



**SANDEN**

Delivering Excellence

# CSR REPORT 2020

*Responsibly Creating  
Shared Value*

A decorative graphic in the bottom right corner featuring a globe with a blue network overlay of dots and lines. A large, vibrant green leaf is positioned behind the globe. A thick, flowing blue wave sweeps across the bottom of the page, partially obscuring the globe and leaf.

**SANDEN GROUP**

## Top Message



In order to create the affluent and comfort society, Sanden will continue to open up a new era and become a company all the people trusts.

**Katsuya Nishi**

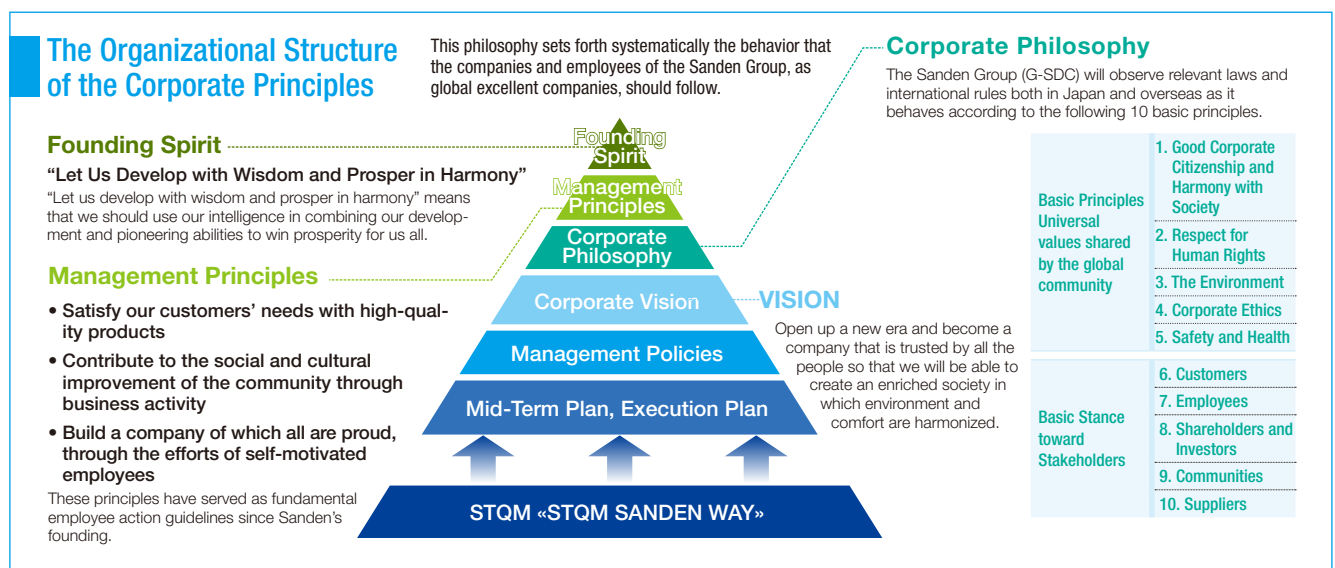
Representative Director & President  
Sanden Holdings Corporation

## Foreword

The adverse effects of the COVID-19 pandemic are spreading throughout the world. I would like to express my heartfelt sympathy to all those who have been infected and those who are forced to live in an inconvenient environment. I would also like to express my deepest respect and gratitude to all the medical professionals who are on the front lines of this unprecedented disaster, as well as the national and local government officials.

## Sustainable management based on the founding spirit

Having the founding spirit of “Let us develop with wisdom and prosper in harmony” as a basic philosophy, Sanden has continually been building the corporate culture of challenge and innovation and developing its business across the world since its establishment in 1943. Always getting ahead of the times with its state-of-the-art technology, it has been continuing to develop various world’s first and industry’s first products and extend its markets one after another. Sanden has been regarding the harmony of people and environment as one of its key CSR issues and working to resolve social issues through its business operations as a practice of its corporate philosophy. These efforts have formed the foundation of Sanden’s ESG management, which is required to achieve sustainable growth.



## Sanden's mission – Toward realization of the affluent society listed in SDGs

Taking account of the way the society should be in 2030, Sanden decided its corporate vision of “To create the affluent society where the environment and comfort are in harmony, we will continue to open up a new era and become a company all the people trusts.” We believe our mission is to “create comfortable spaces that enrich human lives.”

We developed our Mid-term Management Plan - SCOPE 2023 - in April, 2019, and are moving forward with the reform plan to implement the comprehensive reforms and achieve growth by proactively promoting “collaborative creation” with other companies. Aiming to achieve growth for both the company and society by linking business strategies and ESG initiatives, we integrated “contribution to achievement of SDGs through business” into the priority items and identified the following 5 important fields of activity: provision of high-quality products and improvement of customer satisfaction, protection of the global environment, assurance of occupational health and safety, recruitment and development of diverse human resources, and compliance. Each of these 5 fields of activity correspond to the ESG challenges including environmental consciousness, contribution to society, and governance enhancement. We believe achieving the goals in those fields will contribute to realization of sustainable society and lead to our sustainable growth as well as increase in our corporate value.

## Accomplishment of operational excellence together with you all

Giving first priority to quality, Sanden has developed its “workplace capability” through its honest and sincere efforts for manufacturing. The “operational excellence” that I am aiming for consists of the human resources who always have problem awareness and the organizations in which like-minded employees work on problems together as a team. I am going to put my all into development of such human resources and creation of such organizations.

All the employees of Sanden Group will work together to meet the expectations of our stakeholders and fulfill our mission of “creation of comfortable spaces that enrich people's lives.” Your continued support and cooperation will be greatly appreciated.

### SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



## CONTENTS

Top Message/The Organizational Structure of the Corporate Principles	1
At a Glance	2
CSR Activities of Sanden	3
Sanden's Contribution to Achievement of SDGs	4
Sanden and the Environment	6
Sanden and Our Customers	10
Sanden and Our Suppliers	11
Sanden and Our Shareholders and Investors	11
Sanden and Our Employees	12
Sanden and Our Communities	14
Social Contribution Targets and Performance	15
Corporate Governance/Compliance	16
Third-Party Opinion	17

## 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, 2019 through March 31, 2020. 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 2020 Environmental Reporting Guidelines.

# At a Glance

## Business Expansion

### Composition of Net Sales by Business Segment (Fiscal 2019)

#### Automotive Systems Business

**75.1%**

**¥153,776 million**

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 rapidly meet vehicle electrification requirements and are adopted by automobile, construction equipment, and agricultural equipment manufacturers all over the world.



#### Other Business

**3.8%**

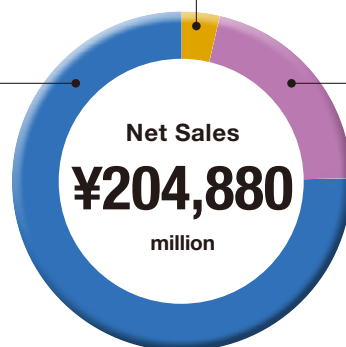
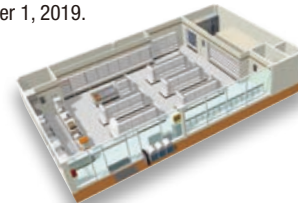
**¥7,829 million**

#### Commercial Store Systems Business

**21.1%**

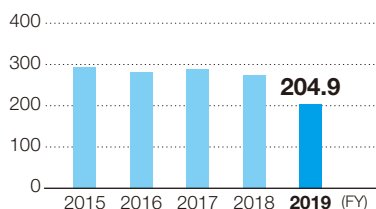
**¥43,275 million**

We provide support for food product distribution, mainly through the provision of our retail store systems and vending systems. We provided environmentally friendly products, systems, and services that contribute to the business growth of our customers globally. The business was transferred to SDRS Holdings Corporation, managed by Integral Corporation, on October 1, 2019.



