Securities Code: 6444
May 31, 2018

Notice of Convocation of the 92nd Ordinary General Meeting of Shareholders

Dear Shareholders:

It is our pleasure to invite you to the 92nd Ordinary General Meeting of Shareholders of Sanden Holdings Corporation (hereinafter referred to as “Sanden” or “Company”). The details of the meeting are provided below. When you attend the Ordinary General Meeting of Shareholders in person, you are kindly asked to take this Notice of Convocation with you in consideration of environmental issues and submit the enclosed Voting Rights Exercise Form at the reception.

If you are unable to attend the Ordinary General Meeting of Shareholders in person, you may vote by the enclosed Proxy Form, the enclosed Voting Rights Exercise Form or the Internet or the voting platform (hereinafter jointly referred to as “Electronic Means”). As the Company would like you to exercise your right by the Proxy Form, please consider “The Reference Materials for The Solicitation of The Proxy Exercise of Voting Rights and The Reference Materials for the Ordinary General Meeting of Shareholders” on Page 6 to 32 below and complete the Proxy Form with reference to the enclosed “Request for the Proxy Exercise of Voting Rights”. Please return the Proxy Form with the enclosed Voting Rights Exercise Form to the Company in the enclosed return envelope. To be effective, your vote must be submitted by 5:00 p.m. on Wednesday, June 20, 2018.

If you will vote in other means than the Proxy Form, please see “Information on Exercise of Voting Rights by Other Means Than Proxy Form” on Page 4.

Sincerely,

Kin-ei Kanda
Representative Director & President,
Sanden Holdings Corporation
20, Kotobuki-cho, Isesaki City,
Gunma Prefecture

Details of the Meeting

1. Date and time: Thursday, June 21, 2018, 10:00 a.m.

2. Venue: Isesaki City Culture Hall
3918, Showa-cho, Isesaki City, Gunma Prefecture
Please note that the Company has decided to change the venue to the above hall with priority given to securing a venue with large capacity as we expect the attendance of large number of shareholders.

3. Meeting agenda:

Items to be reported

(1) Business Report and Consolidated Financial Statements for the 92nd Fiscal Year (from April 1, 2017 to March 31, 2018) and Reports of the Accounting Auditor and the Audit & Supervisory Board on the Consolidated Financial Statements

(2) Non-Consolidated Financial Statements for the 92nd Fiscal Year (from April 1, 2017 to March 31, 2018)

Agenda items to be resolved

<Company Proposals (Items 1 and 2)>

Item 1: Election of Nine (9) Directors

Item 2: Continuation and Partial Amendment of Performance-Linked Stock Compensation for Directors, Etc.

<Shareholder Proposal (Item 3)>

Item 3: Election of Ten (10) Directors

The outline and the reason for the shareholder proposal are described in The Reference Materials for The Solicitation of The Proxy Exercise of Voting Rights and The Reference Materials for the Ordinary General Meeting of Shareholders hereinafter.

4. About your vote

(1) The Opinion of the Company's Board of Directors is against the Shareholders Proposal. Therefore, with regard to the Proposal Item 3, we would like our shareholders to put a circle on "Disapprove" agreeing with the opinion of the Board of Directors. If you were for the shareholders proposal, please put a circle on "Approve".

(2) If there is no indication of approval or disapproval of each proposal on the Voting Rights Exercise Form, the Company will deem the vote as approval for company proposals and as disapproval for shareholder proposals.

(3) If you redundantly vote by the Proxy Form and either or both of the Voting Rights Exercise Form and Electronic Means, the vote submitted by the Proxy Form will prevail.

(4) If you vote both by the Voting Rights Exercise Form and by Electronic Means, the vote submitted by Electronic Means will prevail.

(5) If you submit your vote more than once by Electronic Means, only the last vote submitted will be effective.

(6) Among the documents appended to the notice of convocation for the Ordinary General Meeting of Shareholders, "Notes to consolidated financial statements" from consolidated financial statements, and "Notes to non-consolidated financial statements" from financial statements are, based on stipulations of the law and our articles of incorporations, published on our online website (http://www.sanden.co.jp/ir/event/meeting.html), so they are not recorded in these appended documents.

Furthermore, the above documents are part of the consolidated financial statements and financial statements audited in the course of the accounting auditor creating the accounting audit report as well as part of the business report, consolidated financial statements, and financial statements in the course of the Audit and Supervisory Committee creating the audit report.

(7) If revisions are made to The Reference Materials for The Solicitation of The Proxy Exercise of Voting Rights and The Reference Materials for the Ordinary General Meeting of Shareholders, the business report, the notes to consolidated financial statements, or financial statements, these will be published on our above online website.

