

The Sanden Group believes that effectively implementing its Corporate Philosophy is the best way to carry out its corporate social responsibility (CSR) in line with the wishes of its diverse stakeholders. This report provides information on CSR activities with respect to each item of the Basic Stance toward Stakeholders within the Group's Corporate Philosophy.

The Sanden Group will observe the following ten principles in full compliance with laws and regulations, and rules.

## Corporate Governance

### Fundamental Policies

Sanden's Founding Spirit, "Let Us Develop with Wisdom and Prosper in Harmony," has fostered a corporate culture that has sustained its dynamism. In 2003, we established our Corporate Philosophy--which includes "Basic Principles (Universal Values Shared by the Global Community)" and "Basic Stance toward Stakeholders." Both in Japan and overseas, we are relentlessly and proactively striving to increase our corporate value while also further improving compliance performance throughout our business operations and achieving additional increases in management efficiency and transparency.

Our corporate governance systems reflect 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. 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.

Furthermore, we have recruited an external director and external auditors to make our management oversight functions more effective.

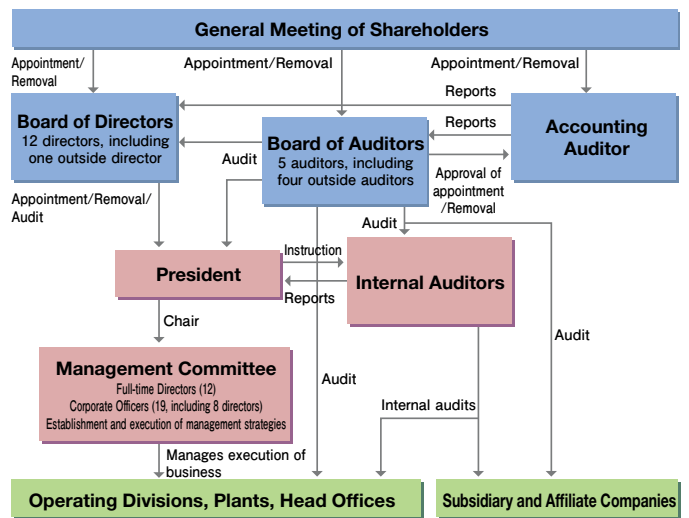
For more information about Sanden's corporate governance, please visit <http://www.sanden.co.jp/english/company/governance.html>.

### Organizational Units and System

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, corporate auditors, a board of corporate auditors, and an accounting auditor.

The Board of Directors has 12 members, including one outside director, while the Board of Corporate Auditors has five members, including four outside corporate auditors.

The chart below shows Sanden's corporate governance and internal control organization units and their interrelationships.



## Compliance

### Fundamental Policies

Sanden positions legal compliance as the top priority among management tasks.

To ensure thorough compliance, the Administration Division has been made the unit with overall responsibility for compliance systems, and each corporate department and business unit has a compliance officer and manager.

In addition, Sanden has prepared its Handbook of Company Principles and is implementing education programs for each level of officers and employees.

We have established a system for submitting reports involving any compliance problems that are discovered.

Furthermore, we have created internal compliance problem reporting hot lines (two linked to internal parties and two linked to external parties).

The compliance system is functioning effectively. During the fiscal year under review, the system handled a certain number of consultations and reports and was able to contribute to the resolution of associated issues. Important compliance issues are handled by such units as the Board of Directors and the Management Committee, which conduct deliberations on the issues and issue reports.

### Establishing/Strengthening Internal Controls

To accelerate the building of the Group's internal control systems, in April 2008, Sanden launched its Internal Control Project, which has implemented activities that surmount borders between individual departments and business units.

In November 2008, we created our Internal Control Handbook, which includes a compilation of information on fundamental compliance issues, and this handbook was distributed to all Group bases. In addition, we have worked to create a compilation of compliance-related rules and regulations. Going forward, we will strive to ensure that rigorous compliance performance is maintained in daily operations and management performance.

### Compliance Education

To further strengthen internal compliance, we have implemented a variety of training programs, such as programs tailored for individual employee levels, individual departments, and individual themes. Approximately 400 people have participated in these programs. Training also includes information on new and revised laws and regulations to ensure that actual operations are in rigorous compliance with such laws and regulations.