

Sanden and the Environment

In the Sanden Group's "Third Medium-Term Basic Policy on the Environment," which was prepared in fiscal 2014, Sanden has taken initiatives for four Green Strategies: Green Technologies, Green Management, Green Processes, and Green Communication.

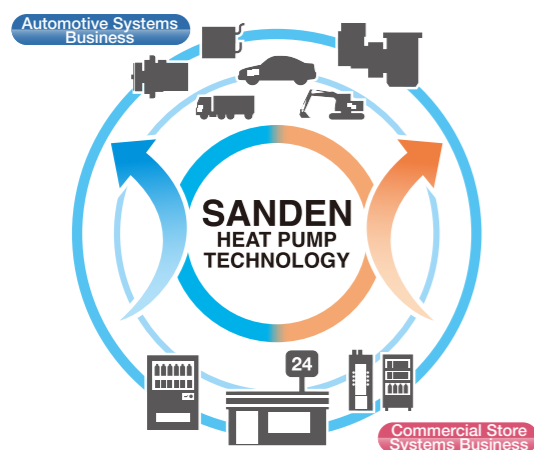
Green Technologies

The Sanden Group is accurately ascertaining the environment-oriented needs of people and customers to proceed with innovative technology development and product development that produces "new products that contribute to the environment" that combine the Group's core technologies for "cooling and heating" with "energy-saving technologies."

In the Automotive Systems Business, in addition to the development of technologies to make the equipment more compact, lighter in weight, and more efficient, Sanden became the first in the world to realize mass production of variable compressors that use CO₂ as a refrigerant because it has a small global warming coefficient and does not destroy the earth's ozone layer. Furthermore, it has developed highly efficient automobile air-conditioning systems utilizing heat pump technologies. Note that the goal regarding making products lighter in weight could not be achieved in the product environment indicators of in-house indexes that measure the environmental contribution of the products; so, the objective attainment rate for the indicators was 95%.

In the Commercial Store Systems Business, Sanden has expanded its lineup and introduced freezing and refrigerating showcases as well as vending machines with CO₂ as the refrigerant.

Use of Sanden Technologies Is Spreading Globally



Furthermore, in order to be able to respond to the diversification in the tastes of our customers, we have established "HOT & COLD foam" foamed milk cooking technologies that are "based on technologies developed in-house," "meticulous," "shining," and have "variable foam density," and have developed and introduced coffee vending machines that can provide such new milk products as a high-quality latte menu, and are environmentally friendly.

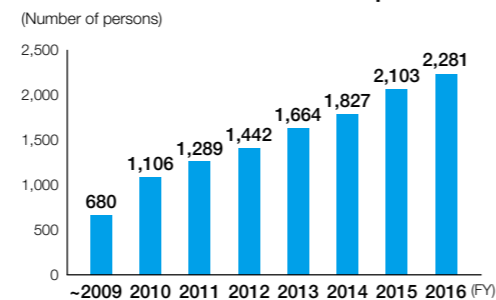
Green Management

As activities to support environmental management that realizes the management policy "To create corporate value by the environment," Sanden is promoting the practice of environmental management based on ISO 14001, the training of personnel who have an environmental "mind," and environmental activities with the participation of everyone.

Environment problems have regional characteristics such as in China where environmental problems such as air pollution are becoming more serious and in Europe which is driving global chemical substance regulations. Therefore, in China, with the objectives of sharing the environmental activities in each business location, discussion for environmental risk solutions, and improving the environmental activity level of each business location to contribute to environmental issues solutions in China, Sanden held the First China Region Environmental Congress. Furthermore, in Europe as well, representatives of each business location and environmental officers gathered together to hold the First European Environmental Convention, adopted the Tinténiac Agreement named after the location of the congress, and confirmed the continuing environmental improvement activities.

Domestically, the Tokai/Hokuriku Branch has been certified as an Eco Business Site by the City of Nagoya. This certification is a manifestation of the fact that the management policy and environmental management have penetrated within the Group. Furthermore, as a part of fostering an environmental "mind," since 2009 when the management policy was announced, Sanden has been encouraging the domestic personnel to take examinations in the Certification Test for Environmental Specialists [Eco test]. Through eco seminars given by external lecturers and study sessions held in-house, 178 people qualified as Eco People in fiscal 2016; so, a cumulative total of 2,281 Eco People are now developing environmentally conscious activities in daily operations.

