fiscal year. Continued expansion in joint deliveries and volume of good distributed Continued JR transport (modal shift) 	A
Green Management	Level of attainment of environment activities at all sites: A or higher	<ul style="list-style-type: none"> ● Strengthen implementation of environmental policy and environmental management system 	<ul style="list-style-type: none"> ● Strengthened global communication activities through attending environmental conferences and holding morning meetings globally ● Convened the Central Environmental Committee and Environmental Strategy Meeting ● Strengthened environmental improvement support systems in China ● 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 ● Held meetings of chemical substance management committees by business location 	A
		<ul style="list-style-type: none"> ● Heighten awareness through implementation of environmental education 	<ul style="list-style-type: none"> ● Promotion of attaining eco-certifications (276 qualified) ● Implemented ISO 14001 training for internal auditing staff ● Conducted environmental education mainly for managerial-level personnel in Americas, Europe, and China 	A
Green Communication	External evaluation: A level	<ul style="list-style-type: none"> ● Exhibit products/systems at environmental exhibits 	<ul style="list-style-type: none"> ● Presented exhibit at Eco Product 2015 exhibition. Made appeals for Sanden environmental technologies 	A
		<ul style="list-style-type: none"> ● Move higher in the Nikkei rankings for environmental management 	<ul style="list-style-type: none"> ● Moved up to 37th in Nikkei rankings for environmental management (compared with 64th in previous fiscal year) 	A

Web Sanden Environmental Management Search
<http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=17>

Relationships with Customers

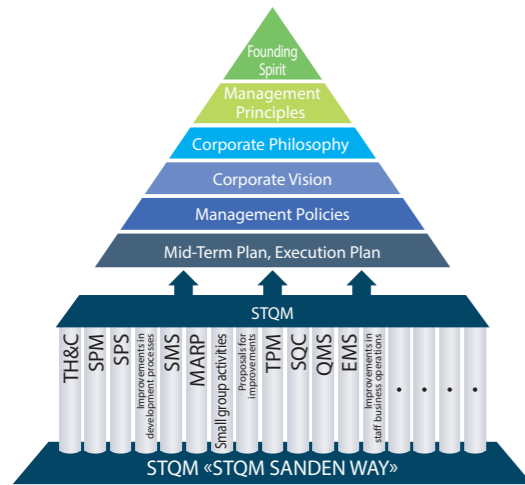
Corporate Philosophy

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

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

Implementing STQM Activities Aimed at Quality Improvement

Beginning in 1994, Sanden introduced its STQM activities, which stands for "Sanden Total Quality Management," with the objective of improving the quality of management in the Sanden Group and aiming to have the "best in class" management quality in the world. STQM is defined as the action to accumulate daily efforts of creative improvement, while improving the quality of each management and each results in order to build the company which prospers in the 21st century. To provide Sanden customers around the world with high-quality products as quickly as possible, the Sanden Group conducts its activities based on management to attain policy objectives, repeating the PDCA (plan, do, check, action) management cycle, and training of its human resources. In addition, Sanden conducts activities to innovate and improve its management by job type, job rank, and for specific business locations. Also, by expanding these activities throughout the Group as a whole, Sanden is endeavoring to become a "global excellent companies."



Presentation of Sanden's R&D EXPOS

Looking ahead to the future growth of the Sanden Group on a global scale, Sanden holds its R&D EXPOs with the goals of indicating the direction of its R&D activities and sharing these goals throughout the Group. The R&D EXPOs were held in Sanden's five major regions for the eighth time during the fiscal

year, based on the concept of "One SANDEN, One Dream Share the development for the future outcome."



The World STQM Convention

The STQM activities are conducted throughout the global Sanden Group, and, in parallel with these initiatives, the Group holds a world convention for small-group activities. The theme of the ninth world STQM convention, which was held in July 2016, was "We Must Be First Class" and it was held at the Akagi Plant (in Gunma Prefecture in Japan).

At the world convention, three model best practice cases were introduced, and 1,200 cases of circles were selected as winners at the semifinals level by regional blocks*, from 54 Sanden business locations in 23 countries and regions. At the next stage, 18 circles were selected as winners in the national blocks**, their cases were announced as examples of small-group cases. The Grand Champion was selected from these finalists.



*1: Japan block, Americas block, European block, China block, Asia block one, and Asia block two

*2: Japan: four circles; China: four circles; Poland: two circles; France: two circles; and one circle each from the Americas, Mexico, Malaysia, Iran, India, and the Philippines

Web <http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=10>

Relationships with Shareholders and Investors

Corporate Philosophy

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.

To promote the long-term support of shareholders and investors, the Sanden Group considers it important to provide them with beneficial information for facilitating investment judgements.