**This English-language translation is an abridged version of the original notice in Japanese. In the event of any discrepancy, the Japanese version shall prevail.*

Information on the Exercise of Voting Rights by the Proxy Form

If you are unable to attend the Ordinary General Meeting of Shareholders, the Company would like you to exercise the Voting Rights by the Proxy Form. Please refer to the enclosed "Request for the Proxy Exercise of Voting Rights" for the details.

Information on the Exercise of Voting Rights by means other than the Proxy Form

[Vote in person at the Ordinary General Meeting of Shareholders]
If you will attend the Meeting, you are kindly asked to take this Notice of Convocation with you and submit the enclosed Voting Rights Exercise Form at the reception.

Date and Time of the Meeting: Thursday, June 21, 2018, 10:00 a.m.

[Vote by the Voting Rights Exercise Form]
If you will return only the Voting Rights Exercise Form, please indicate your approval or disapproval of the proposals on the Form and post the Form after affixing the information protection sticker on the surface.

Deadline to Exercise: Wednesday, June 20, 2018, 5:00 p.m.

[Vote by the Internet]
Please vote your approval or disapproval of each proposal online at http://www.web54.net following the instructions on the screen. Please see Page 5 for the details.

Deadline to Exercise: Wednesday, June 20, 2018, 5:00 p.m.

Information on the Exercise of Voting Rights by Electronic Means.

If you will exercise your Voting Rights by Internet, please access the company-specified Voting Rights Exercise website and follow the on-screen instructions.

Voting Rights Exercise website address
https://www.web54.net

※ Any costs arising from accessing the Voting Rights Exercise website such as connection fees and communication expenses are to be borne by the respective shareholders.

※ Depending on the shareholder's Internet usage environment, services subscribed and the model of computers, you may be unable to use Voting Rights Exercise website.

In case you use a personal computer or a mobile phone

After accessing above website, enter the "Voting Rights Exercise Code" and "Password" noted on the enclosed Voting Rights Exercise Form and input your approval or disapproval of each proposal following the on-screen instructions.

●You may access Voting Rights Exercise website scanning the right QR code® through your mobile phone with bar code reading function. (QR code is a registered trademark of Denso Wave Inc.)

●The voting service identifies you only by Password. Please pay them the same attention as your seal or PIN code.

●If you input the wrong password more than a certain number of times, your password will be locked and invalid.
If you would like your password to be re-issued, please follow the instruction on the screen.

●The "Voting Rights Exercise Code" on the Voting Rights Exercise Form is valid only for this year's Ordinary General Meeting of Shareholders.

[For queries concerning the system, etc.]
Sumitomo Mitsui Trust Bank, Ltd.
Stock Transfer Agency Online Support Desk
(Toll free) 0120-652-031 (9:00 a.m. - 9:00 p.m.)

[Voting Rights Exercise platform for Institutional Investors]
Institutional investors may also vote by the ICJ platform, a voting platform provided by ICJ, Inc. subject to the application for subscription in advance.

The Reference Materials for The Solicitation of The Proxy Exercise of Voting Rights and The Reference Materials for the Ordinary General Meeting of Shareholders

1. Solicitor for the Proxy Exercise of Voting Rights

Kin-ei Kanda
Representative Director & President,
Sanden Holdings Corporation

2. Proposals and References

Company Proposals (Items 1 and 2)

Item 1: Election of Nine (9) Directors

The term of office of all ten (10) directors shall expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, we propose that the following nine (9) director nominees including three independent outside director nominees be elected to the Board to strengthen corporate governance by adopting a new structure of directors in which the independent outside directors will occupy one third of the directors.

For your information, as part of the reconstruction of the corporate governance, the Company established the "Executive Nomination and Compensation Committee" in August 2017 as an advisory body of Board of Directors, with the independent outside directors occupying its majority, ensuring the transparency and objectivity in the selection process for director nominees. This proposal was resolved by the Board of Directors based on the report from the "Executive Nomination and Compensation Committee".

The nine (9) director nominees are as follows:

List of Nominees

Nominee No.	Name	Current Position and Responsibilities
1	Re-election Kin-ei Kanda	Representative Director & President
2	Re-election Tsutomu Sakakibara	Representative Director & Executive Vice President in charge of Management system, Corporate Governance, Administration, Human resources
3	Re-election Katsuya Nishi	Representative Director & Executive Vice President in charge of Planning, Finance, Accounting, Control, R&D and Manufacturing strategy
4	Re-election Mark Ulfig	Director & Executive Vice President In charge of Global Compliance
5	Re-election Mitsunori Kodaka	Director & Senior Executive Corporate Officer in charge of R&D, Manufacture, MPS, Quality
6	New nominee Tsuguo Ito	Senior Executive Corporate Officer Head of Global Compressor Business
7	Re-election Outside Director	Director