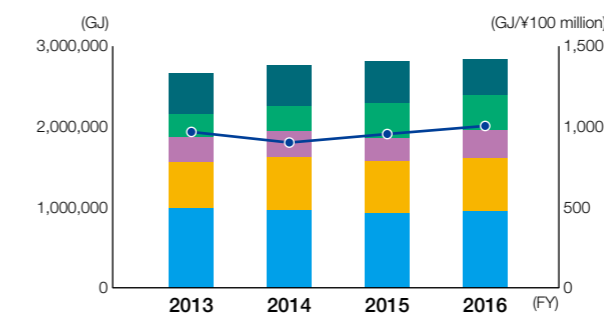
Trends in Sanden's Eco-Aware People



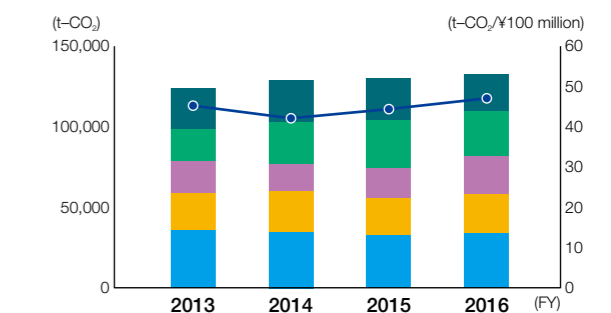
Green Processes

The Sanden Group has stipulated its "Medium-Term Basic Policy on the Environment," which covers the period through fiscal 2018 and is currently working, and is developing environmental activities at each business location. In fiscal 2016, in order to implement the PDCA cycle reliably, we introduced the global environmental information management system, and aimed to ascertain detailed changes in environmental data and conduct environmental management leading to improvement activities. Usage of energy was the same level as in the previous fiscal year, but, domestically, the basic sales unit worsened by 5%, compared to fiscal 2015 due to falling sales and the impact of the exchange rate. Working toward attainment of the Medium-Term Basic Policy on the Environment, Sanden has been promoting productivity improvements, revision of energy use, upgrades to energy-saving devices, etc., and organized improvement committees, etc. at the business locations to advance operational quality improvements seen from the perspective of energy use.

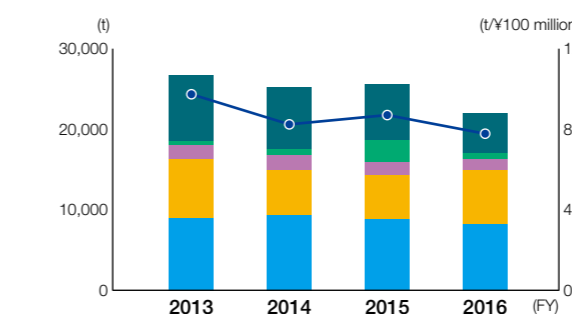
Trends in Energy Usage by Region



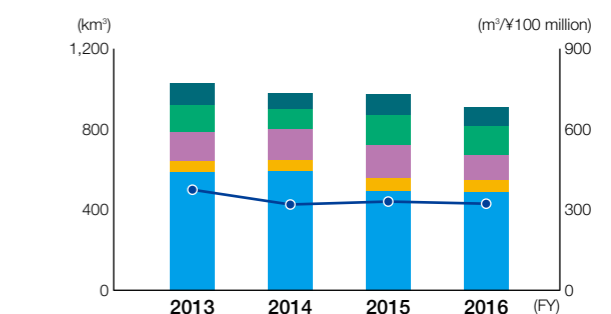
CO₂ Emissions by Region



Trends in Waste Emissions by Region



Trends in Water Usage by Region



■ Americas ■ China ■ Asia-Pacific ■ Europe ■ Japan ■ Basic consolidated sales unit

Green Communication

Based on the "Biodiversity Policy," which was prepared in 2014, as one corporate citizen Sanden is actively participating in local environmental preservation activities. Here, we introduce a variety of initiatives at each global business location.

Biodiversity Policy

Basic Approach

The Sanden Group is aware of the impact that business activities have on the ecosystem and develops activities aimed at "harmonious coexistence of industry and the environment" to contribute to the realization of a sustainable society.

Initiatives

1. Promote business activities that enable people and nature to co-exist
2. Actively use resources taking into consideration the ecosystem
3. Collaborate and cooperate with local communities and carry out activities from a global perspective
4. Develop environmental education activities for learning about the blessings of nature
5. Communicate the outcomes of activities widely to stakeholders

Established in April 2014

Initiative 1

Sanden is actively participating in tree-planting and environmental improvement activities, such as Green Wave* activities.