Aiming for Global Growth under the Holding Company Structure

To work toward realizing further global growth, the Sanden Group made the transition to a holding company structure in 2015.

Sanden has positioned returning profit to its shareholders as one of its high-priority management policies, and, with the fundamental policy of distributing profit depending on the Group's consolidated performance, Sanden will aim to pay stable and continuing dividends based on a consolidated dividend payout ratio of 30%. The dividend for the fiscal year ended March 31, 2016, was set at ¥15 per share after comprehensive consideration of the Group's performance, financial condition, and the outlook for performance in the next fiscal year.

In line with the purposes of Japan's Corporate Governance Code, which was implemented in June 2015, the Group will endeavor to gain an accurate understanding of its management strategy and other corporate matters, and, thereby, work to gain the trust of its shareholders and investors as well as an appropriate evaluation. Specifically, Sanden issues quarterly reports in Japanese and English with the goal of promoting understanding of the Group. Sanden also gives presentations, to financial institutions and institutional investors, of performance results at the end of the second and fourth quarters, and the materials provided at these meetings are posted on the Sanden website. In addition, Sanden responds to requests for information and interviews from financial institutions and institutional investors about 140 times each year. To respond to the trust and expectations of shareholders, Sanden is also working to promote further interactive communication.

Holding of 90th Ordinary General Meeting of Shareholders

The 90th ordinary general meeting of shareholders was held in June 2016 at the Sanden Communication Plaza located in Honjo City, Saitama Prefecture, and a booth was set up at the venue with the goal of helping shareholders to understand Sanden's environmental technology and products. Various products were displayed accompanied by panels to explain the principal features of these items. Products introduced included CO₂ compressors, electric compressors, digital signage, retail store showcases incorporating CO₂ compressors, heat pump water heaters, and coffee makers.

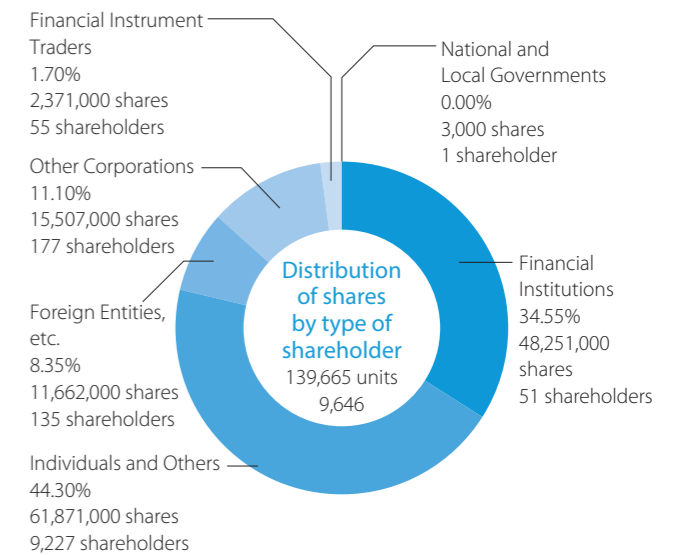
Following the conclusion of the general meeting, guided tours of the facilities were also conducted.



Exhibition booth at the General Meeting of Shareholders

Total Shares Issued and Composition of Shareholder Base

As of March 31, 2016, Sanden Holdings had a total of 140,331,565 shares issued and outstanding. The total number of stock trading units (with 1,000 shares each) was 139,665, and the total number of shareholders was 9,646.



Web <http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=9>

Relationships with Local Communities

Corporate Philosophy

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.

The Sanden Group is engaged in diverse activities designed to deepen its relationships with local 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 local communities.

Sponsorship of U-11 Soccer Team

The First Sanden Cup tournament was held in January 2016 in the Sanden Football Park in Isesaki City, Gunma Prefecture. The objective of sponsoring this cup is to promote sports among the children in the region and promote the vitalization of the regional community. A total of 10 teams (U-11) of primary school students in the prefecture participated in this event.



Sanden Cup Tournament

Participation in Charity Marathon

In September 2015, employees of Sanden Manufacturing Europe S.A.S. (France) and Sanden Environmental Solutions Branch, Sanden International (Europe) Ltd. participated in a charity marathon to raise funds for the fight against cancer. Employees of these Sanden Group companies have participated in this event since 2012. The €500 raised from local employees were donated to the cancer association.



Employees who participated in the marathon

CSR Training for Local Primary School Students

SandenVendo Europe S.p.A. (Italy) conducted a Green Children Project to educate local primary school students about CSR in November 2015 and donated an Interactive Multimedia Whiteboard to the school.



CSR education for local primary school students

Support for Work Career Planning

As part of its program to train human resources from other countries, Sanden (Thailand) Co., Ltd. hosted 75 students and professors from Japanese universities in August 2015. The training program included lectures and plant tours aimed at teaching the participants about international business and career development.