	Hideto Ozaki	Independent Director	
8	Re-election Hideo Hohgi	Outside Director Independent Director	Director
9	Re-election Naonori Kimura	Outside Director Independent Director	Director

No.	Name (Date of birth)	Resume, Positions and Areas of Responsibility in the Company and Major Concurrent Positions
1	Re-election Kin-ei Kanda (Feb. 26, 1949) [No. of Sanden shares held] (No. of shares delivered under the Stock Compensation system) 9,913 (5,513) [Attendance at the Board of Directors meeting] 10 out of 11	Apr. 1972 Joined Sanden Mar. 1999 Head of Vending Systems Division May 2001 Corporate Officer responsible for Domestic Sales June 2005 Director & Corporate Officer, Division General Manager of Retail Store Systems Division June 2007 Corporate Officer Head of Business Market Development Division May 2009 Executive Corporate Officer Head of Domestic Sales Division Apr. 2011 Executive Corporate Officer Head of Commercial Store Systems Division June 2014 Executive Vice President & Corporate Officer June 2015 Representative Director & President Apr. 2018 Representative Director & President (present) **(Reasons for selection as nominee for Director)** Mr. Kin-ei Kanda has a wealth of knowledge and experience, mainly in the domestic business, with many years of experience in the distribution business centering on the Company's core businesses, car air conditioners and vending machines. Since 2001, as Corporate Officer, he has gained experience as a management, and since 2015, as Representative Director and President, has been conducting global policy development in the holding company structure which started at the same time. In addition, he has been working on reforming the corporate culture, including various initiatives to improve human potential, and under the slogan of customer first, has been engaged in speedy management. We expect him to promote structural reforms and lead a definite return to a growth path by driving the Medium-term Management Plan, which was announced last May and has 2020 as its final fiscal year. Accordingly, we propose his re-election as Director.
2	Re-election Tsutomu Sakakibara (Nov. 28, 1951) [No. of Sanden shares held] (No. of shares delivered under the Stock Compensation system) 21,669 (3,669) [Attendance at the Board of Directors meeting] 11 out of 11	Apr. 1974 Joined Sanden May 1999 General Manager of Corporate Planning Office March 2002 Head of Accounting Division June 2003 Director Corporate Officer Head of Finance & Accounting Division May 2009 Corporate Officer Head of Accounting Division June 2013 Corporate Officer Head of Corporate Planning Office June 2015 Director Executive Corporate Officer Head of Corporate Planning Office June 2016 Director & Executive Vice President June 2017 Director & Executive Vice President in charge of Management System, Corporate Governance Apr. 2018 Representative Director & Executive Vice President in charge of Management system, Corporate Governance, Administration, Human resources (present) **(Reasons for selection as nominee for Director)** Mr. Tsutomu Sakakibara has many years of experience in corporate planning, accounting and control, and since 2015, as Director, has been conducting reforms centering on strengthening governance and the management system.

		Particularly in the last fiscal year, he strengthened responses to the corporate governance code, and at the same time drastically reviewed the Company's decision-making process and aimed for its group-wide deployment. He assumed office as Representative Director in April 2018, and has played a central role in promoting the Medium-term Management Plan with a focus on management system innovation for sustainable growth. We expect him to oversee the management system, corporate governance, general affairs and human resources, and at the same time to further strengthen and implement the Group's corporate governance. Accordingly, we propose his re-election as Director.

No.	Name (Date of birth)	Resume, Positions and Areas of Responsibility in the Company and Major Concurrent Positions
3	Re-election Katsuya Nishi (Aug. 3, 1964) [No. of Sanden shares held] (No. of shares delivered under the Stock Compensation system) 20,706 (3,606) [Attendance at the Board of Directors meeting] 11 out of 11	Apr. 1985 Joined Sanden July 2008 General Manager of Corporate Planning Office June 2009 Director Corporate Officer Head of Corporate Planning Office June 2012 Director Senior Corporate Officer in charge of Corporate Planning, Finance, Accounting and Administration June 2013 Senior Director June 2015 Director Senior Corporate Officer Head of Accounting Division July 2015 Director Senior Corporate Officer Head of Accounting Division President, Sanden of America, Inc. June 2016 Director & Executive Vice President June 2017 Director & Executive Vice President in charge of Planning, Control, Finance, Accounting Apr. 2018 Representative Director & Executive Vice President in charge of Planning, Finance, Accounting, Control, R&D and Manufacturing strategy (present) (**Reasons for selection as nominee for Director)** Mr. Katsuya Nishi has been in charge of the Company's corporate planning, finance and accounting for many years and has extensive knowledge and experience in those fields. In 2008, he assumed office as Head of Corporate Planning Office, and demonstrated his ability to rebuild management after the Lehman Shock. In 2015, he drove the transition to a holding company structure and completed the transformation of the group structure. Also, in 2016, he implemented drastic structural reforms and realized substantial improvement in business performance. He assumed office as Representative Director in April 2018, and has played a central role in promoting the Medium-term Management Plan, focusing on the appropriateness of its business portfolio. We expect him to oversee corporate planning, finance, accounting, control, development and manufacturing strategies, and at the same time, drive the promotion of the Group's medium- to long-term management strategy and improvement in corporate value. Accordingly, we propose his re-election as Director.
4	Re-election Mark Ulfig (Nov. 14, 1956) [No. of Sanden shares held] - [Attendance at the Board of Directors meeting]	May 1978 Research Engineer, General Electric Co. Aug. 1985 Senior Management Consultant, KPMG Peat Marwick May 1988 Plant Manager, Sanden International (U.S.A.) Inc. Oct. 2009 President, Sanden International (U.S.A.), Inc. Oct. 2010 Corporate Officer President, Sanden International (U.S.A.), Inc. President, Sanden Mexicana S.A.DE C.V. June 2013 Executive Corporate Officer June 2015 Director & Executive Corporate Officer June 2016 Director & Executive Vice President June 2017 Director & Executive Vice President in charge of

