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Sanden Holdings Corporation

## Sanden Group 2017-2020 Mid-term Management Plan

Sanden Holdings Corporation has formulated a 2017-2020 Mid-term Management Plan which aims to revitalize the Sanden Group.

### **1. Recognition of Business Environment and Management Issues**

Due to recent exchange rate fluctuations and changes in the market environment, it is necessary to reinforce the corporate structure of the Sanden Group. In response to this situation, the Company started to implement structural reforms in August 2016. While these actions have resulted in improvements across the entire Group, our operational environment remains challenging due to extraordinary losses in particular which affected our financial results in FY2016 and additional actions are required in the mid-term.

To return to a path of sustainable growth the Sanden Group will transition to a highly efficient organizational structure and focus on value generating businesses. The Group will focus on swiftly and decisively solving structural issues in a deeper and wider manner. We must further reinforce our operations, improve our overall financial structure, and reconstruct our corporate governance system.

### **2. Basic Policy for the 2017-2020 Mid-term Management Plan**

In consideration of the above backgrounds, we have formulated the 2017-2020 Mid-term Management Plan to ensure revitalization of the Sanden Group. We will rapidly accomplish structural reforms and strategically allocate resources into growth areas, to put the Group on a growth track with profitability.

### **3. Consolidated Management Target for FY2020**

- (1) Net Sales : 320 billion yen
- (2) Ordinary Income Ratio : 5%
- (3) Equity Ratio : 25%

### **4. Key Initiatives**

- (1) Comprehensive cost transformation to improve profitability
  - A. Material and parts procurement transformation
  - B. Productivity innovation
  - C. Quality reforms
- (2) Asset efficiency enhancement to strengthen the overall financial structure
  - A. Selection and concentration of investment
  - B. Reduction of working capital
  - C. Securitization of non-core assets
- (3) Selection and concentration of overall business portfolio
  - A. Concentration of management resources toward core competencies and environmental related technologies

(4) Management system reform

- A. Innovation in corporate governance
- B. Enhancement of global management control
- C. Revamp the management control and decision making system.

The Sanden Group's management policy is to "Create corporate value based on "environment" utilizing our global strength and quality capabilities." First-class "Quality" resulting from implementation of a unique set of management quality reforms and "Global Strength" derived from a network spanning 23 countries and regions and 54 locations will enable us to sustain future growth using Sanden core competencies and environmental technologies.

Based on this policy, the Group is dedicated to achieving its vision of becoming a group of "Globally Excellent Companies" and fully executing the Mid-term Management Plan, creating even greater corporate value in the years ahead.

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