

# Top Message



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

Sanden Holdings Corporation  
Director & President  
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Backed by key technologies related to cooling and heating, the Sanden Group conducts business with customers around the world, through diversified operations in the dynamic commercial store showcase, vending machine, and car air-conditioning compressor and systems industries.

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

### Initiatives to Create Corporate Value

In addition to targeting a return to a growth trajectory, the Sanden Group has launched a Corporate Mid-Term Plan for FY2017-FY2020. We are moving forward with four key initiatives while rapidly working to finish comprehensive structural reforms across the Company.

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

### Corporate Mid-Term Plan (Consolidated FY2020 basis)

Net Sales	¥320 billion
Ordinary Income Ratio	5%
Equity Ratio	25%

### Four Key Initiatives

1	Comprehensive cost transformation to improve profitability	Material and parts procurement transformation
		Productivity innovation
		Quality reforms
2	Asset efficiency enhancement to strengthen the overall financial structure	Selection and concentration of investment
		Reduction of working capital
		Securitization of non-core assets
3	Optimization of the business portfolio to create corporate value	Concentration of management resources to growing environment related fields
4	Management system reform to achieve sustainable growth	Innovation in corporate governance
		Enhancement of global management control
		Revamp the decision-making system

In the Automotive Systems Business, Sanden targets further growth in the field of thermal management systems with new technologies and products, including heat pump systems, electric compressors, and compressors using low global warming potential refrigerants such as CO<sub>2</sub>, in anticipation of the automotive industry's shift toward environmentally friendly hybrid, electric and new energy cars.

In the Commercial Store Systems Business, Sanden is utilizing two major approaches to growth. The first is to pursue new markets. The Company plans to take its successful domestic cold-chain business model and expand it globally, especially to Asian markets. The second approach is to expand based on new technologies and new products. By introducing IoT technologies to current cold-food supply chains, we will provide our customers with solutions centered on optimum temperature and humidity control resulting in high freshness and improved customer satisfaction.

### Strengthening Compliance and Corporate Governance

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

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

### Establishing the Sanden Brand as One Trusted by Society

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

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

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### 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 printed version of this report offers concise information on the Sanden Group's fundamental approach to issues based on its Corporate Philosophy and Management Principles. The Group's website offers more-detailed data as well as information on the latest CSR activities.

#### ● Period of Time Covered by This Report

The report primarily focuses on the period from April 1, 2016 through March 31, 2017. 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 consolidated subsidiaries and affiliates). Please note that the scope of information in certain sections of the report may differ from this, as indicated.

#### ● Guidelines Used in the Preparation of This Report

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

## The Organizational Structure of the Company Principles

### Founding Spirit

"Let Us Develop with Wisdom and Prosper in Harmony"

"Let us develop with wisdom and prosper in harmony" means that we should use our intelligence in combining our development and pioneering abilities to win prosperity for us all.

### Management Principles

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

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

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



### Management Policies

Leverage "global power" and "quality power" to realize an additional surge in corporate growth centered on core business providing environment-friendly products.

## 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.

We will grow as good corporate citizens, trusted by society and in harmony with the international community.

1. **Good Corporate Citizenship and Harmony with Society** We will grow as good corporate citizens, trusted by society and in harmony with the international community.
2. **Respect for Human Rights** We will build a corporate culture founded on respect for all individuals and human rights.
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.
4. **Corporate Ethics** We will conduct our corporate activities in a spirit of sincerity and fairness based on a strong sense of ethics.
5. **Safety and Health** We will enable our employees to achieve a healthy life style by creating an environment that assures their health and safety.

### Basic Stance toward Stakeholders

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.
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.
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.
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.
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.