	11 out of 11	Global Business Oct. 2017 Director & Executive Vice President in charge of Global Business Chairman, Sanden International (U.S.A.), Inc. (present) Apr. 2018 Director & Executive Vice President In charge of Global Compliance (present)
		(Major Concurrent Positions) Chairman, Sanden International (U.S.A.), Inc.
		(Reasons for selection as nominee for Director) Mr. Mark Ulfig is qualified as a lawyer in the U.S., and has a wealth of legal experience and knowledge. Since 2009, he has served as a representative of the U.S. subsidiary, the Group's core, and has been engaged in sales and manufacturing reforms in the U.S. Since 2013, as Director of the Company, he has promoted global activities, especially strengthening the management of overseas subsidiaries and building strong relationships with global customers, mainly in the automobile business. We expect him as representative of the US subsidiary with a drastic change in the environment, to drive the reconstruction of its medium-term earnings base, as well as leverage his legal knowledge and experience to drastically strengthen the Group's global compliance system. Accordingly, we propose his re-election as Director.

No.	Name (Date of birth)	Resume, Positions and Areas of Responsibility in the Company and Major Concurrent Positions
5	Re-election Mitsunori Kodaka (Oct. 11, 1953) [No. of Sanden shares held] (No. of shares delivered under the Stock Compensation system) 17,504 (1,504) [Attendance at the Board of Directors meeting] 11 out of 11	Apr. 1979 Joined Sanden Mar. 2003 Head of Tokyo Branch Office Apr. 2009 Representative Director & President, Sanden Logistics Corporation Oct. 2010 Head of Akagi Plant Apr. 2013 Corporate Officer Head of Administration Division Apr. 2015 Representative Director, Sanden Advanced Technology Corporation June 2016 Senior Director, Head of R&D Division June 2017 Executive Corporate Officer in charge of R&D, Manufacture, MPS, Quality Division General Manager of R&D and Manufacturing Division Apr. 2018 Director & Senior Executive Corporate Officer in charge of R&D, Manufacture, MPS, Quality Division General Manager of R&D and Manufacturing Division (present) **(Reasons for selection as nominee for Director)** Mr. Mitsunori Kodaka has a long track record in domestic sales of car air-conditioners and heaters, and subsequently through his experience as head of major domestic branch offices and plants, has served as the head of the environmental and development divisions, which represent the Company's strengths, having a wealth of experience over many fields. In particular, last year he consolidated the factory management functions departments into the R&D and Manufacturing Division, and by driving the creating of an integrated manufacturing system, he has contributed to the Company's structural reforms and business growth. In addition, he has also demonstrated his ability in human resource development by implementing education for developers that incorporate customer needs. We expect him to leverage the knowledge and experience he has cultivated through his wide range of experiences thus far, and thereby contribute to the further strengthening of the Company's development and manufacturing and nurturing of the next generation of talent, as well as contribute to the strengthening of the Company's management system. Accordingly, we propose his re-election as Director.