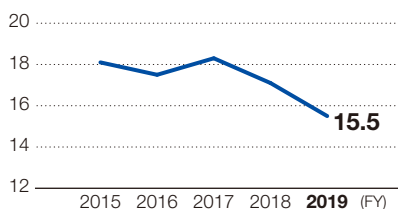
#### Net Sales

(Billions of yen)



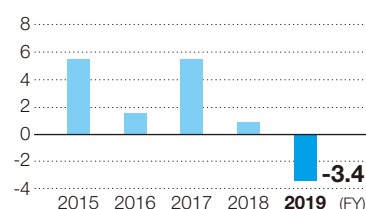
#### Gross Profit Ratio

(%)



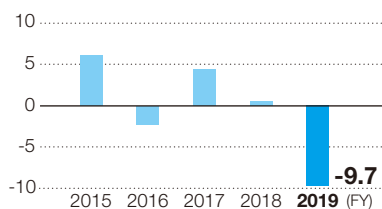
#### Operating Income (Loss)

(Billions of yen)



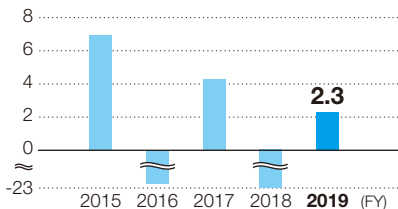
#### Ordinary Income (Loss)

(Billions of yen)



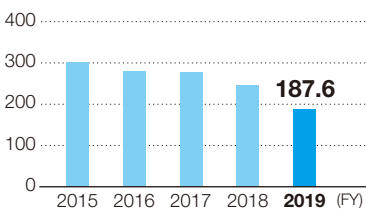
#### Net Income (Loss) Attributable to Owners of the Parent

(Billions of yen)



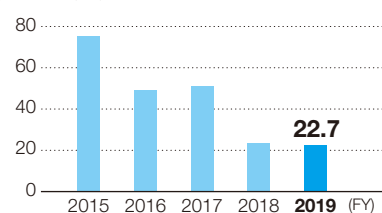
#### Total Assets

(Billions of yen)



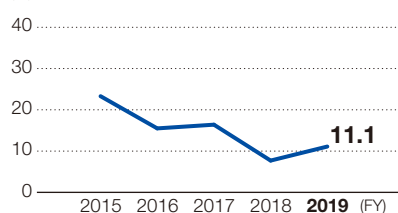
#### Total Net Assets

(Billions of yen)



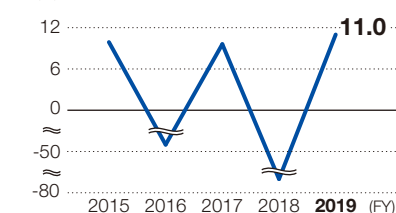
#### Capital Adequacy Ratio

(%)



#### ROE

(%)



# CSR Activities of Sanden

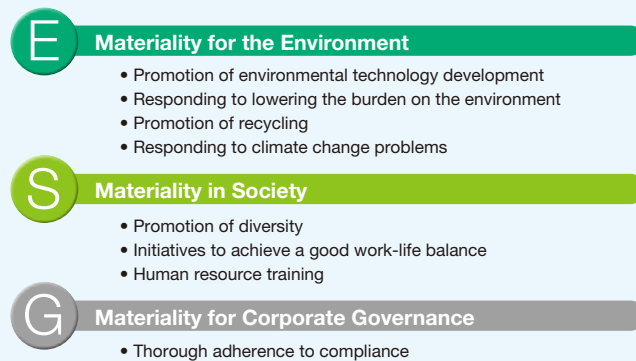
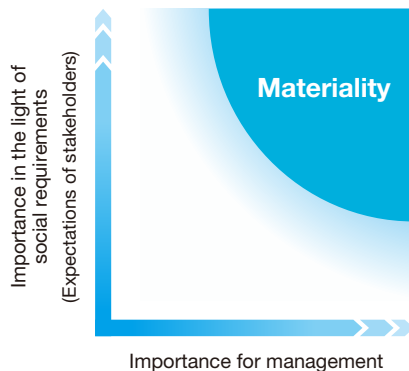
## Basic Concept

The Sanden Group Corporate Philosophy expresses the basic stance that we hold towards our related stakeholders. This stance covers a wide range of activity, from our actions in “providing customers with attractive products, systems, and services” as a business to our “actions in fulfilling social responsibilities as a means of earning the trust of society.”

Positioning CSR as the practical action of our Corporate Philosophy and the actions each employee serve to meet the recently growing expectations for initiatives that address corporate sustainability, and can be said to embody our CSR activities.

Moreover, we recognize the response to and co-existence with COVID-19 as a critical social issue, and are therefore working to reduce the risk of infection as a CSR activity that addresses Group employees and their families, as well as our customers, suppliers, and local communities.

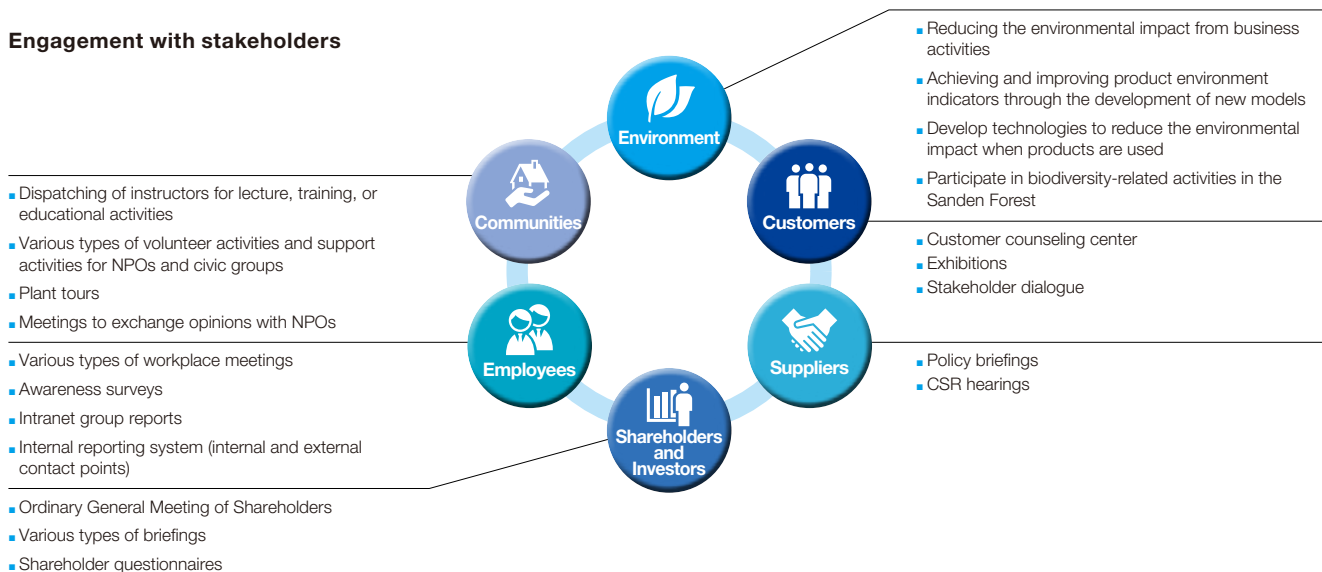
## Materiality Chart



## Relationship with Our Stakeholders

The Sanden Group not only values but seeks to deepen communication with our many stakeholders, including our customers, employees, and shareholders. While deepening our connections with customers through daily factory tours and exhibitions, we also continue to engage in direct dialogue with our partners at policy briefings and CSR hearings. In addition to the timely disclosure of information to our shareholders, we have received valuable feedback from these same shareholders via distributed questionnaires. The Sanden Group will continue to engage in dialogue in line with our goal of bolstering satisfaction among all our stakeholders.

## Engagement with stakeholders





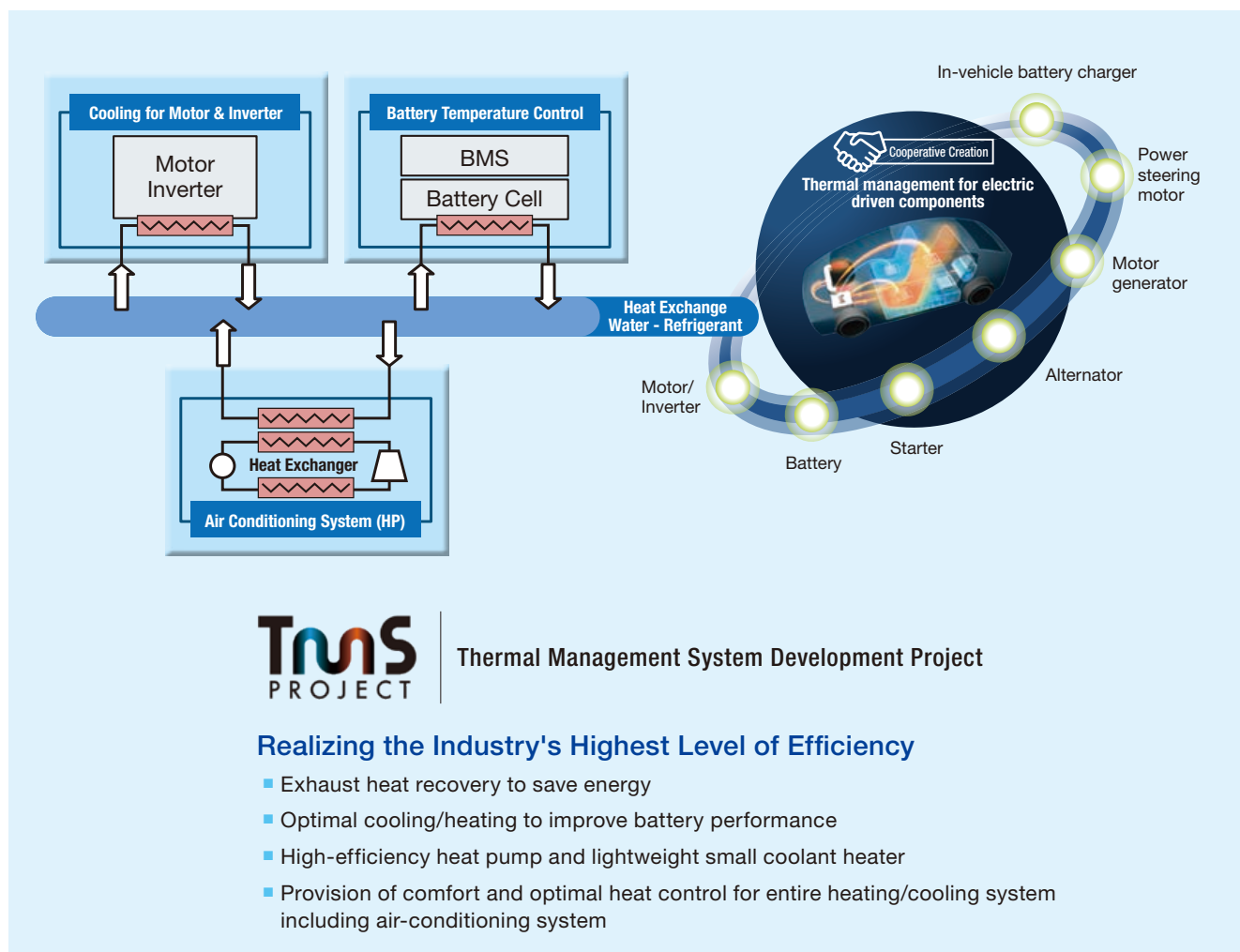
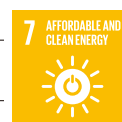
# Sanden's Contribution to Achievement of SDGs