Students participating in a plant tour

Continuation of Cleanup Activities

In October 2015, Sanden International Taiwan Corporation (Taiwan) conducts cleanup activities each year in Taichung, Taiwan, with the aim of environmental improvement.



Ongoing cleanup activities

Activities of Sanden Environment Foundation Japan

Twenty-six employees of the Sanden Group, principally technical personnel, worked together for one year beginning in April 2015 for the sixth year with university students on three projects aimed at providing proposals for local governments and assisting in recovery in the regions that are recovering from the Great East Japan Earthquake. These initiatives were entitled "Environmental Network Campus," which is nicknamed E-Can*.

*Sanden Environment Foundation is conducting these E-Can activities linked to human resource training.



Workshop for vegetable dyeing



Workshop for solar cooking

Relationships with Suppliers

Corporate Philosophy

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.

Promoting the Sanden Group's sustained global development requires the reliable and efficient supply of competitive materials and components. To ensure that it can obtain such supplies, Sanden is striving to build mutual trust with its suppliers as business partners.

Giving Thanks to Business Partners

Sanden holds its G-CF Meeting* each year with the aim of giving thanks to suppliers engaging in production activities and working to expand sales of the Group's products. During the meeting, Sanden explains its management policies and works to have participants understand Sanden's business activities and build strong ties of trust.

At the time of the February 2016 G-CF Meeting, 92 companies participated, and Sanden presented those business partners who have made exceptional contributions to the Sanden Group in 2015 with certificates of thanks.

*Stands for Global Create Future Meeting



G-CF Meeting participants

Meeting to Propose "Our Strengths and Technologies We Are Proud Of"



Encouraging interaction among Sanden and business partner development personnel

Beginning in March 2013, Sanden has held meetings to enable its suppliers to explain their strengths and their technologies that are a source of pride for them to Sanden engineers. By drawing on these in new product development and incorporating them

Optimizing MPS* and Structuring Systems through Internal Controls

In all aspects of Sanden's internal MPS functions, to ensure that the organization properly reaches its goals of effectiveness, efficiency, and appropriate operation, Sanden is continuously reviewing its business processes.

To further the development of MPS activities, Sanden checks the operating level of 57 items that have been compiled through the examination of necessary conditions from all perspectives and conducts improvement activities. Beginning in fiscal 2015, 26 items have been selected for strengthening (including general management and planning, strategy, process supervision, management of business partners (suppliers), change management, and risk management) and raising to a higher level of effectiveness.

*Materials & Parts Supply

Support for Energizing Small Group Activities

Sanden has held semiannual meetings for Reports on Results of Small-Group Activities since 1993, and the 46th meeting (marking 23 years of these activities) was held in April 2016. The number of circles of business partners participating in these initiatives rose to 69, the highest to date, and each year progress has been seen in the level of these activities.

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

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

Relationships with Employees

Corporate Philosophy

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.

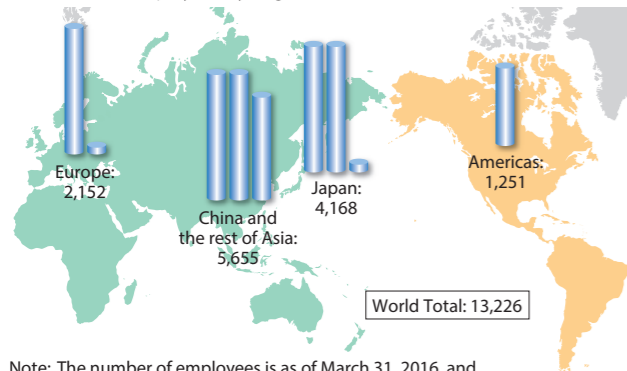
Sanden believes that providing the proper working environment that encourages employees to draw on their full capabilities will lead to corporate growth. That is another reason why Sanden makes every effort to ensure the physical and mental health of employees and strictly maintains labor safety and safety standards and is focusing on creating a work environment that considers work-life balance.

The Principle that a Company Is as Good as the People It Keeps



Teamwork among employees and within the organization is the basis of a company's prosperity. Under this basic concept that lives on in the founding spirit of the Company, the Sanden Group aims to be a company where diverse and highly motivated employees can conduct business activities globally.

Number of Employees by Region



Note: The number of employees is as of March 31, 2016, and includes personnel of subsidiaries and affiliated companies as well as non-regular employees.

Logistics Department "Woman of the Year" Selected

In June 2016, at the 5th Forum of Woman in Logistics, which was held in Warsaw, Poland, Joanna Patera, manager of the logistics department of Sanden Manufacturing Poland Sp. zo.o. (SMP) (Poland), was selected as the Woman of the Year 2015 in Logistics. This award has been presented annually since 2011 and gives recognition to female employees with distinguished excellence in the sales promotion and logistics fields.