No.	Name (Date of birth)	Resume, Positions and Areas of Responsibility in the Company and Major Concurrent Positions
6	New nominee Tsuguo Ito (Sep. 26, 1956) [No. of Sanden shares held] 2,100 [Attendance at the Board of Directors meeting] -	Apr. 1980 Joined Mitsubishi Motors Corporation July 1997 Executive Vice President, Mitsubishi Motor Sales of America, Inc. Aug. 2002 President, The US Business Initiatives, Inc. Aug. 2012 Executive Vice President, ITOCHU Automobile America Inc. Dec. 2014 Joined Sanden Jan. 2015 Division General Manager, Compressor Division Apr. 2015 Representative Director & President, Sanden Automotive Components Corporation (present) June 2017 Senior Executive Corporate Officer, Head of Global Compressor Business (present) **(Major Concurrent Positions)** Representative Director & President, Sanden Automotive Components Corporation **(Reasons for selection as nominee for Director)** Mr. Tsuguo Ito has a wealth of experience at overseas bases in Australia and the Americas in the automotive industry, and in April 2015, he assumed office as a Representative Director of Sanden Automotive Components Corporation, a subsidiary of the Company. Even after joining the Company, he has been contributing to the growth of overseas development by advancing extensive activities at overseas bases. We expect him to contribute to business growth with his ability and insight in a wide range of fields. Accordingly, we propose his election as Director.

No.	Name (Date of birth)	Resume, Positions and Areas of Responsibility in the Company and Major Concurrent Positions
7	Re-election Outside Director Independent Director Hideto Ozaki (Dec. 26, 1945) [No. of Sanden shares held] 2,200 [Attendance at the Board of Directors meeting] 11 out of 11	Apr. 1968 Joined Toyota Motor Sales Co., Ltd. June 1999 Director, Toyota Motor Corporation July 2000 Representative Director & President, Toyota Financial Services Corporation June 2008 Representative Director & Chairman, Aioi Insurance Company, Limited June 2011 Special Advisor, Aioi Nissay Dowa Insurance Company, Limited June 2013 Outside Director, Sanden (present) July 2014 Advisory Council, SVP Global Asia LLC June 2015 Outside Director, Mito Securities Co., Ltd. **(Reasons for selection as nominee for Outside Director)** Mr. Hideto Ozaki has outstanding insight and ability in management strategy and business administration from his experience in a wide range of corporate management at automobile companies, non-life insurance companies and other companies. We expect him to provide a lot of advice on management from a shareholder perspective, as well as management transparency and rebuilding and strengthening of corporate governance through contributions as Chairman of the Company's Executive Nomination and Compensation Committee established in August 2017. Accordingly, we propose his re-election as Outside Director.
8	Re-election Outside Director Independent Director Hideo Hohgi (May 21, 1945) [No. of Sanden shares held] 2,000 [Attendance at the Board of Directors meeting] 11 out of 11	Apr. 1969 Joined Nissan Motor Co., Ltd. Jan. 1991 Vice President, Nissan North America, Inc. Sep. 1992 Executive Director, BMW Japan Corp. Apr. 1996 Representative Director & President, Chrysler Japan Co., Ltd. Apr. 2003 Professor, Graduate School of Commerce, Waseda University May 2005 Executive Director, Waseda-Nanyang Double MBA Oct. 2010 Director, WBS Research Center, Research Institute of the Faculty of Commerce, Waseda University June 2015 Outside Director, Sanden (present) June 2017 Director, Eiken Foundation of Japan (present) **(Major Concurrent Positions)** Director, Eiken Foundation of Japan **(Reasons for selection as nominee for Outside Director)** Mr. Hideo Hohgi worked in the human resources, overseas operations and management fields at a major Japanese automobile manufacturer, after which, he was involved in business management at German and American automobile manufacturers, so he is familiar with Japanese, German and American automobile companies. Also, as a professor at a major graduate school, he created the first overseas degree course in Japan, thereby contributing to producing a lot of management talent in Japan and abroad. He has high level insight and ability regarding manufacturing company management overall, especially global strategy and manufacturing. We expect him to provide a lot of advice toward strengthening the Company's management base and strengthening its corporate governance, as well as contribute to nurturing the next generation of management talent. Accordingly, we propose his re-election as Outside Director.

No.	Name (Date of birth)	Resume, Positions and Areas of Responsibility in the Company and Major Concurrent Positions
9	Re-election Outside Director Independent Director Naonori Kimura (July 8, 1968) [No. of Sanden shares held] - [Attendance at the Board of Directors meeting] 8 out of 8	Dec. 1988 Ran the start-up company (Sold in 1998) June 1998 Joined NCR Japan, Ltd. Sep. 2001 Joined Towers Perrin Tokyo Branch Jan. 2004 Joined Arthur D Little Japan Inc. Nov. 2007 Director, Industrial Growth Platform, Inc. (IGPI) Jan. 2012 Partner and Managing Director, IGPI Apr. 2013 Professor, Graduate School of Management, Globis University (present) Jan. 2015 Partner / Member of the board / Managing Director, IGPI (present) Dec. 2016 Managing Director, IGPI Shanghai (present) June 2017 Outside Director, Molten Corporation (present) June 2017 Outside Director, Sanden (present) **(Major Concurrent Positions)** Partner / Member of the board / Managing Director, Industrial Growth Platform, Inc. Professor, Graduate School of Management, Globis University Outside Director, Molten Corporation **(Reasons for selection as nominee for Outside Director)** Mr. Naonori Kimura has corporate management experience and is familiar with business strategy and management administration system construction. He also has extensive insight and ability to strengthen the corporate governance system. We expect him to provide a lot of advice toward further strengthening the Company's corporate governance. Accordingly, we propose his re-election as Outside Director.