Forest improvement activities in Sanden Forest



Tree-planting activities by the personnel

* Green Wave is a global campaign for thinking about biodiversity that begins with the planting of trees.

Initiative 2

Sanden conducts "Environmental Originality" activities, which involve developing original environment-related initiatives tailored to the current situation in local communities and at each business location.



Composting of food waste at the plant in France



Cleaning activities by employees in Taiwan and their families

Initiative 3

The Sanden Forest/Akagi Plant, the Sanden Group's symbol of its environmental activities, celebrated the 15th anniversary of its establishment. The Company held a variety of events, and there have been approximately 15,000 visitors a year. Furthermore, at the "Civil Engineering Design Prize 2016" hosted by the Japan Society of Civil Engineers, the preparation of the site of the Sanden Forest/Akagi Plant using close-to-nature construction methods was highly praised, and the Nishinohon Institute of Technology and other related organizations involved in the preparation received the award for excellence.



The Sanden Forest/Akagi Plant created using close-to-nature construction methods

Attainment of Medium-Term Basic Policy on the Environment Targets since FY2016

This table summarizes (a) Medium-Term Basic Policy on the Environment Ending FY2018; (b) Policy Targets Set in FY2016; and (c) Attainment of Targets Since FY2016

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

Basic Strategy	(a) Medium-Term Basic Policy on the Environment Ending FY2018	(b) Policy Targets Set in FY2016	(c) Attainment of Targets since FY2016*
Green Technology	All mass-produced products meet product environment indicators (Goals are set by product)	Product environmental indicators of 0.9 or less with newly developed models (environmental performance comparison with applicable models)	B
		Reduce environmental burden in use of products through application of innovative technology	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 9% in comparison with fiscal 2013 ● Total emissions not to exceed actual for fiscal 2015 	C
		<ul style="list-style-type: none"> ● Reduce emissions of waste per unit of sales by 9% in comparison with fiscal 2013 ● Total emissions not to exceed actual for fiscal 2015 	A
		<Japan business locations and domestic Group companies>	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 2015 	A
		<Japan business locations>	A
		<ul style="list-style-type: none"> ● Reduce emissions of harmful chemical substances per unit of sales by 5% in comparison with fiscal 2015 	A
Green Management	Level of attainment of environment activities at all sites: A or higher	Implementation of assessments of environmental activity levels and feedback to business locations	A
		Strengthen implementation of environmental policy and environmental management	A
		Heighten awareness through implementation of environmental education	A
Green Communication	Global development of biodiversity activities Getting external assessments	Participate in environmental preservation activities as a corporate citizen	A
		Revision of activities using the questionnaire and environmental assessment results	A
		Move higher in the Nikkei rankings for environmental management	A

The fiscal 2016 performance is available on the Company's website.

One of the tenets of the Management Principles of the Sanden Group is “Satisfy our customers’ needs with high-quality products.” We practice our “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 “global excellent companies.”



Four-pole Development Structure Close to Customers

The business and development departments work together and have adopted a four-pole development structure (Japan, Europe, North America, and Asia/China) in order to be close to the global market and customers. We actively roll out new product development based on new product and new technology proposals to customers and, at the same time, are rolling out a broad range of technology support globally, including materials technologies, reliability technologies, and production technologies.

Thorough Implementation of Improvement from the Perspective of Customers

In the 9th Administration, Sales, and Service Department, at the All Japan QC Circle Conference hosted by the Union of Japanese Scientists and Engineers and held in June 2016, the Times Square Circle of Sanden Retail Systems Corporation won the Gold Award of the President of QC Circle headquarters.* Furthermore, at the 46th All Japan QC Circle Conference held in November, the Hot Forging Circle of Sanden Automotive Components Corporation won the Silver Award of the President of QC Circle headquarters.*

* This is an award founded in 1971 for the purpose of spreading and revitalizing circle activities and improving the level of individual QC Circle activities. In accordance with the spirit of “the basis of the QC Circle,” it is conferred on QC circles that carry out activities that are an example to others.



Initiatives to Improve Customer Satisfaction

The Sanden Group formulates policies and measures for each business company in an effort to improve customer satisfaction. Specifically, we hold regular meetings every month with our customers, implement assessments based on interviews once a year, and implement customer satisfaction surveys, etc.