## Enabling Comfortable Spaces that Enrich the Lives of People



The Sanden Group has envisioned “Enabling Comfortable Spaces that Enrich the Lives of People” as our aspiration for society in 2030 under the SCOPE2023 Mid-term Management Plan. Moreover, we are working to “Contribute to Achieving the SDGs through Business” as one of the core items of this Plan. We believe that SDGs initiatives are essential for the Group given that we acknowledge the demands of the global society and hold the mission of contributing to society.

## Concentrating on the Field of “Integrated Thermal Management Systems” for EVs

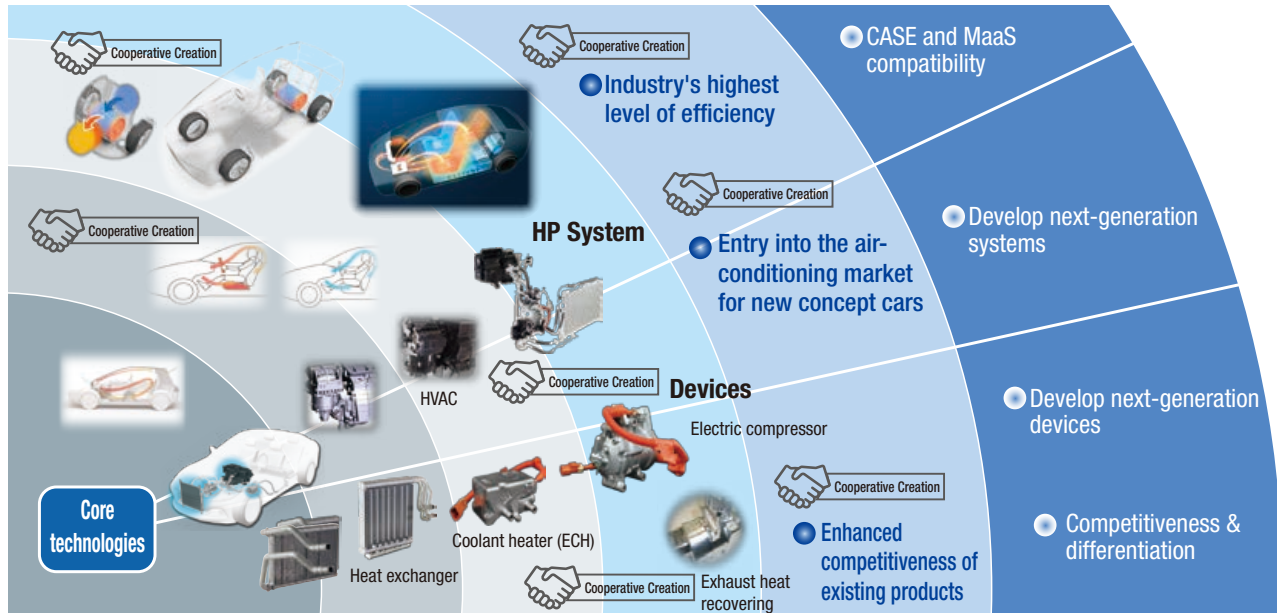


Reducing CO<sub>2</sub> emissions is an issue of global proportions. Although pursuing the wide-spread use of electric vehicles (EVs) on a global scale is critical for this purpose, energy efficiency has become a challenge for EVs. Integrated Thermal Management Systems precisely control cooling and the heat generated and recovered from automobiles, and offer the highest level of efficiency in the industry, thereby extending cruising distances. The Sanden Group is concentrating on Integrated Thermal Management Systems as a means of contributing to solutions for problems throughout the world.

## Technological Development and Social Contributions Based on Proactive “Co-creation”

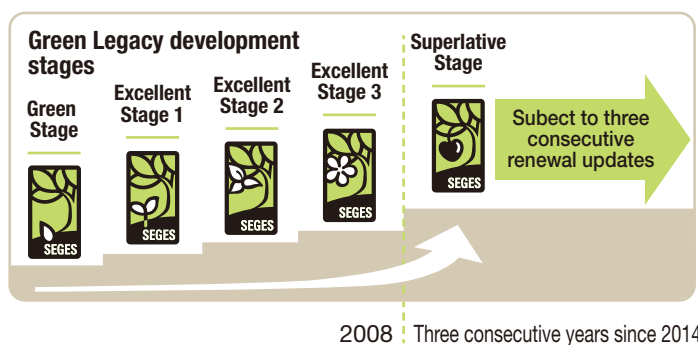
“Integrated Thermal Management Systems” Fields

[Fiscal 2019 Results] ▶ Collaborating for the Future



Compressors, heat exchangers, and other such devices, as well as the air-conditioning and heat pump systems that consist of a combination of these devices; development of next-generation systems as more sophisticated versions of these; and CASE and MaaS compatible devices that generates new value are the three fields that will support the Group's growth. By optimally controlling each of these devices and systems, we will extend the cruising distances of EVs, which is currently an issue, and contribute to society through the development of environmentally-friendly technologies.

## Contributions to Achieving the SDGs through Business



2020



Following its completion in 2002, Sanden Forest has promoted the co-existence of the environment and industry, and received SEGES Excellent Stage 3 in 2008. Sanden Forest has continued these activities ever since, and received “Green Legacy” certification, the highest rank under the SEGES, in 2020. This recognition shows that the very principle of Sanden Forest is ESG management itself.

# Sanden and the Environment

## Fundamental Approach to the Environment

The Sanden Group has established “Creating an enriched society in which environment and comfort are harmonized” as our goal, and contributes to the building of a sustainable society by striving to reduce environmental impacts throughout the global supply chain.

## Green Management

The Sanden Group considers “harmonization of the environment and comfort” as one of our critical undertakings, and is driving the realization of this goal throughout the Group. In order to lead this move, we are promoting the key initiatives of putting ISO14001 based environmental management into practice with a focus on manufacturing sites, fostering an environmentally-oriented mindset among employees, and contributing to local communities.

Having completed the transition to the 2015 version of ISO 14001, we are working to shift our environmental activities to achieve the targets in fiscal 2020, the last year in the Fourth Mid-Term Basic Policy on the Environment.

Under this basic plan, we are going beyond our existing environmental conservation activities designed to reduce the Group’s impact on the environment, and expanding the scope of these activities to the supply chain. Along with promoting activities that lower the burden on the environment and managing chemical substances contained in products, we deployed these activities throughout the Group with the goal of undertaking the challenge of technology and product developments that solve the social issues raised by the SDGs. The figure below outlines the control points for Sanden Group’s environmental management in each supply chain. We also apply PDCA cycles to these measures in order to further increase their effectiveness.

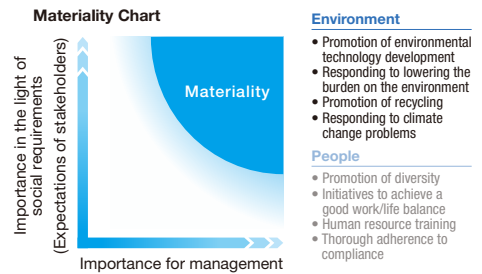
In terms of “fostering an environmentally-oriented mindset” among our employees, we primarily encourage our domestic personnel to take the Certification Test for Environmental Specialists (Eco Test), and support this endeavor by including the test in the “Correspondence Education Program.” A total of 2,470 employees have passed the Eco Test. Moreover, we made field work at manufacturing sites and Sanden Forest a regular part of new employee training, thereby allowing employees to experience the importance of conserving the natural environment.