Notes:
1: There is no special interest between any of the director nominees and the Company.
2: Hideto Ozaki is a nominee for an outside director. The length of his service as an outside director will be five years as of the end of the meeting.
3: Hideo Hohgi is a nominee for an outside director. The length of his service as an outside director will be three years as of the end of the meeting.
4: Naonori Kimura is a nominee for an outside director. The length of his service as an outside director will be one year as of the end of the meeting.
5: We have registered Hideto Ozaki, Hideo Hohgi and Naonori Kimura as Independent Directors with the Tokyo Stock Exchange pursuant to its rules. If they are re-elected, we will renew their registration.
6: Hideto Ozaki, Hideo Hohgi and Naonori Kimura have entered into the "Liability Limitation Agreement" with the Company that limits the liability under Paragraph 1 of Article 423 of the Companies Act to the ceiling amount under laws and regulations. If they are re-elected, we will renew their agreement.
7: The number of the Company's shares held by Mr. Kin-ei Kanda, Tsutomu Sakakibara, Katsuya Nishi and Mitsunori Kodaka among the above nominees, includes the number of shares scheduled to be delivered at their resignation as of March 31, 2018 under the Performance-Linked Stock Compensation system. The relative number of shares is shown in the brackets under the total number of shares held by each nominee.

[Explanation about the number of shares to be delivered under the Performance-Linked Stock Compensation System]

From the 90th (2015) fiscal year, the Company introduced the Performance-Linked Stock Compensation System (the "System") for directors and corporate officers and senior general managers with whom the Company has entered into an engagement agreement (excluding foreign residents, outside directors, and part-time directors; hereinafter "Directors, Etc.").

The System is a stock compensation system where the Directors, Etc. will be awarded a certain number of points according to the attainment level of performance targets of each fiscal year and position on June 1 immediately after the end of the fiscal year. Upon retirement, the shares of the Company and money equivalent to the amount for the conversion to cash of the shares of the Company ("Company Shares, Etc.") with five points as one share of the Company according to the accumulated points will be delivered or paid ("Delivery, Etc.") to the Directors, Etc. who satisfy the beneficiary terms. The number of shares shown for each nominee above as the shares delivered under this system is the

number equivalent to the accumulated points by June 1, 2017.
No voting rights shall be exercised on the Company shares prior to their actual future delivery to the above nominees. The shares accounting for 10% of the shares to be delivered will be sold in the market and the proceeds will be delivered.

Item 2: Continuation and Partial Amendment of Performance-Linked Stock Compensation for Directors, Etc.

1. Reason for the proposal and the reason such compensation is appropriate
The Company's Performance-Linked Stock Compensation System (the "System") for directors and corporate officers and senior general managers with whom the Company has entered into an engagement agreement (excluding foreign residents, outside directors, and part-time directors; hereinafter "Directors, Etc.") in which the shares of the Company and money equivalent to the value of the shares of the Company ("Company Shares, Etc.") will be delivered or paid ("Delivery, Etc." "Deliver, Etc." or "Delivered, Etc.") to Directors, Etc. according to their level of attainment of performance targets and their position, was approved at the 89th General Meeting of Shareholders held on June 19, 2015 and introduced accordingly.

As the three year period (from the business year ended March 31, 2016 to the business year ended March 31, 2018) has ended, we seek approval of this Proposal so that the System may be continued with partial amendments in and after the business year ending March 31, 2019.

The purpose of this System is to increase Directors' awareness of contributing to the growth in business results and corporate value over the medium-to-long term by clarifying the link between the compensation of Directors, Etc. and the Company's performance as well as the stock value, thereby having Directors, Etc. share with the shareholders the risk of stock price decline as well as the merit of stock price increase. Therefore, we believe that it is appropriate to continue the System. If Item 1 (Election of Nine (9) Directors) is approved as proposed, the number of Directors, Etc. who are eligible for the System will be five directors concurrently serving as corporate officers, 14 corporate officers and seven senior general managers.

