

## Basic Policy

The Sanden Group bases activities on the “Founding Spirit” that gave the Company its start and on its “Corporate Philosophy.” Upgrading and strengthening corporate governance is one of our highest priorities. We have a firm commitment to making operations more efficient and transparent as well as to consistently raising our enterprise value.

Our corporate governance systems mirror the nature of our operations, history, culture, and other defining characteristics of Sanden. We have examined from many angles different ways to establish a corporate governance system that is best suited to the Sanden Group from a long-term perspective. The result is our current management structure and corporate auditor system, which

we believe closely match our requirements. We have also adopted the executive officer system. This boosts management efficiency by separating the roles of management decision making and the execution of business operations. In addition, we have an external director and external auditors in order to make our management oversight functions more effective.

We are always seeking ways to improve the quality of our management with respect to efficiency, transparency, and other characteristics. For example, we are now considering the establishment of an advisory board. Through this stance, we intend to continue upgrading corporate governance, with the aim of raising enterprise value.

## Fundamental Policies for Internal Control Systems

In accordance with Japan's Company Law and rules for enforcement of this law, Sanden has established the following fundamental policies for its internal control systems.

1. Establish systems to ensure that directors and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation.
2. Establish systems to store and manage information concerning the execution of duties by the directors.
3. Establish rules and other systems concerning the management of risks that may cause losses.
4. Establish systems to ensure that directors perform their duties efficiently.
5. Establish systems to ensure that the business operations of all Group companies are conducted properly.
6. Establish items concerning employees to assist corporate auditors and the autonomy of those employees.
7. Establish a system for directors and employees to submit reports to the corporate auditors.
8. Establish systems to ensure the effectiveness of audits performed by the corporate auditors.

