Vending Systems Division

The Vending Systems Division is working to develop products based on four key development themes: "Creating environment-friendly products," "Creating products that meet consumer needs," "Creating products that are easy to use," and "Reducing life cycle cost." At present, our top priority is to accelerate various environmental initiatives to ensure the continued coexistence of vending machines and society in the future and to deliver products that will delight customers.

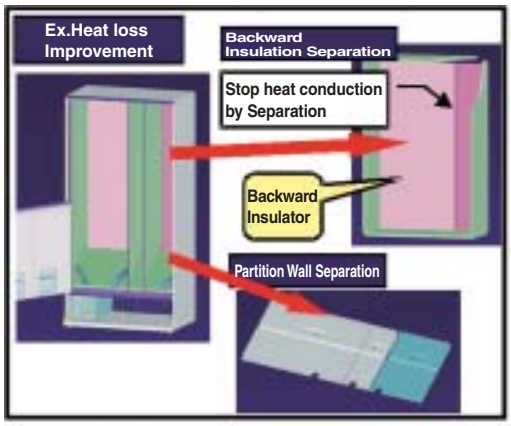
An overview of key initiatives and environmental accomplishments follows.

Energy Conservation

In fiscal 2005, Sanden achieved its goal of meeting Top Runner targets for vending machines (on a weighted average basis) a full year ahead of schedule. In fiscal 2006, we will strive to make further progress in energy conservation, and we expect to exceed our energy efficiency targets by 5%. Going forward, we will endeavor to raise the proportion of products that meet our Eco-Product standards, with the objective of making all of our products Eco-Products by 2010.

Sanden will work to meet Top Runner targets for all of its fiscal 2006 vending machine models by promoting energy conservation through the following key measures.

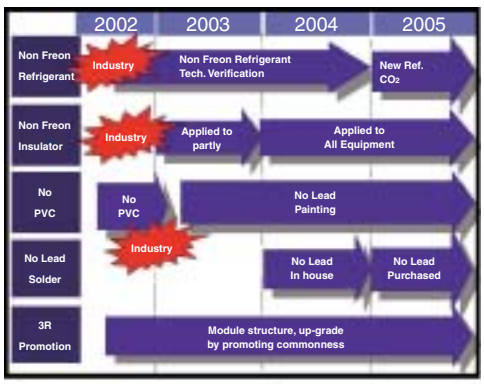
1. Promote the use and appropriate placement of vacuum insulation and improve insulation structure and heat loss by separating the cooling and heating sections of vending machines
2. Optimize cooling and heating control sequence
3. Use flow analysis to optimize airflow inside vending machines
4. Develop low-power fluorescent inverters and other new functional parts



Reducing Environmental Impact

Sanden was the first in the vending machine industry to take steps to reduce the use of hazardous substances, pushing forward with the development of substitutes for insulation and refrigerants containing CFCs, the complete elimination of the use of packing materials that contain polyvinyl chloride (PVC), and other activities.

In fiscal 2005, Sanden's initiatives included efforts to completely eliminate the use of lead in certain control boards, the aggressive development of cooling and heating units that use natural refrigerants, and such work toward the market development of new technologies as the implementation of CO_2 refrigerant field tests at the ATHENS 2004 Olympic Games.



Developing Products that Use Natural Refrigerants

To help prevent global warming and ozone layer depletion, Sanden is moving forward with the development of cooling and heating units that use the safe and highly promising refrigerant CO_2. In fiscal 2005, we conducted field tests of such products in Japan and overseas, commercially produced certain models, and amassed related technologies. We also worked to develop systems for the future that effectively use the characteristics of CO_2 refrigerant and technologies to enhance energy efficiency. In 2006, we plan to commence the full-fledged commercial production of products using CO_2 refrigerant and bring these products to market.