2. Amount and Details of Compensation under the System
In continuing the System, we would like to partially amend its details as follows:

(1) Overview of the System
The System is a stock compensation system where shares of the Company are acquired through a trust using compensation to Directors, Etc. contributed by the Company, and Company Shares, Etc. are Delivered, Etc. to Directors, Etc. according to their level of attainment of performance targets and their position (see (2) below for more details).

1) Those who are eligible to receive the Delivery, Etc. of Company Shares, Etc. under the Proposal	・Directors (excluding foreign residents, outside directors, and part-time directors) ・Corporate Officers (excluding foreign residents) ・Senior General Managers (excluding foreign residents)
2) The impact of the Delivery, Etc. of the Company's shares on the total number of shares issued under the Proposal	
Upper limit of money contributed by the Company (see (2) below)	・A total of ¥450 million for the three business years (¥150 million per business year)
Upper limit of the number of the Company's shares (including the shares subject to conversion to money) to be Delivered, Etc. to Directors, Etc. and method of acquisition thereof (see (2) and (3) below)	・The upper limit of points to be granted to Directors, Etc. per business year is 650,000 points (equivalent to 130,000 shares), which is approximately 0.5 % of the Company's total number of shares issued (as of March 31, 2018, excluding treasury stock). ・The Company's shares will be purchased from the Company (disposal of treasury stock) or the stock market.
3) Details of the terms for achieving performance targets (see (3) below)	・Varies depending on the attainment level of performance targets of the consolidated ordinary income ratio in each business year.
4) Timing of the Delivery, Etc. of Company Shares, Etc. to Directors, Etc. (see (4) below)	・After resignation

(2) Upper limit, etc. of money contributed by the Company
This System covers three consecutive business years ("Target Period"). For this system to be continued this year, the Target Period will be the three business years from the business year ending March 31, 2019 to the business year ending March 31, 2021. The existing trust whose trust period matures on August 31, 2018 ("Current Trust") will be extended for an additional three years until August 31, 2021 (provisional) with additional funds to continually implement the System.

The Company will contribute money up to a total of ¥450 million as the compensation for Directors, Etc. for each Target Period and will establish a three-year trust ("Trust") with Directors, Etc. satisfying the beneficiary terms as the beneficiaries (this also applies to the extended trust as described in the third paragraph of this section (2) and the same applies hereinafter) satisfying the beneficiary terms as the beneficiaries ("Trust"). The Trust will acquire the shares of the Company from the Company (treasury shares) or the stock market using the entrusted money pursuant to the instructions of the trust administrator. For the System to be continued in this business year, in the event that the Company's shares (excluding the Company's shares of which Delivery, Etc. to Directors, Etc. are scheduled) and money (collectively referred to as "Residual Shares, Etc.") remain in the trust assets at the expiration of the Current Trust, Residual Shares, Etc. will be succeeded to the Trust and the total amount of Residual Shares, Etc. and the trust money to be additionally contributed shall not exceed ¥450 million in total.

At the expiration of the trust period of the Trust, the Trust may be continued again by amending the trust agreement and making additional entrustment. In that case, the trust period of the Trust will be extended for another three years and the Company will make an additional contribution within the limit of ¥450 million as well as continue to grant points to Directors, Etc. In the case of such additional contribution, if there are Residual Shares, Etc. at the end of the trust period before the extension, the total amount of Residual Shares, Etc. will be succeeded to the Trust and the total amount of Residual Shares, Etc. and the trust money to be additionally contributed shall not exceed ¥450 million. This extension of the trust period is not limited to once and the System may be extended again in the same manner thereafter.

When the Trust expires and Directors for whom there is a possibility that they may meet the necessary conditions are still in office, from that time onward, points will no longer accumulate. However, from the time when said Directors retire until the time when the Company provides delivery of the shares, the Trust period may be extended for a maximum of ten years.

(3) Method of calculation and upper limit of points to be granted to Directors, Etc.
Directors, Etc. will be granted a certain number of points in a fixed period each year according to their position in the Target Period, and additional points will be granted according to their level of attainment of performance targets. The consolidated ordinary income ratio will be the indices for the level of attainment of performance targets and points shall be added in the range of 0 to 30%.
Granted points will be accumulated every year and Company Shares, Etc. will be Delivered, Etc. to Directors, Etc. according to the accumulated number of points ("Accumulated Points") at the time of their resignation. 5 points will equal one share of the Company (amounts of less than 5 points are truncated).

The annual ceiling on the points to be received by a Director, Etc. will be 650,000 points (equivalent to 130,000 shares). The number of Company shares to be acquired by the Trust for the Delivery, Etc. to the Directors, Etc. will be the upper limit on the number of shares (130,000 shares) corresponding to the scheduled annual number of points (650,000 points) times three to be awarded over the Applicable Period (390,000 shares).

This upper limit of the number of points is set by reference to the latest stock price and other factors, based on the upper limit of trust money as described in (2) above.