The Sanden Forest (Area of the factory 32 ha, and the area of the surrounding natural environment 32 ha), created in 2002 under the concept of “Co-existence of Environment and Industry,” has restored a richer natural environment than before its inception as the result of adopting close-to-nature construction methods and ongoing environmental management. The Forest was also registered as a general site (survey site) on the “Monitoring Site 1000 Satochi Survey” by the Ministry of the Environment. To further improve the condition of the forest, in addition to activities such as removing non-native plant species, including the star-cucumber vine, we thinned approximately 360 trees. These activities were certified as “Green Legacy” by “SEGES (Social and Environmental Green Evaluation System),” which is administered by the Organization for Landscape and Urban Green Infrastructure.

### [Sanden Group Environmental Management list]

	Management →	Product Measures	Climate Change Measures	Resource Recycling	Environmental Risks	Communication	Biodiversity
↓ Value Chain	Development/Design	Environmentally-friendly product creation	Energy saving design, green laboratory	Lightweight, recyclable designs	Refrigerant regulation compliance Chemical substance regulations		
	Material and parts procurement				Green procurement	Supplier commendations Supplier audits	Biodiversity-friendly procurement Supplier requests
	Production	Environmental equipment upgrades	GHG reductions Process improvements Productivity improvements	Yield improvements MFCA	Harmful chemical substances reduction/replacement PRTR reduction		
	Logistics	Packing improvements	Modal shift Transport efficiency improvements Packing material minimization	Packing material reductions	Shipper responsibility compliance		
	Sales/Service	Environmental performance labeling (visualization)	Green sales	Packing material reduction Recycling service provision		Customer briefings	
	Use	Environmental performance labeling (visualization)	Refrigerant equipment management	Maintenance		Environmental performance labeling (visualization)	
	Recovery/Disposal			Product recycling Parts recycling 3R business expansion	Refrigerant recovery		
	Management	Product environments Certification systems	Green IT Green offices SBT certification		Compliance	Information communication	Guideline formulation Network building Ecosystem surveys





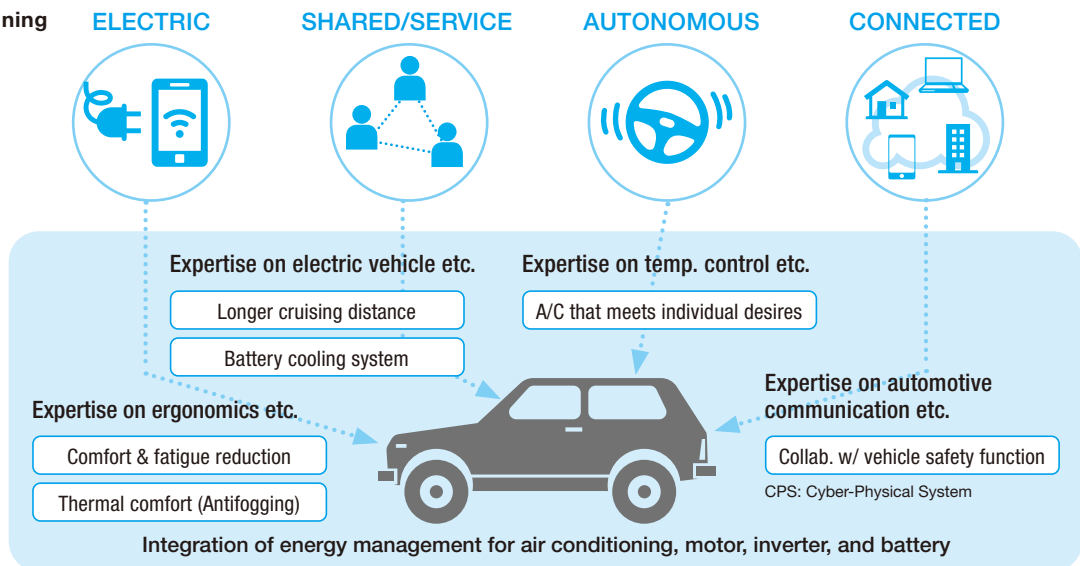
## Green Technology

The Sanden Group has been accurately ascertaining the environment-oriented needs of people and customers throughout the world 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” to realize a rich society in which environment and comfort are harmonized.

The Automotive Systems Business is experiencing a “period of tectonic change that occurs only once every hundred years.”

This period is exemplified by four new technologies and trends referred to as “CASE” (Connected, Autonomous, Shared/Service, Electric) that are encompassing the industry and that are anticipated to have a substantial impact on the future of society. The competitive environment and structure faced by automobile manufacturers is also undergoing a transformation that is expected to bring about major changes for suppliers as well. The Sanden Group sees this situation as an opportunity to aggressively undertake the challenge of developing “automotive air-conditioning systems.”

### CASE and Air-Conditioning System



In April 2019, the Sanden Group concluded a comprehensive agreement with all departments at Gunma University. We are currently working with the university to advance research aimed at addressing CASE under the theme of “Control Technology for Improved Performance of Electric-powered Compressors.”

## TOPICS

### Continuing Activities in Aims of Participating in the 99th Event



Vehicle Intended for the 2020 Race

As in 2019, Sanden Advanced Technology Corporation cosponsored team SAMURAI SPEED's participation in the “98th Pikes Peak International Hill Climb” held in Colorado, USA, in August 2020. In preparation for the race, we developed a cutting-edge water-cooled battery temperature control system. Although test runs using this system installed on the vehicle proceeded smoothly, securing the health and safety of all related parties against COVID-19 emerged as an extremely difficult challenge that led us to forgo our participation this year.

The primary purpose of the Pikes Peak EV Challenge is to measure and collect data for development of Integrated Thermal Management Systems for EV, and to test these systems. We are accelerating product development towards rapid launch of mass-production for the “Integrated Thermal Management Systems” matured through this activity in aims of continued growth.

### Green Process

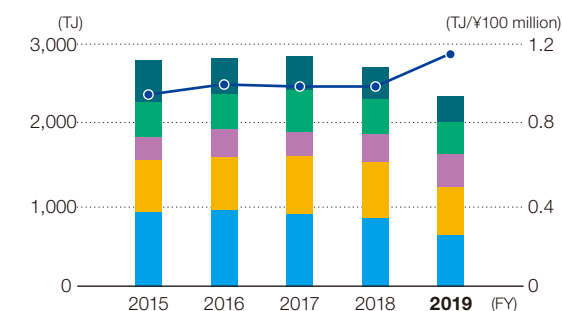
The Sanden Group engages in local procurement and production based on the concept of delivering products to customers around the world in a timely manner. The Sanden Group deploys environmental conservation activities that take into consideration the environmental impact that arises as a result of the manufacturing process and the environmental standards in the country or region in which the production base is located. These activities focus on preventing global warming, creating a recycling-oriented society, and reducing the usage of water and hazardous chemical substances.

Aiming to ensure production facilities are innovative and cutting-edge, at automotive air-conditioning system plants, we

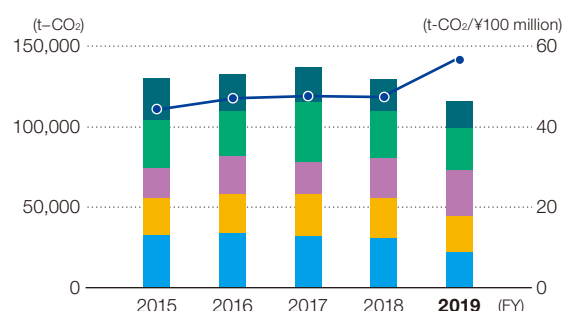
are working to improve efficiency through seamless, modular and integrated production that incorporates warehouse management systems (WMS), manufacturing execution systems (MES), and product lifecycle management (PLM). At the same time, we continue to promote “energy creation activities” that target the effective use of waste heat from factories, improve deterioration in work environments caused by water-soluble cutting oil, and undertake activities to reduce waste such as sludge.

Meanwhile, we also achieve further reductions in power consumption by replacing older model testing equipment with new models.

