

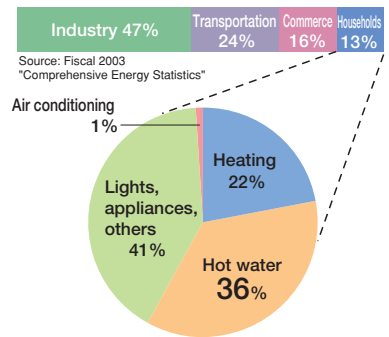
## Leveraging Comprehensive Strengths to Enter the EcoCute Market

### The Surprising Amount of Energy Used for Hot Water

In recent years, there have been reports of rapid advances in global warming, the loss of the ozone layer, and other environmental problems. As one way to respond to this crisis, the Kyoto Protocol became effective in February 2005. As a result, Japan must work even harder at protecting the natural environment. Sanden is playing its part by conducting programs that span the entire organization. In addition, every individual of the Sanden Group must increase efforts to conserve energy and resources and to reduce the use of harmful chemicals.

Carbon dioxide emissions from automobiles and factories are a serious environmental issue. But even ordinary households need to work on limiting these emissions. In Japan, households account for 13% of final energy consumption, and hot water alone represents 36% of household energy use, a surprisingly large share (Table 1). Demand for EcoCute heat-pump hot water supply systems is rising rapidly as an effective means to conserve energy and cut carbon dioxide emissions. Fiscal 2005 sales of EcoCute hot water heaters in Japan surpassed 220,000 units, 70% more than one year earlier. Strong sales growth is expected to continue as the Japanese government executes policies to encourage the use of this technology.

Breakdown of Final Energy Consumption in Japan



Breakdown of Household Energy Consumption

Source: Fiscal Household Energy Statistics Report, Fiscal 2003 (Kanto)

Table 1: Household Energy Consumption by Category

### EcoCute water heaters conserve energy by using atmospheric heat to produce hot water.

EcoCute hot water systems use the same heat-pump principle that is employed in small home air conditioners. Heat pumps use a heat exchange element to transfer heat in the air to a refrigerant. The refrigerant is passed through a compressor to further raise its temperature. Heat in the refrigerant is then transferred to water (Table 2). For the most part, electricity is used solely to power the compressor. Heat pumps can absorb through heat exchangers an

amount of thermal energy equivalent to more than twice the electricity required by the compressor. By using this technology, EcoCute systems can meet a typical household's hot water needs with only about one-third the power consumed by conventional systems. That means EcoCute can cut by two-thirds the amount of energy needed to produce hot water, a category that now accounts for 36% of household energy consumption.

#### Inside an EcoCute Hot Water System

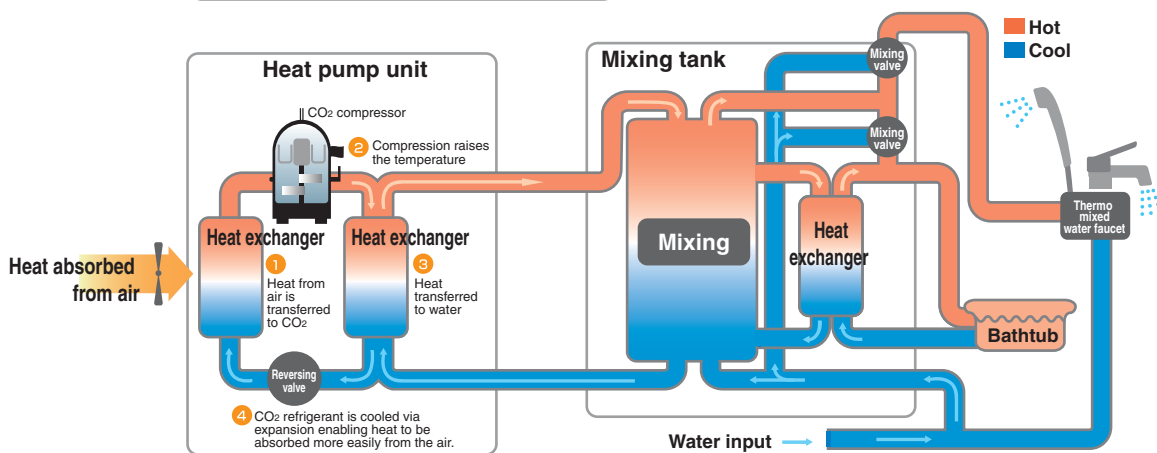


Table 2: How EcoCute Uses Heat in Air to Produce Hot Water

### A New EcoCute Product Incorporating Advanced Sanden Know-How

Sanden launched its first EcoCute product in 2005. We believe that this field offers an excellent opportunity to use our expertise as a supplier of automotive air conditioners. We are skilled in developing technologies for compressors and heat exchangers and in production technologies. Backing up our EcoCute operations is a comprehensive support system. We used knowledge gained through our distribution systems business to build a 24-hour/365-day maintenance system. We also draw on the resources of Group companies Sanden Logistics Co., Ltd., a specialist in logistics, and SD Maintenance Co., Ltd., a specialist in installation and maintenance services. With this infrastructure, we can supply customers with superior-quality products and then remain as a reliable source of maintenance services. We intend to use these strengths to build a solid position in Japan's EcoCute market. In 2006, our Eco System Business began supplying induction-heating (IH) elements for cooking and other products in addition to our EcoCute products.