The Customer Service Center (in Japan) receives inquiries about products and service requests 365 days a year. Through these measures, the feedback from customers is communicated to the quality assurance departments in the manufacturing plants, and the content of the feedback is analyzed for the purpose of product improvement and new product development.

Sanden believes that providing human resources development and the proper working environment that encourages all employees to draw on their full capabilities will lead to corporate growth. Furthermore, 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 highly motivated employees can conduct business activities globally. We are focusing on creating a work environment in which diverse employees with different countries, cultures, genders, careers, etc. can draw on their capabilities vibrantly in the 54 business locations in 23 countries and regions.



The basis of a company’s prosperity

Personnel Data

		(Numbers of employees)			
		FY2013	FY2014	FY2015	FY2016
Women	Total number of employees	2,414	2,407	2,394	2,304
	Employees	273	279	284	298
	Corporate officers	0	0	0	1
	Managerial personnel	4	10	12	10
	Leadership roles	5	4	16	18
	Number of foreign nationals hired (new graduates)	3	2	1	5
	Employees with disabilities	66 (2.18%)	73 (2.46%)	80 (2.64%)	91 (3.27%)

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. The figures in parentheses () are the percentage of disabled employees.
5. Includes the number and percentage of disabled persons employed in specific-purpose companies

Promotion of Human Resources Development

Sanden Holdings Corporation and the seven business companies consider the basic spirit of human resources education that “human power” X “technological power” = “managerial power” to be our foundation, and we are consistently implementing “leadership education” as shared education from young people onwards.

Furthermore, we have education systems that support self-development, and specialized education that is implemented for each department and plant.

Increase the Ratio of Women in Management Positions

As of the end of March 2017, one woman was serving as a corporate officer, 10 were serving as managerial personnel, and a further 18 were in leadership roles. By job classes,

Sanden is implementing education for personnel in their third year after joining the Company and managerial personnel candidates for the next period, regardless of their gender. Furthermore, Sanden has partnered with Waseda Business School to ensure that women participate every year and take on new challenges in the “Business School: Regional Revitalization and Human Resources Development Program” that is being held for the purpose of developing future business leaders for the next generation, who will be the drivers of regional economic growth.

Promotion of Diversity Activities

In December 2016, the Sanden Group held the Sanden Diversity Forum 2016, with the objective of promoting and motivating diversity activities. The forum had the theme of “What is diversity considered from the perspective of management strategy?” and was divided into two parts, and was attended by approximately 130 people, including female leaders and female leader candidates for the next period and their immediate superiors. In addition, female personnel in remote business locations also participated by using tablet computers.



At the Communication Plaza (Horjjo City)

Encouragement of Health and Safety Activities

Health and safety activities at the Sanden Group are carried out in cooperation with the people in charge of health and safety at each plant, business base, and Group company. Regarding the acquisition of the international OHSAS 18001 standard, since the beginning of acquisition in fiscal 2012, the acquisition has been completed at a total of 16 domestic business locations. Regarding the overseas business locations, the certification was newly attained at five business locations in fiscal 2012, six business locations in fiscal 2013, one business location in fiscal 2014, one business location in fiscal 2015, and two business locations in China and elsewhere in Asia in fiscal 2016, meaning that acquisition has been completed at 31 domestic and overseas business locations.

Sanden and our Suppliers/Sanden and our Shareholders and Investors

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. Furthermore, 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, and we are endeavoring to communicate actively with them.

Holding G-CF* Conferences to Build Solid Relationships of Trust

G-CF Conferences are organized for suppliers to express appreciation for their day-to-day manufacturing activities and their promotional activities related to Sanden Group product marketing promotion. These conferences are also held to promote suppliers' understanding of the Group's global operations and build solid relationships of trust.

A total of 162 representatives from 84 suppliers, consisting of 61 domestic companies and 23 overseas companies, participated in the February 2017 G-CF Conference. Awards were presented to 19 companies in recognition of their outstanding contributions, and two cooperating companies who achieved excellent outcomes in their engineering chain and the supply chain activities thereby contributing to Sanden's technology development and product competitiveness were given the Green Product Award (for the best proposal for environment-related technology) and the Green Process Award (for manufacturing excellence that is environmentally friendly), and their achievements were presented as examples of excellent cases.