Joanna Patera
Logistics Manager at SMP

Promotion of Diversity

Following the transition to a holding company structure of corporate organization in April 2015, in December 2015, Sanden held its Women's Forum 2015, and the president of Sanden Holdings announced the Sanden Diversity Activities Declaration. About 230 female employees were present in the meeting hall for the event, and other employees in remote locations participated via tablet computer.

Accompanying the implementation of The Act on Promotion of Women's Participation and Advancement in the Workplace in April 2016, the Sanden Group submitted the objectives it has already announced as a general business proprietor action plan. Then, in June 2016, Sanden appointed its first female corporate officer, and, with the aim of attaining the previously announced goal of raising the percentage of female employees in managerial positions to 12% of the workforce by 2020, the Sanden Group as a whole is undertaking initiatives to expand the number of female employees and provide support for career development of female employees, mainly in Japan.

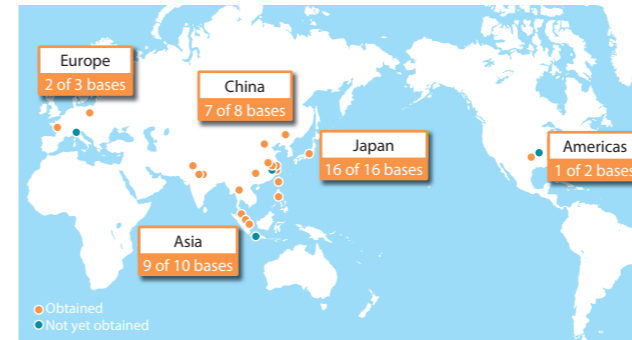
Sanden's Diversity Activities Proclamation

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) Work hard to 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

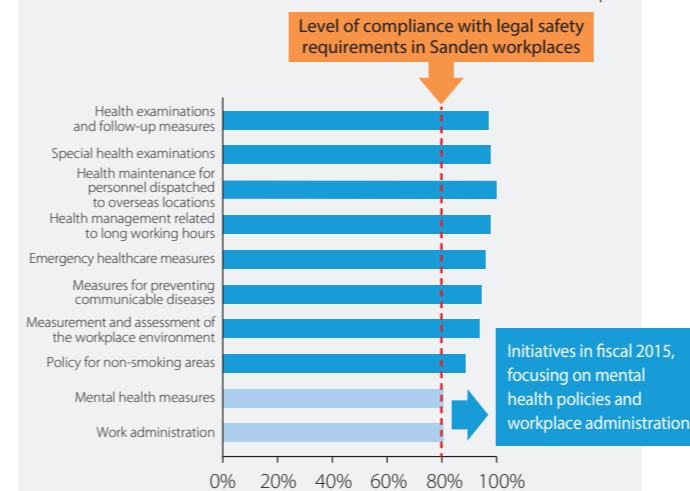
To make drastic improvements in Sanden's labor safety and health practices, beginning in January 2012, Sanden has been moving ahead with activities to obtain certification under the OHSAS 18001 standards. As of May 2016, all of Sanden's 16 locations in Japan and 19 of its 23 locations overseas had obtained certification. Business locations that have not yet been certified are implementing activities to obtain certifications.



Promotion of a Good Work-Life Balance (Activities to Maintain Hygiene and Health)

In fiscal 2015, activities to achieve a good work-life balance were conducted under the safety and health policy of "creating a safe and secure workplace through the behavior of each and every employee." With the aim of improving health maintenance, Sanden is continuing to implement health-related activities using checklists.

Status of the Workplace Environment



Since workplace environments and working conditions differ among workplaces, Sanden is working to promote workplace improvement initiatives through providing proper knowledge to managerial personnel and promoting awareness.

In fiscal 2015, in view of the status of conditions in the previous fiscal year, Sanden is taking initiatives for promoting spiritual healthiness and is placing priority on providing education and training related to mental health. Beginning in fiscal 2012, basic education courses were conducted, and, in fiscal 2015, initiatives were taken to strengthen line care through providing training sessions led by industrial psychologists for 274 departmental managers, section managers, and other managerial-level personnel.

Participants in these training programs expressed the view that they were able to learn more about handling cases where employees go on leave or return from leave as well as the need for maintaining close teamwork with related persons, including administrative personnel in charge and public healthcare personnel.