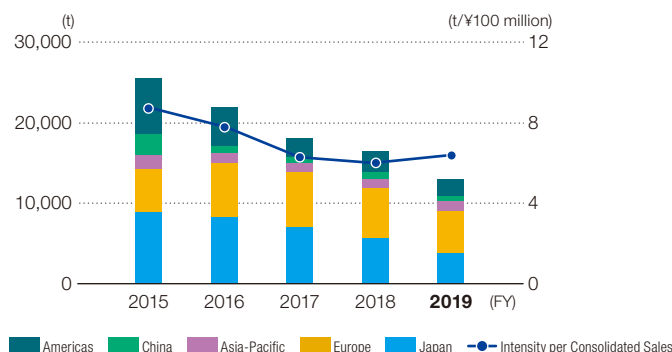
Energy Usage by Region



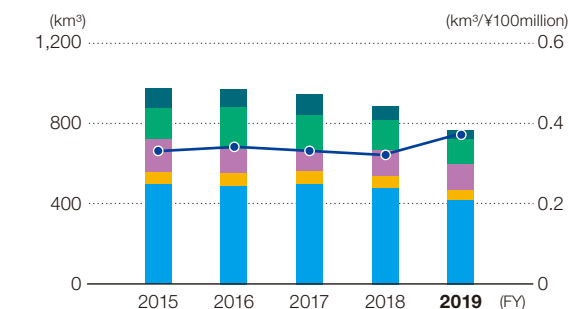
CO<sub>2</sub> Emissions by Region



Waste Emissions by Region



Water Usage by Region

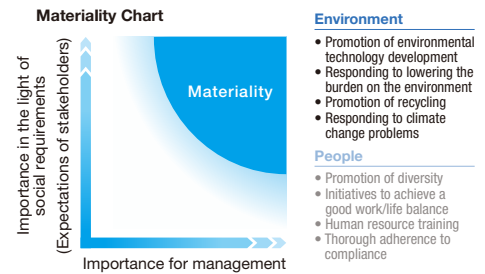


### Green Communication

In line with the “Sanden Group Guidelines for Biodiversity” formulated in 2014 and the Environmental Charter formulated in 1993, Sanden employees in their capacity as corporate citizens actively participate in local environmental activities. Along with cleaning and greening our factories, Sanden employees also participate in voluntary cleaning activities and events organized

by governments in the vicinity of our factories, and actively engage in other projects as members of the community.

We will continue to plan and promote communication with regional and global stakeholders in aims of being a company that is trusted by all the people.



## FY2019 Targets and Results

The table below outlines the results of environmental activities in fiscal 2019 based on the “Fourth Mid-Term Basic Policy on the Environment,” which began in fiscal 2018.

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

Basic Strategy	Mid-Term Basic Policy on the Environment targets	FY2019 Targets	FY2019 Results	Level of Attainment
Green Management	Environmental compliance • No. of environmental accidents: 0	Complete measures in response to ISO revisions	Updated to 2015 version at all sites	A
		Implementation of environmental education activities	<ul style="list-style-type: none"> <li>Conducted education to foster employee mindset in relation to areas such as SDGs and ESG (Deployed through the company newsletter)</li> <li>Promoting Certification Test for Environmental Specialists resulted in certification of 19 Specialists (total of 2,470 specialists)</li> </ul>	B
Green Technology	<ul style="list-style-type: none"> <li>Development and marketing of environmentally friendly products using new technologies</li> <li>All mass-produced products meet product environment indicators (Targets are set by product)</li> </ul>	Product environmental indicators of 0.9 or less with newly developed models (environmental performance comparison with applicable models)	<ul style="list-style-type: none"> <li>Compressors for car air conditioners: 0.85</li> <li>New HVAC units for car air conditioners: 0.65</li> </ul>	B
		Calculate environmental impact for product's entire life cycle	Established formula for calculating impacts of automotive equipment during use (Results of Japan Auto Parts Industries Association)	B
		Develop environmentally friendly products using innovative technologies	<ul style="list-style-type: none"> <li>Launched high efficiency heat pump for electric vehicle air conditioners</li> <li>Launched coolant heaters for electric vehicles</li> <li>Provided Li-ion battery temperature management system for electric vehicles</li> <li>Launched new refrigerant-compatible automobile air conditioner compressors</li> </ul>	A
Green Process	Reduction in environmental burden  (CO <sub>2</sub> emissions, energy consumption, waste emissions, water usage, emissions of harmful chemical substances) <ul style="list-style-type: none"> <li>Intensity per sales: 3% reduction from the previous year</li> <li>Total amount: Less than the previous year</li> </ul>	CO <sub>2</sub> emissions Intensity per sales: Reduced 3% (Compared to fiscal 2018) Total volume: Less than fiscal 2018	Intensity per sales: Increased 19% Total volume: Reduced 11%	B
		Total energy usage Intensity per sales: Reduced 3% (Compared to fiscal 2018) Total volume: Less than fiscal 2018	Intensity per sales: Increased 16% Total volume: Reduced 13%	B
		Waste emission Intensity per sales: Reduced 3% (Compared to fiscal 2018) Total volume: Less than fiscal 2018	Intensity per sales: Increased 6% Total volume: Reduced 21%	B
		(Japanese business plants and domestic group companies) Maintain recycling ratio of 99% or more (zero emissions)	Maintained	A
		Water usage Intensity per sales: Reduced 3% (Compared to fiscal 2018) Total volume: Less than fiscal 2018	Intensity per sales: Increased 16% Total volume: Reduced 13%	B
		(Japanese business plants) Emissions of harmful chemical substances Intensity per sales: Reduced 3% (Compared to fiscal 2018) Total volume: Less than fiscal 2018	Intensity per sales: Reduced 17% Total volume: Reduced 38%	A
Green Communication	Global deployment of biodiversity activities	Participation in environmental conservation activities	Actively participated in local afforestation and cleaning activities	A
	Acquire external assessments	Respond to external surveys	<ul style="list-style-type: none"> <li>Nikkei SDGs Management Survey Environmental Value Score: 56.1</li> <li>CDP...Climate change: Overall: C, Supplier engagement: B, Water safety: B-</li> </ul>	C



## Fundamental Approach to Customers

One of the tenets of the Management Principles of the Sanden Group is "Satisfy our customers' needs with high-quality products." With this as a starting point, the basic philosophy toward customers in the Corporate Philosophy is "To provide attractive products, systems, and services to satisfy customers globally, in the belief that quality comes first in our technological development and manufacturing efforts." In order to meet expectations of trust, we always put our customer-first spirit into practice by continuously pursuing and delivering the new value demanded by our customers.

## Quality Management

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 act of continuously making efforts to be creative and innovative in order to improve the quality of each aspect of management, thoroughly raise the resulting quality, and build a company that will prosper in the 21st century. Based on this definition, in 2019 we updated STQM to include the awareness of focusing on the "achievement" that stands as the resulting quality and the "special nature" of management quality that is bolstered by thoroughly implementing management methods and processes. In this way, we are rolling out "STQM+plus" activities as a means of further enhancing the competitiveness of the business companies and of strengthening results driven management.

### Continuing to bolster the foundation for improvement

Improvement and innovation activities serve as the basis for action by the employees who support the Sanden Group Corporate Philosophy, and are a universal part of all corporate activities.

As part of "STQM+plus" activities, each business company reviews existing limiting conditions and continues to undertake activities that exhibit freedom and diversity of content. Each business company holds and organizes their own achievement tournaments and undertakes other actions to bolster their foundation for improvement. Moreover, teams selected from among the participants are sent to outside presentation events to be stimulated by cases from other companies and to obtain opportunities for further improvement.

### Fiscal 2019 activity results

- QC Circle National Tournament
  - Big Neon Tetra Circle (Sanden Automotive Components)
- Gunma district QC Circle Championship
  - J-Hybrid Circle (Sanden Automotive Components)
  - Maji MAKUW Circle (Sanden Automotive Components)
- Gunma district QC Circle: General Tournament Spring Tournament Awards
  - J-Hybrid Circle (Sanden Automotive Components)



Employee from Sanden Automotive Components department delivering an address



In Front of the QC Circle National Tournament at the Kobe Convention Center

## Development System

The Sanden Group advances our development and manufacturing activities under a global four-pole development structure (Japan, Europe, North America, Asia/China). As part of this structure, the development departments at business companies in Japan take the initiative and aggressively developed new technologies that serve as the basis for new product and technology proposals for our customers. This approach thus serves

as a means of more reliably creating products from the recent diversification of markets and values demanded by customers around the world. At the same time, we are striving to further improve customer value by working in unison throughout the world to develop and broadly roll out global technical support for materials technologies, reliability technologies, production technologies, and other technologies.

# Sanden and Our Suppliers

WEB Suppliers

[https://www.sanden.co.jp/english/environment/csr\\_effort/suppliers.html](https://www.sanden.co.jp/english/environment/csr_effort/suppliers.html)



## Fundamental Approach to Suppliers

In line with our focus on creating opportunities and reducing business risk, we will continue to promote co-creation activities throughout the supply chain while simultaneously encouraging our business partners to understand the CSR promotional activities in which the Sanden Group is engaged. 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.