* Stands for Global Create Future



Suppliers' awards ceremony at the 2017 Sanden G-CF Conference

Information Disclosure

Sanden issues quarterly reports in Japanese and English with the goal of promoting the understanding of the Group, Sanden's Corporate Philosophy, management strategy,



Suppliers
<http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=4&lang=en>
Shareholders and Investors
<http://www.sanden.co.jp/csr/disp.cgi?mode=detail&id=9&lang=en>

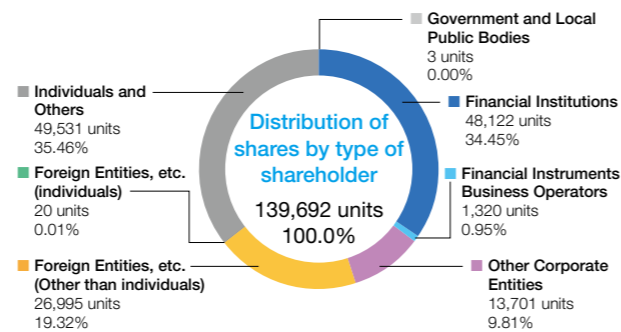
Corporate Mid-Term Plan, etc., and they are published on the Sanden website and in its Securities Report, etc. Sanden also gives presentations, to financial institutions and institutional investors, of performance results at the end of the second and fourth quarters, and the materials are posted on the Sanden website in Japanese and English. Going forward, Sanden will continue to enhance information disclosure in line with the purposes of Japan's Corporate Governance Code.

Communication with Shareholders and Investors

The 91st ordinary general meeting of shareholders was held in June 2017 at the Sanden Communication Plaza located in Honjo City, Saitama Prefecture. Sanden has installed display booths and presents the products of each business company in panels with the goal of promoting the understanding of the Corporate Mid-Term Plan and environmental growth areas of the Sanden Group among its shareholders. Furthermore, since 2014, Sanden has been holding a tour of the Company facilities for its shareholders after the General Meeting of Shareholders. In 2017, approximately 50 shareholders viewed the Sanden Forest/Akagi Plant, a factory in a forest that has realized "Harmonious Coexistence of Industry and the Environment." Small meetings for financial institutions and institutional investors were held 115 times during the year. To respond to the trust and expectations of shareholders, Sanden will continue working to promote further interactive communication.

Total Shares Issued and Composition of Shareholder Base

As of September 30, 2017, 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 139,692, and the total number of shareholders was 9,280.



* Effective from October 1, 2017, Sanden carried out a consolidation of Sanden shares by converting 5 shares to one share, and changed the number of shares per unit to 100 shares per unit.

Sanden and our Communities

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

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.

United States Exchanges with Middle-school Students from Japan

Beginning in fiscal 2013, Sanden International (U.S.A.), Inc. has arranged for mutual interchange meetings with middle-school students in Isesaki City, Gunma Prefecture where Sanden was founded, as a part of its human resources development. In fiscal 2016, 65 middle-school students studied about the global expansion of Sanden, and they deepened their understanding of a different culture as they communicated in English with the local (U.S.) staff while making ice cream.



Mutual interchange meeting participants

China Holding a DIY Contest to Deepen Understanding of Environmental Protection

Sanden Chongqing Automotive Air Conditioning Co., Ltd. (China) held a contest after having called for local children to submit their do-it-yourself (DIY) works related to environmental protection. A screening vote was held by the employees and their families to choose the most-outstanding work from among the 31 submitted.



Works submitted for the Environmental Originality activities, etc.

Italy Donation of Reconstruction Costs for a School Stricken by a Disaster

In February 2017, SandenVendo Europe S.p.A. (Italy) and the SandenVendo German Branch of Sanden International (Europe) Ltd. (Germany), together with the Sanden Group of

Japan and other organizations, donated 22,231 euros to the Colonio City Hall, in order to support the region afflicted by the central Italy earthquakes, and of that amount 10,000 euros donated by the Sanden Group was used for the reconstruction costs for a school in Amatrice.



The employees in Italy, who delivered the donation

Philippines Participation in Tree-planting Activities

In March 2017, Automotive Air-conditioning Technology Philippines, Inc. (Philippines) donated 110 trees to the tree-planting activities organized by the Philippines City Environment & Natural Resources Office (CENRO) and the employees participated in the tree planting.



The employees who participated in the tree-planting activities

Japan Great East Japan Earthquake Revival Project

In March 2017, a certificate of appreciation was delivered from Higashi-Matsushima City, Miyagi Prefecture to Sanden to recognize the Company's continued support over five years for the Afan Earthquake Revival Project. This project has worked on assistance for reforestation and psychological care for people in the afflicted region.



Certificate of appreciation from Higashi-Matsushima City, Miyagi Prefecture