Personnel Data (Numbers of employees)

	FY2012	FY2013	FY2014	FY2015	
Total number of employees	3,101	2,997	2,975	3,004	
Women	Employees	371	341	369	366
	Department managers	2	2	1	1
	Leaders and higher	6	6	10	12
Newly graduated non-Japanese personnel	6	3	2	4	
Employees with disabilities	59	68	76	80	

- Notes:
1. Figures are as of March 31 of each year.
 2. These figures are for Sanden Holdings and its seven business companies.
 3. Employees with severe disabilities are accounted for as corresponding to two employees with disabilities.
 4. Includes the number of disabled persons employed in specific-purpose companies

Web

Sanden CSR Human Resource

Search

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

Targets and Performance

Category	Emphasized Activities	FY2015 Target	FY2015 Results	FY2016 Target
Customers	Quality Management	(1) Strict implementation of cross-divisional management policies (2) Attain strategic business objectives (3) Build SQMS (Sanden Quality Management System)	Strengthened capabilities for global work quality and global product quality by strengthening cross-divisional activities (1) Implemented global policy management on a cross-divisional basis (2) Accelerated sales growth from a quality perspective with a focus on environmental technology	Contribute to customers through further strengthening and emphasizing Sanden Total Quality Management (STQM) (1) To provide a driving force for quality management, strengthen the cross-divisional functions of the headquarters (2) Improve design quality to improve underlying quality (3) Expand human resource training to raise product quality
	Service	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	Promoted logistics activities with due regard for the earth's environment (1) Recommended use of ECO vehicles (2) Reduced number of deliveries through joint collection and delivery (3) Implemented more intensive (round) use of containers through collaboration with other companies (4) Shortened L/T transport through development of new ocean transport routes (5) Continued to expand scope of modal shift	Promote logistics activities with an awareness of the natural environment (1) Continue to expand the scope of collaborative delivery and logistics transactions (2) Implement more intensive (round) container use through collaboration with other companies (3) Raise the load ratio of oceangoing container transport (4) Develop new transportation routes (5) Continue to expand the modal shift
Employees	Human Resource Development	(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	(1) Implemented training for newly appointed managerial and leader class personnel to raise the level of administrative capabilities (2) Restructured education curricula by job classes (3) Implemented mutual human resource interchange between overseas subsidiaries and operating companies with the aim of nurturing human resources that can function effectively on a global basis	(1) Implement correspondence courses aimed at improving the management capabilities of managerial personnel and attain 100% attendance (2) Undertake new training by job level focused on leadership education (3) Prepare the foundation for accelerating the development of personnel who can function effectively as global leaders
	Diversity	(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%	(1) Introduced re-employment assessment system ("challenge sheet") (2) Secured re-employment positions for 100% of applicants (resulting in actual re-employment of 56 persons) (3) Held Women's Forum for fiscal 2015 (4) Implemented group discussions for women (5) Appointed 13 women (1.6%) to take charge of leadership roles in fiscal 2015	(1) Attain a 100% re-employment ratio (2) Develop five more external re-employment sites (3) Conduct training for raising awareness aimed at male managerial-level personnel (4) Implement training for female leader candidates
	Health and Safety/Work-life Balance	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	Safety: (1) Risk discovery campaign: Participation of 2,648 employees and discovery of 5,103 instances of risk (2) Crisis experience booths: Established safety practice simulation space for experiencing crises firsthand at the Yakkajima Office and Akagi Plant Health: (1) Implemented mental health education for supervisory personnel. Specialized education: Industrial psychiatrists provided lectures for 274 employees (82.5% of the total). Basic education: Public health nurses provided education for 100 employees (87%). (2) 260 persons participated in weekly weight challenge events, and 55% succeeded in reducing their weight by one kilogram.	Accelerate improvement in workplaces through providing proper knowledge and encouraging proper behavior Safety: (1) Insist on compliance with basic rules. Establish and require compliance with the five rules of safety (2) Nurture managerial personnel who will protect the workplace. Safety, improved leadership education, mutual safety checking functions (3) Speed up improvement in the workplace environment Risk management improvement campaign. Risk management improvement presentation meetings Health: (1) Self-care Self-care through the introduction of stress checks (2) Boost improvement in the workplace environment • Use stress check group analysis to improve the workplace environment • Encourage collaboration between supervisors and industrial doctors
Shareholders/Investors	Communication	(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	Restructured IR activities of top management under the new corporate structure (1) Earnings presentations held by top management (2 times) (2) Implemented plant tours at the time of the annual general meeting (3) Analyst coverage: Two additional companies are scheduled to cover the Company.	(1) Build and expand dialogue between the top management under the holding company on the one hand and shareholders and investors on the other (2) Expand the content of and opportunities for corporate disclosure (3) Hold presentations on corporate performance (following the announcement of results) conducted by top management (4) Hold plant tours
Local Communities	Local Contribution Activities	Promote social contribution activities at all Group business locations worldwide in collaboration with local communities	Implemented social contribution activities at global business locations (1) Soccer U-11* sponsorship (Held First Sanden Cup tournament in Japan) * Under 11 years of age (2) Participated in marathon event aimed at communicating and sharing the preciousness of life (France) (3) Implemented CSR education for local primary school students (Italy) (4) Support for working career development (Thailand) (5) Cleanup activities in locations around the globe (For details, see page 19)	Further social contribution through collaboration between Sanden's global network of business locations and the regions they serve (1) Educational support (2) Support for disaster recovery (3) Support for social welfare (4) Environmental preservation (5) Promotion of sports activities
Suppliers	CSR Survey	(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	(1) Implemented global research activities related to conflict minerals (2) Established medium-term objectives for business partners at informal gatherings (3) Holding of G-CF meetings: with attendance of 72 companies in Japan and 20 companies overseas (4) Held business exchange for overseas MPS managers with MPS meetings	(1) Accelerate responses related to conflict materials and customers through enhancement of internal information channels (2) Make visits to 50 MPS business partners: Encourage them to make new proposals (3) Improve communication with the top management of 84 business partners through participation in the regular MPS meetings (4) Strengthen communication with leading business partners through holding the G-CF meetings
	Communication			