## Cooperation with Our Partners

1. Relationship with business partners: Procurement by the Sanden Group goes beyond simply "buying." Instead, we maintain the mission of ensuring a reliable and efficient supply of competitive materials and parts to the Group's factories and customers around the world. We also strive to build partnerships with suppliers around the world because the Group's own development relies on securing a reliable and efficient supply of competitive materials and parts from suppliers.
  2. Sanden Group Supplier Fundamental Principles: The fundamental principles for the Sanden Group's suppliers are posted on the website in Japanese, English, and Chinese.
  3. Enhancing Partnerships with Suppliers:
    - Supplier visits: The management team visits suppliers in Japan and abroad for the purpose of building strong mutual trust (FY2019 Plan: 10 companies, Actual: 10 companies)
    - Building co-creation relationships: We hold meetings with suppliers for the purpose of matching our development needs with the specialty technologies and expertise of our suppliers.
  4. Development of CSR procurement: As members of both the international community and local communities, the Sanden Group and its business partners must develop a range of activities in harmony with society and fulfill their corporate and social responsibilities. In line with this, we act and promote CSR procurement based on the fundamental principles for suppliers.
    - Respond to requirements in relation to corporate social responsibility issues such as human rights and environmental protection
    - Respond to requirements in relation to corporate ethics such as compliance with related laws and international rules
    - Respond to requirements in relation to safety and health management, and business continuity plans for such events as natural disasters
    - Respond to requirements in relation to management systems in areas such as quality, environment, and chemical substances
- In addition, to confirm that suppliers are in compliance with the basic principles, we conduct on-site surveys of business partners and their suppliers, where possible.

# Sanden and Our Shareholders and Investors

WEB Shareholders and Investors

[https://www.sanden.co.jp/english/environment/csr\\_effort/investor.html](https://www.sanden.co.jp/english/environment/csr_effort/investor.html)



## Fundamental Approach to Shareholders and Investors

To ensure the long-term support of shareholders and investors, the Sanden Group considers it important to pursue our responsibility to provide them with beneficial information about the company that facilitates investment judgements, and therefore endeavor to communicate actively with them. We are also working to enhance dialogue from an ESG perspective, something we have been focusing on for some time now.

## Cooperation with Shareholders and Investors

Based on the objectives of the corporate governance code, we are working to deepen communication and strengthen our relationship of trust with shareholders and investors, including through individual and small meetings for shareholders and institutional investors held throughout the year, which allow us to provide a clear explanation of our business strategies, as well as our Corporate Mid-term Management Plan and our progress in achieving the targets within that plan.

We also believe the meetings further facilitate the frank exchange of ideas and opinions. The Sanden Group is committed to providing more timely communications with overseas investors and shareholders, and has accordingly been holding more conference calls. We are working to continue to expand our communication efforts as part of our goal to meet the expectations and gain the further trust of our shareholders and investors.





## Fundamental Approach to Employees

With an eye on Japan's aging society and declining working-age populations, we believe our efforts to create a workplace where each employee can work to the best of their ability contributes to the growth potential of the company. Furthermore, Sanden makes every effort to ensure the physical and mental health of employees and to strictly maintain occupational safety and health standards, and is focusing on creating a work environment that considers work-life balance.

## Operational Excellence

The Sanden Group refers to the state of sustained competitive advantage achieved through operations as "operational excellence." In order to achieve this operational excellence, we place the utmost importance on each employee's competency to work on the frontlines of our organization and operations. With this in mind, we are promoting activities that enhance operational and workplace capabilities.

To ensure that the concept and culture of constantly pursuing better business operations is fully entrenched throughout the workplace, and that this in turn raises the competitive advantage of workplace capabilities (every function and operation of the Company including production, planning, research, development, and the supply chain) in real terms, the Sanden Group is working to instill the following approach and thoroughgoing actions.

- A break from convention and existing frameworks
- Challenge and innovation
- A constant awareness toward issues and efforts to identify solutions
- An awareness of issues by each and every employee who then take the initiative to uncover problems while finding solutions
- A strong sense of professionalism even when levels and areas differ
- A collection of professionals as opposed to a single genius
- Like-minded employees working together as a team, etc.



By being aware of and practicing the above actions at both the individual and departmental levels, each employee and the organization will grow and increase the value of the Company.

As a Group-wide activity aimed at achieving operational excellence, the Sanden Group has been conducting small group activities to pursue better business operations since 1989.

## Human Resource Education

The Sanden Group considers human resource development as a management issue that should be tackled as a group based on the concept that a company is its people. We conduct employee training with the aim of developing human resources that can play an active role globally and who are equipped with both "human power," such as leadership, as the starting point, and "technical skills," such as marketing.

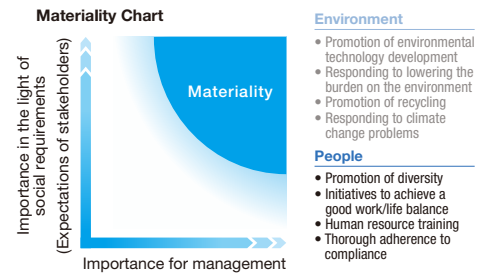
There are four levels of employee education: training based on organizational hierarchy for all employees to acquire knowledge and skills to match their position in the Company; selective training for future executive candidates; specialized training for each department; and self-development.

Employees can take in-house training courses focused on "Leadership Training" in areas such as "Corporate Philosophy," "Business Skills," and "Management Skills," and can also work on self-development using our system of flexible short-time work.

Specialized training for each occupation serves to improve the technical skills of engineers through in-house training of technical personnel at Sanden's Techno School, which boasts a history of 29 years.

### Outline of the SDC training system

Level	Training based on organizational hierarchy	Selective training	Specialized training	Self-development
Senior management		Management school Accelerated MBA		
Management	Management training Chief and assistant manager training	Business school Coaching training	Specialized training by job category	Correspondence and external training
General employment	Mid-level employee training Third-year employee training New employee training	Facilitation training		



## Work-Life Balance

### Support System to Balance Work and Family

1. Leave system for child and elderly care
2. Child support/care support leave system (flexible short time work)
3. Leave system for nursing care
4. Return to work system
5. Childcare service support system
6. Annual paid-holiday system based on hourly units
7. Refreshment holiday system
8. Recurrent holiday system
9. Telework system
10. Self-development and volunteer work
11. Cafeteria plan

## Diversity

### Diversity Initiatives

Under today's constantly changing business conditions, we believe in the importance of promoting diversity and the concept of a "proactive approach to utilizing difference and respecting and accepting diverse values." For this reason, based on the founding spirit of, "Let us develop with wisdom and prosper in harmony," we promote the creation of an easy-to-work environment where everyone can participate more actively.

These initiatives are aimed at gathering the various "harmonies" that are created from different value systems, bringing these "harmonies" to bare in achieving growth, and emerging as a "company in which all shine" as a means of putting into practice the basic principle of "building a corporate culture that respects the dignity and basic human rights of all people" as part of the Corporate Philosophy.

## Safety and Health

The Sanden Group considers "Health and Safety" as one of the basic principles of our Corporate Philosophy, and therefore works company-wide to ensure the health and safety of our employees. In 2000, we formulated the "Safety and Health Charter" to clearly define the principles and behavioral guidelines under which the Group works as a whole to promote the creation of comfortable workplaces where employees can work in safety and with peace of mind.

In fiscal 2019, we established "Practicing the Safety and Health Charter" as a company-wide policy, and promoted voluntary activities at each business site based on the Occupational Safety and Health Management System (OHSMS). Our targets for these activities were zero occupational accidents and zero new employees on leave for mental health reasons.

In terms of safety, we reorganized the safety and health structure based on the safety and health education system, and implemented company-wide training based on organizational hierarchy and training at each business site. As a result, we succeeded in raising the safety awareness of each employee, bolstering the safety and health management capabilities of management supervisors, and facilitating the creation of safe, healthy workplaces.

Specifically, we worked to entrench the "five items of daily safety activities" and the "five principles of safety and health" at production plants. At the same time, we conducted new initiatives, including introducing safety and health education for older employees with the goal of preventing fall-related accidents.



These activities resulted in fewer occupational accidents and substantially reduced the occupational accident incidence rate\* for fiscal 2019 to 0.27 from 0.69 the previous year.

In terms of health, we promoted various activities, including encouraging mental health care, activities to improve the health of all employees, cooperation with the health insurance association, and the entrenchment of the infection prevention policy and the emergency response policy.

Specifically, we implemented self-care education as a means of preventing mental illness before it occurs, provided health information using the in-house portal site, offered smoking cessation support and obesity measures in cooperation with the health insurance association (collaborative health), and promoted cancer screenings.

In line with these activities, Sanden Holdings Corporation and the seven business companies were certified as a group of companies showing outstanding health and productivity management (White 500) for three consecutive years from 2018.

\* Occupational accident incidence rate: the number of casualties resulting from occupational accidents per 1 million hours of total actual work

# Sanden and Our Communities

**WEB** Social Contribution Activities  
<https://www.sanden.co.jp/english/environment/activity.html>



## Fundamental Approach to Communities

With the goal of realizing a sustainable society, the Sanden Group is committed to fulfilling its role as a corporate citizen and deepening its ties with local communities through a variety of activities.

## Local Communities/Social Contribution Activities

### Germany, April 2019

#### Development of support activities that extend beyond national borders

Seventy children who lost their parents live at the “Dala Mar Gengo” orphanage located near Lake Victoria in Kenya. Employees of Sanden International (Europe) GmbH visited this orphanage using special leave to distribute food to the children and to provide Bible education and various fun lessons through games.



### Thailand, September 2019

#### Contributions to regional agricultural activities

Thai farmers of long-gong, a fruit that is harvested from July to September, had trouble selling their fruit during the September harvest peak. In response, Sanden Thailand Co., Ltd. directly purchased the fruit from the farmers and distributed them to employees in order to support the farmers.