In fall 2006, we plan to begin sales of a slim EcoCute unit featuring a revolutionary configuration. Over the longer term, we plan to enlarge our operations to include a full line of environmentally responsible systems for the home.



An EcoCute unit with a slim tank that will be available in fall 2006

## Highlight 2

### Dedicated to Maximizing Opportunities for Women

Sanden is a company that is driven by the energy of its employees. We thus place priority on creating workplaces that enable our people to realize their full potential.

Our objective is to ensure that every employee can achieve his or her objectives irrespective of gender, age, or other characteristics. One step in this direction was the March 21, 2004 launch of the Workplace

Where Women Thrive Project, which is aimed at making full use of the capabilities of female employees. Overseeing the project is a team of female employees from various workplaces and job categories. Activities target three central themes: altering attitudes concerning female workers, establishing systems and frameworks, and extending support to allow women to meet obligations at work and at home.

#### Revisions to Personnel System (reduced working hours system, family member home-care leave) (September 21, 2005)

We used questionnaires and meetings with women who resigned from Sanden to determine necessary actions. Many women expressed a desire for reduced working hours to care for a child or elderly family member. In response, we held discussions with the labor union to find a solution. The result was revisions to our systems for reduced working time and family-care leave.

#### Summary of Family-Support Systems

Reduced working time (child care and elderly care)	Eligibility (child care)	Can use combination of (1) and (2) (1) Until child reaches age 3 (up to 3 years) (2) Between age 3 and start of elementary school (up to 1 year)
	Eligibility (elderly care)	Up to 365 days for each nursing care requirement
Nursing care	Reduced working time (child care and elderly care)	(1) Only mornings (2) Only afternoons (3) Flexible time reduction (4) Fixed-hour reduction
		Up to 5 days each year, but unused annual leave may also be used

#### Seminar for Female Employees

We held a seminar led by women in prominent positions at Sanden and other organizations in order to make female workers more aware of their opportunities for advancement. The seminar covered many subjects. Among them were job experience, approaches to work, how to balance work and household obligations, and methods for self-improvement. Participants listened to these role models with much interest. Presentations were followed by a lively discussion that included many requests for advice.



The women's seminar

#### Establishment of the Female Worker Project Home Page

A home page covering our activities to utilize the capabilities of women was launched on Sanden's intranet in November 2005. The site includes this project's fundamental policy, information on specific activities, associated newspaper and magazine articles, pages for consultations and suggestions, and other elements. One section presents information concerning marriage, starting a family, and caring for elderly family members. Information includes laws and regulations as well as explanations of applicable Sanden personnel procedures. There is also a handbook for individuals using the reduced working time system as well as for their supervisors.



The Web site of Sanden's female worker project

#### Release of *Communication Handbook* (June 2006)

Information gained through internal questionnaires and meetings along with surveys at other companies has revealed misunderstandings and problems between supervisors and employees, particularly female employees. We prepared a *Communication Handbook* to encourage communications between supervisors and employees as the first step toward dealing with these issues. The book lists data and survey results concerning the use of female workers.

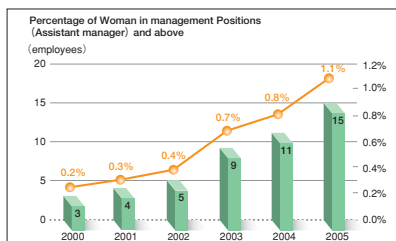
Contents also include trends at other companies and in society, advice concerning common problems of working women, information and case studies on meeting personal and career goals, and tips on using time more efficiently in order to prevent working long hours. For male supervisors, the book has a checklist for self-examinations on how they approach their jobs.



Sanden issued a *Communication Handbook* in June 2006.

#### Sanden Receives the Gunma Prefecture Labor Bureau Chief Prize.

Sanden received the Gunma Prefecture Labor Bureau Chief Prize in June 2005 in recognition of its project to better utilize female workers. This prize is given to companies with outstanding achievements in allowing female workers to realize their full potential. The prize recognizes the accomplishments since the project started along with activities conducted at Sanden and outside the Sanden organization.



Gunma Prefecture Labor Bureau Chief Prize for Workplace Equality