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

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

Strengthening Corporate Governance

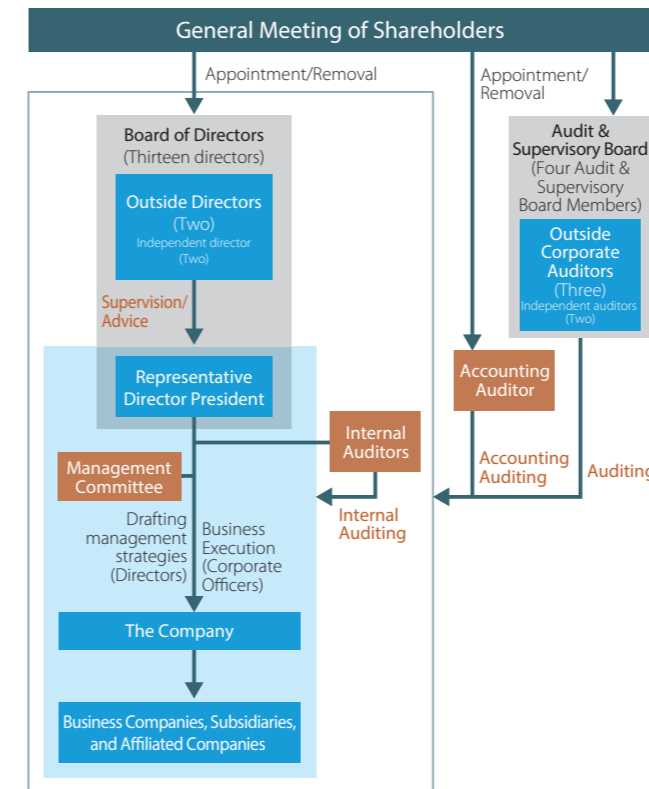
The Sanden Group strictly complies with all relevant laws and regulations, based on its Management Principles, and is working to strengthen its corporate governance systems to enhance the quality of its management.

The Sanden Group has structured a governance system comprising a Board of Director, Auditors and an Audit & Supervisory Board, and an Accounting Auditor. At present, there are 13 Directors (including two Outside Directors) and 4 Audit & Supervisory Board (including three Outside Auditors). To strengthen the oversight of management, Sanden has appointed Outside Directors and Outside Auditors who are highly independent. At present, all four of the Outside Directors and Outside Auditors meet the qualifications for independence as specified by the Tokyo Stock Exchange.

Sanden has set the term of office of Directors at one year and increased the transparency of management. To ensure prompt responses to changes in the business environment and other developments, Sanden has introduced the Corporate Officer system, and this has strengthened Sanden's business execution functions and increased the efficiency of management.

Major management issues, such as compliance and risk management, are discussed at meetings of the Management Committee and Board of Directors. In addition, to ensure legal compliance Sanden is working to enhance and strengthen its systems for ethical compliance and risk management. These include a "whistle blower" system for internal reporting as well as internal and external compliance and risk management advisors.

Global Corporate Governance Framework



Compliance Performance

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

Structuring of Global Compliance Systems

After making the transition to a holding company structure of organization in April, 2015, Sanden has worked to restructure its compliance systems. During the first half of the fiscal year, training and education courses were conducted related to the supervision of exports and preparations prior to going on overseas assignments.

For employees going overseas, Sanden provides necessary training, mainly in the laws of the countries where they will work. Education regarding anti-monopoly matters is provided through e-learning for employees in overseas operations, domestic operations, and management. In February 2016, in the Management Meeting, a report was presented on initiatives related to the compliance systems. In addition, as a means to strengthen the global legal compliance system, Sanden dispatched legal staff to Europe in fiscal 2016, and is working to further strengthen compliance systems.