### Mexico, December 2019

#### Christmas presents for children

Sanden Manufacturing Mexico SA de CV (SMM) held a NAVIDAR (Christmas) campaign during which SMM employees donated toys, sweets, and food to the “El Buen Pastor” refugee protection center.



### Poland, January 2020

#### Activities that convey Japanese culture

Sanden Manufacturing Poland sp.zo.o donated a Kokeshi doll that was hand-carved from Japanese plum wood to The Great Orchestra of Christmas Charity, a non-profit organization.

The doll was sold through an online auction organized by the charity, and the proceeds were used by the charity to purchase medical equipment.



# Social Contribution Targets and Performance

WEB Fiscal 2019 Social Contribution Targets and Performance

[https://www.sanden.co.jp/english/environment/csr\\_effort/activity.html](https://www.sanden.co.jp/english/environment/csr_effort/activity.html)



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

Category	FY2019 Targets	FY2019 Results	Level of attainment	FY2020 Targets
Customers	<p><b>Quality Management</b></p> <p>(1) Provide customer satisfaction, safety and security by incorporating customer specific requirements (CSR), including the International Automotive Task Force (IATF) and VDA, into quality management systems, and by going beyond management of the resulting quality to manage the quality of processes from development to production</p> <p>(2) Implement and manage product certification for overseas development projects, and continuously manage audits for global processes</p>	<p>(1) Introduced a Product Lifecycle Management (PLM) system that centralizes management of design and production processes globally. Using PLM to centralize and manage the CAD data, bill of materials, and other information that had been managed by each business site individually around the world until now is aimed at standardizing processes company-wide, reducing design workload, optimizing inventory management, and reducing material and parts procurement costs.</p> <p>(2) Implemented and managed product certification for overseas development projects and managed global public affairs audits</p>	B	<p>(1) Introduce and put a PLM system into regular operations at business sites in Japan. Provide customer satisfaction, safety, and security by gradually rolling out this system to overseas business sites</p> <p>(2) Implement and manage product certification for overseas development projects and continuously manage public affairs audits</p>
	<p><b>Service</b></p> <p>Capture customer needs in aims of developing next-generation environmental products</p>	Implemented in Japan, China, India	A	Capture customer needs in aims of developing next-generation environmental products
	<p><b>Human Resource Development</b></p> <p>(1) Implement training based on organizational hierarchy</p> <p>(2) Implement selective training</p>	<p>(1) Training based on organizational hierarchy (four levels)</p> <p>New employee training: 90 persons (100% attendance rate), Third-year employee training: 41 persons (100% attendance rate)</p> <p>New manager training: 35 persons (92% attendance rate)</p> <p>(2) Selective training</p> <p>Lecturer training: Canceled</p>	A	<p>(1) Implement training based on organizational hierarchy</p> <p>(2) Implement selective training</p>
Employees	<p>Employment ratio for people with disabilities: 2.8%</p> <p>Planned launch of job coaching support to enhance care for employees with disabilities</p>	<p>(1) Employment ratio for people with disabilities: 3.61%</p> <p>(2) Commenced job coaching programs</p>	A	Employment ratio for people with disabilities: 2.8%
	<p><b>Diversity</b></p> <p>(1) Increase women in management positions five-fold by 2030 compared to 2014</p> <p>(2) Strengthen employment of women among new graduate and mid-career hires</p> <p>(3) Strengthen leadership training</p> <p>(4) Create workstyles that raise productivity (Target for Sanden Holdings Corporation)</p> <p>*Formulated by each company from fiscal 2019</p>	<p>(1) Women in management positions: 15</p> <p>(2) Ratio of new graduate hires: 18%</p> <p>(3) Strengthened training based on organizational hierarchy and leadership training</p> <p>(4) Extended childcare work to cover children in the sixth grade and removed limits on the number of times childcare work can be taken to expand flexible workstyles</p>	A	<p>(1) Increase women in management positions five-fold by 2030 compared to 2014</p> <p>(2) Strengthen employment of women among new graduate and mid-career hires</p> <p>(3) Strengthen leadership training</p> <p>(4) Create workstyles that raise productivity (Target for Sanden Holdings Corporation)</p> <p>*Formulated by each company from fiscal 2019</p>
	<p><b>[Safety]</b></p> <p>Ensure zero occupational accidents through health and safety activities based on the Corporate Philosophy and Safety and Health Charter</p>	<p>Promoted voluntary activities at each business site based on the Occupational Safety and Health Management System (OHSMS)</p> <p>Reorganized the safety and health structure based on the safety and health education system, and implemented company-wide training based on organizational hierarchy and training at each business site</p> <p>Introduced safety and health education, including physical capability measurements, at the time of retirement for older employees that have been rehired</p>	A	<p><b>[Safety]</b></p> <p>Ensure zero occupational accidents through health and safety activities based on the Corporate Philosophy and Safety and Health Charter</p>
	<p><b>[Health]</b></p> <p>Work on mental health initiatives and lifestyle-related disease prevention with the goal of zero workers taking administrative leave</p> <p>1. Mental health policy</p> <p>(1) Strengthen self-care training (for new employees and third-year employees)</p> <p>(2) Promote improvements to workplace environments</p> <p>2. Policy for the prevention of lifestyle-related diseases</p> <p>(1) Improve specific health guidance implementation rates through cooperation with the health insurance association</p> <p>(2) Implement activities based on data health plans</p> <p>3. Strengthen policy on communicable diseases</p>	<p>1. Mental health policy</p> <p>Implemented self-care education as part of training for new employees, third-year employees, and new managers (220 attendees)</p> <p>Implemented workplace environment improvements based on group analysis results of stress checks</p> <p>2. Policy for the prevention of lifestyle diseases</p> <p>Held visceral fat and body composition measurement events</p> <p>Implemented health improvement activities, including individual consultations with public health nurses, hiking, and rally type step counting events</p> <p>Implemented "Swan School" smoking cessation support in cooperation with the health insurance association, and walking events using the MY HEALTH WEB.</p> <p>3. Strengthen policy on communicable diseases</p> <p>Introduced rubella antibody tests as part of regular medical examinations</p>	A	<p><b>[Health]</b></p> <p>Work on mental health initiatives and lifestyle-related disease prevention with the goal of zero workers taking administrative leave</p> <p>[Strengthen self-care and organized care]</p> <p>[Long working hours policy]</p>
Shareholders/Investors	<p>(1) Provide information disclosure including mosaic information</p> <p>(2) Strengthen global stakeholder communication</p>	<p>(1) In addition to holding management strategy briefings throughout the Mid-term Management Plan and annual plan periods and providing core financial and other past quantitative information required to deepen the understanding of such, proactively provided information from multifaceted analysis results, including qualitative information on market conditions, etc.</p> <p>(2) Provided timely information through rapid disclosure of Japanese and English briefing materials and through more frequent conference calls with overseas investors and institutional investors</p>	A	<p>(1) Enhance the disclosure details of ESG and management information</p> <p>(2) Create diverse communication opportunities through the use of online briefings and video conferences</p>
Communities	<p>Promote social contributions at all global facilities in cooperation with local communities</p> <p>(1) Support for education</p> <p>(2) Disaster recovery support</p> <p>(3) Social welfare support</p> <p>(4) Preservation of the environment</p> <p>(5) Promotion of sports</p>	<p>(1) Visited "Dala Mar Gengo," an orphanage in Kenya, and provided bible education and lessons through games</p> <p>(2) Donated to the reconstruction of the Notre Dame Cathedral and to the C.W. Nicol Afan Woodland Trust "School in the Forest" disaster recovery project.</p> <p>(3) Supported the "Fernando Moreno Children Against Leukemia Association" and donated 60 bags of candy on Children's Day</p> <p>(4) Participated in cleaning activities during "Clean Up the World," an environmental campaign in Poland</p> <p>(5) Conducted an athlete training program with Denso Ten Red Phoenix in Minamisoma City, Fukushima Prefecture, that was attended by 48 local junior high school boys and girls</p>	A	<p>Promote social contributions at all global facilities in cooperation with local communities</p> <p>(1) Support for education</p> <p>(2) Disaster recovery support</p> <p>(3) Social welfare support</p> <p>(4) Preservation of the environment</p> <p>(5) Promotion of sports</p>
Suppliers	<p>(1) Prevent parts supply delays through thorough implementation of BCP-compliant manuals</p> <p>(2) Strengthen communication through business meetings with core suppliers</p> <p>(3) Strengthen relationships by holding policy briefings for core suppliers at each company</p> <p>(4) Continue environmental improvement measures in the supply chain (management of CO<sub>2</sub> emissions)</p> <p>(5) Improve cash flow by reducing inventory and reigning in investment</p>	<p>(1) Prevented parts supply delays through thorough implementation of BCP-compliant manuals</p> <p>(2) Strengthened communication through business meetings with core suppliers</p> <p>(3) Strengthened relationships by holding policy briefings for core suppliers at each company</p> <p>(4) Continued environmental improvement measures in the supply chain</p> <p>(5) Improved cash flow by reducing inventory and reigning in investment</p>	B	<p>(1) Prevent parts supply delays through thorough implementation of BCP-compliant manuals</p> <p>(2) Strengthen communication through business meetings with core suppliers</p> <p>(3) Strengthen relationships by holding policy briefings for core suppliers at each company</p> <p>(4) Continue environmental improvement measures in the supply chain (management of CO<sub>2</sub> emissions)</p> <p>(5) Improve cash flow by reducing inventory and reigning in investment</p>





