



Working to resolve social issues, engaging with stakeholders and the ongoing implementation of measures to grow our business

Sanden Holdings Corporation
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Sanden celebrated the 75th anniversary of the company's founding in 2018. Since the company's founding in 1943, Sanden has remained committed in its business activities to using our core technologies in "heating and cooling" to produce products trusted by consumers, including dynamo light generators for bicycles, commercial freezer and refrigerator showcases, vending machines, car air-conditioning systems and compressors for car air-conditioning systems. Sanden currently operates in 53 business locations in 23 countries and regions, and counts some of the world's leading companies as customers. We would like to express our sincere thanks to all our stakeholders for their continued support and cooperation.

Shrink to Grow

The Sanden Group's management policy is "To create corporate values by focusing on the environment. We will realize the next stage of growth with environmentally responsible products while leveraging our global capabilities and our quality capabilities." With a management focus on the environment, the Group's activities will result in "technology developments" and "contributions to society".

We incurred extraordinary losses in fiscal 2016 due to structural reform-related costs and fines for violations of the EU competition law, which raised some concern among our stakeholders.

In this environment, we launched in fiscal 2017 our Corporate Mid-Term Plan based on the "Shrink to Grow" concept. In order for the Group to achieve ongoing sustainable growth, we must strengthen our business competitiveness, improve our financial position, and restructure our corporate governance structure. In recognition of these import-

Corporate Mid-Term Targets

(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
		Innovation in corporate governance
4	Management system reform to achieve sustainable growth	Enhancement of global management control
		Revamp the decision-making system

ant management goals, the Corporate Mid-Term Plan targets a turnaround for the company as it prepares for its next period of growth.

Advancing measures to create corporate value

Numerical targets in the Corporate Mid-Term Plan include sales growth to ¥320 billion in fiscal 2020, a recurring profit margin of 5%, and a shareholder equity ratio of 25%. To achieve these targets, the plan stipulates four key initiatives: 1) comprehensive cost transformation; 2) asset efficiency enhancement; 3) optimization of the business portfolio; and 4) management system reform.

Progress in achieving Corporate Mid-Term Plan targets

1. Comprehensive cost transformation

We have been working to improve productivity and efficiency at our operating bases. In addition to rapidly responding to the needs of our diversifying customers, we are advancing measures to lower costs throughout the group.

2. Asset efficiency enhancement

To reinforce the Group's business competitiveness, it is vital that we strengthen our overall financial structure. We generated over ¥20 billion in cash flow in fiscal 2017.

3. Optimization of the business portfolio

Recognizing the limited nature of the Group's management resources and the need to focus on growth fields, we decided to withdraw from production in the Living Environment Systems Business. Please see our special focus on the automotive systems business and the commercial store systems business on pages 4-5 of this report.

4. Management system reform

To improve the transparency of management and governance, we increased the number of outside directors from two to three and established a Nomination and Compensation committee. In addition, we are streamlining our holding company organization, optimizing management resources, promoting the delegation of authority to operating companies, and bolstering our global competitiveness.

Together with our stakeholders

The Sanden Group is actively adopting ESG-focused measures to promote growth and ensure that our Corporate Mid-Term Plan targets are achieved. We are focused on engaging in dialogue with an ever increasing number of stakeholders as we strive to resolve social issues and meet the expectations of all. We welcome the opinions and requests of our stakeholders in regard to our business activities and thank everyone for their continued support and encouragement.

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The Organizational Structure of the Corporate Principles

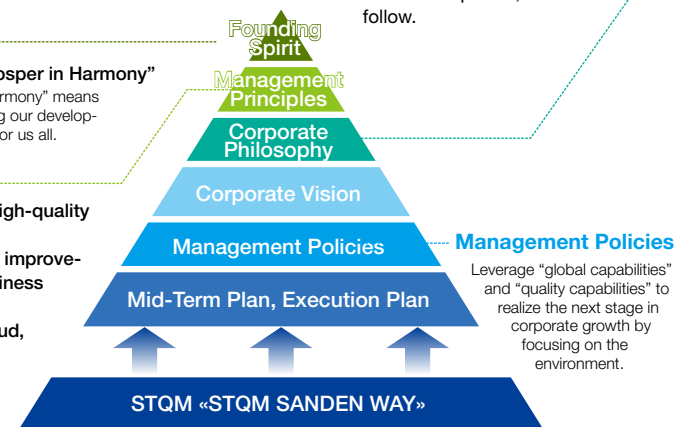
Founding Spirit

"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.

Corporate Philosophy

The Sanden Group (G-SDC) will observe 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	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.

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, 2017 through March 31, 2018. 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 Japanese Ministry of the Environment's 2018 Environmental Reporting Guidelines.