Compliance Training Initiatives

To strengthen compliance systems, compliance officers and the harassment prevention committee hold meetings three times a year (in October, February, and March) to review reports on training and compliance initiatives as well as conduct training on specific compliance cases. To deal appropriately with anti-social elements, an employee has been appointed in each Group company to be responsible for preventing these elements from making unreasonable demands. In addition, training is provided for employees responsible for dealing with these elements.

Consideration and Review of Internal Rule System and Regulations

In fiscal 2015, accompanying the transition to the holding company structure, Sanden conducted an overall review of its internal rules systems and regulations and took steps to verify whether the objectives of the holding company structure are being achieved. Thereafter, follow-up reviews have been conducted as necessary. At present, Sanden is working on a compliance system to ensure the functions of internal rules 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 continuing to distribute a card explaining how to access these functions and through posters on internal bulletin boards.

Evaluations of Outside Parties



■ In June 2016, Mr. Masayoshi Ushikubo, Chairman of Sanden Holdings, received a cultural merit award from the Italian Republic. This award is presented by the Italian Ministry of the Interior to persons and companies in recognition of their substantial contributions to Italy. The award was presented to SandenVendo Europe S.p.A. and Sanden International (Europe) Ltd. SandenVendo Italy in recognition of the high assessment of their corporate performance and contributions to economic development in Italy.



■ In September 2015, Sanden received a gold award in the manufacturing division and a silver award for its human resource related activities from The Automotive Component Manufacturers Association of India.



■ In October 2015, Sanden's Eco Unit Division received a prize for excellence in the "eco Certification Awards" sponsored by the Tokyo Chamber of Commerce.



■ In February 2016, Sanden received that Supplier Award 2016 from AB Volvo. Sanden was highly evaluated for its global partnership in the compressor business and contributions to improvement in costs.



■ In June 2016, Times Square circle of Sanden's Akagi Plant received a gold medal in the Ninth All Japan QC Circle Conference (for small group improvement activities). The award was given in the clerical, sales, and service category (including medical treatment and welfare).

Comment of a Sanden Outside Director

Sanden Management Is Focused around Environmental Activities

Hideo Hohgi, Outside Director

(Formerly University Professor of Business Administration at Waseda University)



I became involved in the management of Sanden about a year ago.

About a year earlier, I was fortunate to have an opportunity to visit the Sanden Forest with 15 members of my seminar group at Waseda University.

During the visit, I was extremely impressed by the harmony that Sanden Forest has achieved between the enhancement of natural environment and business activities. This experience motivated me greatly to accept Sanden's offer to be its board member. What is most impressive about the Sanden Forest Akagi Plant is that the plant as a whole goes beyond achieving symbiosis with the natural environment. Sanden restored the original plant and animal life, but further more, it has made them even richer. In the production process, industrial wastes are completely eliminated by recycling almost all wood and other materials generated. In addition, environmentally friendly and superior vending machines are manufactured, where Sanden's "5S" principles are put into practice fully.

What really impresses visitors firstly is that Sanden dared to assign the well-known naturalist C.W. Nicol to develop the entire design concept and materialized it even in details. Amazingly, a high level of harmony has been achieved between the environment and

manufacturing throughout the area. Secondly, the magnificently regenerated habitats have been opened to primary and middle-school students and environmental lovers for outdoor studies. Thirdly, even after several decades following the opening of the forest, it has been well maintained, and rare insects and other life-forms have returned to the area.

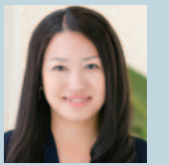
Moreover, more than 15,000 visitors a year come to the forest. This results in a deeper understanding of Sanden's Corporate Philosophy, and, as time goes by, this will attract valuable stakeholders, including promising employees, shareholders and customers.

Today, many companies have become aware of CSR (corporate social responsibility), but some of these companies seem to be passively involved in CSR activities to improve their corporate image. Sanden, on the other hand, realized early on the importance of "creating superior environmental value" throughout the corporate activities, as product development, production and distribution. We might say that the implementation of CSR activities should be its natural outcome.

In 2011, the well-known Harvard Business School professor Michael Porter advocated going beyond CSR and introduced the new concept of "creating shared value (CSV)" as an overall guiding principle for corporate activities. Prior to Porter's advocacy of CSV, Sanden initiated it and vigorously enhances CSV management day by day.

Third-Party Opinion Regarding Sanden's 2016 CSR Report

Ms. Yamaguchi began her career in a research institute and then founded FEM in 2003. FEM engages in research, assessments, and providing training related to the environment, CSR, biodiversity, and international certifications. In addition, at the Control Union, which is an international organization for certifications, FEM undertakes a wide range of certification activities, focusing on international standards for sustainability that gives proper regard to the environment and society. Ms. Yamaguchi is also a member of the Ethical Consumption research committee under Japan's Consumer Affairs Agency and serves as director and in other positions in many organizations.