## Fundamental Approach to Corporate Governance

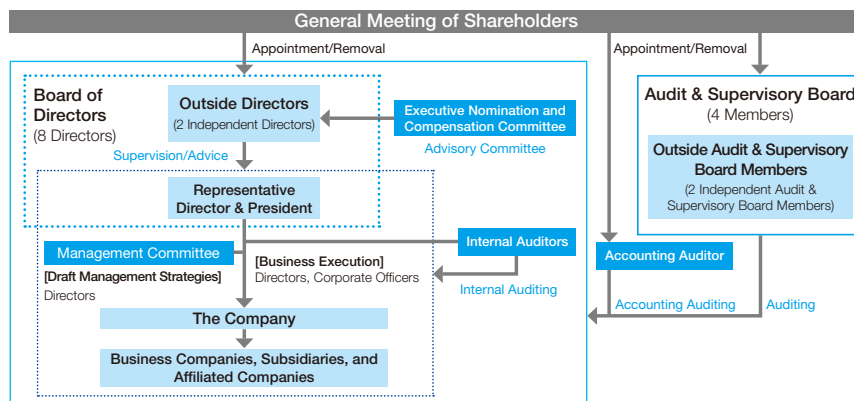
Since its founding in 1943, the Sanden Group's corporate culture has been guided by the principles set out in its founding spirit, "Let us develop with wisdom and prosper in harmony." In addition, the Corporate Philosophy, adopted in 2003 that outlines the "universal values shared by the global community" and the "basic stance toward stakeholders," has spread broadly throughout the Group. Based on the Corporate Philosophy, we are working on corporate governance from the standpoint of enhancing management quality in areas including fairness, transparency, and efficiency of management.

Under the Group's new vision to "Open up a new era and become a company that is trusted by all the people so that we will be able to create an enriched society in which environment and comfort are harmonized," we will steadily execute the Mid-term Management Plan and create new corporate value.

## Corporate Governance Initiatives

Employing the "company with auditors" model based on Japan's Corporate Law, Sanden has created a corporate governance system that includes a Board of Directors, Audit & Supervisory Board Members, Audit & Supervisory Board, and Accounting Auditor.

Of the eight directors that make up the board of directors, two are outside directors. This system is expected to deliver management accountability, strengthen supervisory functions, and ensure the objectivity of governance.



# Compliance



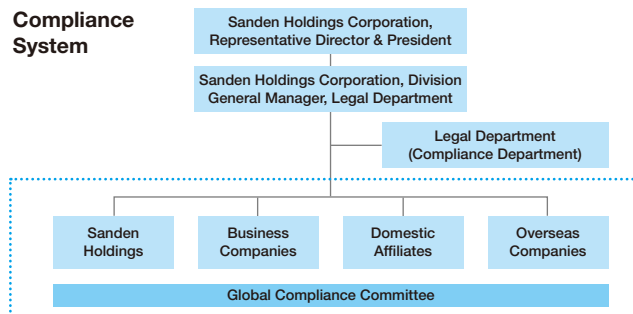
## Fundamental Approach to Compliance

Interest in corporate governance and compliance has been growing continuously. As part of the preamble for our Corporate Philosophy, which indicates the starting point for Group behavior, we stipulated compliance with laws and international rules, and established "conducting corporate activities in a spirit of sincerity and fairness based on a strong sense of ethics" as one of the basic principles.

Compliance is one of the most critical management undertakings for the Group, which is why we are committed to advancing multiple initiatives to ensure that all business activities are conducted with compliance as their basis.

## Compliance Initiatives

We stated "Establish a Global Compliance Framework" as our global policy for fiscal 2020, and formulated the global annual plan and annual plans for each company based on this statement. In addition to ongoing activities that ensure compliance with anti-monopoly laws, the core of the annual plans focus on strengthening bribery and corruption prevention, trade secret protection, and intellectual property protection on a global basis.





## Third-Party Opinion

As introduced in the Top Message at the start of this Report, the ESG management initiatives undertaken by the Sanden Group are advanced in connection with the organizational structure of the management principles, which clearly indicates the coordination between these initiatives and business activities. Moreover, in connection with the materiality of “environment” and “people,” the Group reported targets and results for fiscal 2019 in addition to individual initiatives, thereby giving this report a good overall balance. This Report also links the Group’s initiatives for the “Integrated Thermal Management System,” which serves as a core of its business activities, and “Technology Development through Co-creation” with outside organizations, to the individual goals of the SDGs, which I believe is a highly effective method for communicating the Group’s relationship with broader social trends to the stakeholders. Likewise, this Report delivers the powerful message that the Sanden Group contributes to society through its business activities.

As one aspect of materiality for the Sanden Group’s CSR activities, the “environment” is an area in which the Group has engaged in activities over the years. I believe that one part of the recognition the Group has received from society regarding this continuity lies in the fact that SEGES granted “Green Legacy” certification to Sanden Forest. Although Japanese society and many industries have entered an economically challenging period due to the impact of COVID-19, as shown by the fact that the SDGs framework is set over a 15-year span, initiatives aimed at sustainability must be continued regardless of whether economic conditions are positive or surmounting challenging periods. I believe the enduring spirit of Sanden Forest is an excellent initiative that exemplifies these aspects, and that it has also helped the Group receive recognition from society.

In terms of “people,” the second pillar of materiality, the Group’s relationship with its employees will become ever more important for making it through the era of COVID-19. The Sanden Group was an early entrant into aggressively undertaking health and productivity management, which led the Group to receive certification once again this year as an organization with outstanding health and productivity management. The Group also increased its employment ratio for people with disabilities over the previous year, enhanced the childcare work system, and strived for activities on a higher level. Instilling telework and other flexible working styles within a society that must live alongside COVID-19 is expected to expand opportunities for a greater range of human resources to participate in the future. And I expect to see the Sanden Group also continue to create environments in which a diverse range of human resources can participate.

As an organization that has steadily engaged in CSR activities, one of the future challenges for the Sanden Group likely lies in its efforts to enhance communication with investors. Even after society was plunged into chaos following the spread of COVID-19, ESG-related investments have continued to see greater activity, primarily in Europe and the US. In fact, there is growing trend in the number of both institutional investors as well as funds that target individual investors, while the scope of investments has spread throughout the world. Even beyond the Integrated Thermal Management System, a core of its business activities, the Sanden Group holds significant potential to contribute to ESG, so I expect to see a greater level of strategic communication.



### Hirotugu Kitada

Associate Professor, Faculty of Business Administration, Hosei University, Kobe University, Graduate School of Business Administration, Doctor of Business Administration. MFCA Forum Japan, Steering Committee. ISO/TC323 (Circular Economy) Japan working group member. Specializing in accounting, Hirotugu Kitada has conducted research on the spread and penetration of environmental management accounting and has expanded the scope of his activities to themes related to sustainability management. His main works include Emergent Responsible Management (Nihon Keizai Shimbun Publishing).

## Comment on the Third-Party Opinion Regarding Sanden’s 2020 CSR Report

Following on last year’s CSR Report, we requested a third-party opinion from Hirotugu Kitada, an associate professor at Hosei University who has worked to expand his scope of activities to the theme of sustainability management. As such, I would like to express my gratitude for his valuable suggestions and proposals.

Last year we formulated SCOPE 2023 as our new Mid-term Management Plan, which ends in fiscal 2023, and specified our contributions to the SDGs through business. Professor Kitada praised our approach to organizing the relationship regarding our contributions to a sustainable society. Yet there are still areas that lack specific activities and targets, so we see this as a major challenge for the future.

I believe the reason we have received such strong recognition of our ongoing activities targeting the materiality of “environment” and “people” is because we aim to be a company that provides “Integrated Thermal Management” for electric vehicles. This is an area expected to grow in the future, and because we have the ability to evolve our activities targeted at “creating an enriched society in which environment and comfort are harmonized.” as our new vision. By integrating our contributions to the SDGs into our management strategies, strategically linking solutions to social issues and business activities, and promoting concrete CSR activities, we aim to realize a company that is looked to and trusted by our stakeholders.



Corporate Officer, Division General Manager, Administration Division

### Yoshio Hashimoto

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

Please direct inquiries to

**Administration Division,  
Corporate Communications & CSR Department**  
Akihabara Daibiru Building, 1-18-13 Soto Kanda,  
Chiyoda-ku, Tokyo, Japan 101-8583  
TEL +81-(0)3-5209-3231