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

"Sanden's CSR programs essentially put its Corporate Philosophy into practice." In April 2015, the Sanden Group made the transition to a holding company structure, and it is apparent in many parts of the report that Sanden is moving beyond activities it has built up thus far and is both "evolving" and actively taking up new challenges with a focus on restructuring its compliance systems.

First, I think we can say that Sanden's approach of linking the items in its Corporate Philosophy to its CSR activities based on the two concepts of "materiality for management" and "importance in the light of requests from society" which help to provide a roadmap for implementation is clear evidence that Sanden's CSR activities are continuing to evolve. Sanden's objective might be stated as "Having respect for people and concern for the environment and contributing to society through its technological capabilities." This objective can only be achieved when many people provide their knowledge, including technology development capabilities, and their efforts, and teamwork exists based on an understanding of the status of conditions in countries around the world.

The Sanden CSR Report 2016 introduces a range of the products that Sanden has developed, including heat pumps, air-conditioning systems, and compressors, and introduces many examples of how the strengths of the Sanden Group, namely environment technologies, have been applied in contributing to reducing the burden on the natural environment and creating the recycling society. In addition, the report explains initiatives related to Sanden's four "Greens" and its many years of initiatives related to the Sanden Forest Akagi Plant and how these activities have contributed to thoroughgoing environmental education. The report also relates how Sanden's business locations around the world have engaged in and developed their "Environmental Originality" activities and other initiatives that are directly related to people's lives and regional communities, including the development of automatic vending machines that can respond to needs following natural disasters. My overall view is that Sanden's goals and its attainment of these are magnificently high. On the other hand, Sanden's strengthening of its initiatives to reduce CO₂ emissions and waste emissions in China and the rest of Asia are points for consideration throughout the rest of the world also. I am looking forward to the further strengthening of these activities, which draw on technology and knowledge Sanden has accumulated, and how these activities drive

similar initiatives in the industry.

From a social perspective, the report enables me to see how Sanden is implementing its STQM activities, and is involving itself both in societies in Japan and other countries and regions in many ways. For example, the report provides a glimpse of how Sanden is providing support for student education, supporting work career development, working toward improvements in proper procurement activities, and building good relationships with its business partners. The report enables me to learn about Sanden's development and holding of the Women's Forum, which features provisions for participants in remote locations to join in the event; its Sanden Diversity Activities Declaration; Sanden's activities to attain its ultimate goal, which is "to create a company without any prejudice where everyone can draw on their innate sensibilities and shine"; and Sanden's efforts to create a workplace environment where conditions go so far as to provide necessary support so that employees can maintain a healthy mental state as they contribute through their work activities. Perhaps, going forward, when reporting on goals and specific initiatives to attain results, Sanden could also indicate clearly how much is being accomplished, and this would provide even greater motivation.

Japan is dependent on the rest of the world for many raw materials. Sanden is working actively to comply with conflict minerals requirements. However, I believe that identifying environmental and social issues not only from raw materials but also throughout the supply chain more proactively might lead to the discovery of sustainable development goals (SDGs). There are many approaches to solving environmental and social problems. As the message in the report from top management indicates, a strategy involving "technological development" and "social contribution" and simultaneously strengthening corporate governance appropriate for a global corporation, which will imply maintaining fairness, transparency, efficiency, and other qualities, is essential for sustainable growth. Sanden's founding spirit of "Let Us Develop with Wisdom and Prosper in Harmony" is in keeping with the universal values that resonate and are shared within international society. Adherence to this spirit will resonate with all stakeholders. I am looking forward to seeing how the Sanden Group, through its environmental technology that supports people's everyday lives and industrial activities, will continue its initiatives based on its original sense of values and achieve further development.

Comment on the Third-Party Opinion Regarding Sanden's 2016 CSR Report

This time, we have received valuable hints regarding the Sanden Group's CSR activities from Ms. Manami Yamaguchi, representative director of FEM Co., Ltd. She has given the report a high evaluation, especially for its coverage of environmental activities, and we would like to thank her for her comments. Our understanding is that it will be important for us to proceed to substantially further improve our environmental technologies, which are one of the Sanden Group's strengths, and move forward steadily to implement CSR activities that are most appropriate for the Sanden Group, focusing on the priority issues identified in 2016.

In addition, since the requests that society places on corporations are becoming more diverse, to respond to these changes around us, we should continue to identify priority issues as we listen sincerely to the views of our stakeholders. To continue to be a company that is trusted by society, we will work to deepen the understanding of each and every employee regarding our CSR activities and promote these activities on the global level.



Akishi Kimura
Corporate Officer
General Manager
Administration Division