In the event that the number of the Company's shares belonging to the Trust increases or decreases due to stock splits, gratis allotments, or stock consolidations, etc., the number of the Company's shares to be delivered per point shall be adjusted in a manner that is recognized to be reasonable.

(4) Timing of Delivery, Etc. of the Company shares to Directors, Etc.
If a Director, Etc. of the Company resigns and satisfies the beneficiary requirements, they may receive from the Trust the number of shares of the Company equivalent to 90% of the number corresponding to the Accumulated Points granted up to the time of retirement by completing the beneficiary determination procedure, or receive payment of money equivalent to the value of shares of the Company remaining in the Trust.

(5) Exercise of voting rights of the Company's shares within the Trust
In order to maintain neutrality in management, no voting rights shall be exercised on the Company's shares in the Trust during the trust period.

(6) Handling of dividends of surplus in the Trust
Dividends on the Company's shares within the Trust shall be received by the Trust and be appropriated to trust fees and trust expenses for the Trust. In the event that residual assets remain at the conclusion of a trust, after being appropriated to trust fees and trust expenses, those Directors, Etc. who meet certain beneficiary requirements and have become beneficiaries of the Trust based on the trust agreement will receive those remaining assets.

(7) Other details of the System
Other details of the System will be stipulated by the Board of Directors in each case of the establishment of the Trust, amendment to the trust agreement and additional contribution to the Trust.

(Reference)
For further details of the System, please refer to "Notice Regarding the Continuation and Partial Amendment to a Performance-Linked Stock Compensation Scheme for Directors and Corporate Officers" and "Notice Regarding the Introduction of a Performance-Linked Stock Compensation Scheme for Directors and Corporate Officers", released on May 18, 2018 and May 22, 2015, respectively.

Shareholder Proposal (Item 3)

Item 3 is a proposal submitted by six (6) shareholders. The number of voting rights held by the proposing shareholders is 2,564 in total.

We quote herein the outline of and the reasons for such proposal submitted in writing by the shareholders in relation to the exercise of shareholders' right to make a proposal as described on their original text except for the Note by the Company. The comment of the Company's Board of Directors on the shareholder proposal is also included herein following this proposal.

Item 3: Election of Ten (10) Directors

(1) Outline of the proposal
We propose the election of Messrs. Masayoshi Ushikubo, Toshiyuki Noji, Hisao Nakajima, Kiyoshi Suzuki, Tatsuo Sato, Nobuzumi Fujii, Ryoichi Takai, Kageo Akizuki, Takashi Susai, and Ryo Kato as the Company's Directors.

(2) Reason for the proposal
The Company has been managed by the current management team with Mr. Kin-ei Kanda as the Representative Director & President since June 19, 2015. However, while the Company's share price has declined by approximately 47.2% during the period from the establishment of the current management team to April 24, 2018, the business day immediately preceding the date of this proposal, TOPIX has risen approximately 8.5% and the share prices of listed companies with similar size and business as the Company have risen by significantly higher levels. It is evident that the current management team has not managed the Company in a way that can contribute to the benefit of the Company's shareholders and other stakeholders. The Company's share price has significantly declined since the announcement on February 8, 2018 of the nominees of Directors to be proposed to the Ordinary General Meeting of Shareholders, which shows the market's negative assessment about the nominees of Directors announced by the current management team.

Considering the market situation where the contraction of domestic business is inevitable, it's absolutely necessary for the Company to focus its growth strategy on the expansion of overseas operations, especially in China and Europe, while making sufficient use of its mainstay product development capability, in order to enhance the Group's corporate value over the medium-to-long term. However, the nominees of Directors proposed by the current management team, as evident from their backgrounds, do not have the knowledge and experience that can drive the global expansion and product development.

Each of the nominees in this proposal has the prominent expertise and depth of experience needed in managing a listed business group engaged in global business activities including overseas operations and product development. Each and every nominee of internal Director has worked at the Company in the past as an executive or an employee and contributed to the enhancement of corporate value with their in-depth knowledge about the Group's business, and therefore, these nominees are the most appropriate persons for further enhancing the Group's corporate value. If all the nominees are elected as proposed, Mr. Masayoshi Ushikubo will be appointed as Director & Honorary Chairman, Mr. Toshiyuki Noji as Representative Director & Chairman, Mr. Hisao Nakajima as Representative Director & President and Mr. Kiyoshi Suzuki as Senior Executive Director.

(3) Names and backgrounds of the nominees

Name (Date of birth)	Resume	Number of Sanden shares held
Masayoshi Ushikubo (Jan. 16, 1935)	Apr. 1968 Joined Sanden June 1976 Director June 1980 Senior Director June 1983 Executive Director June 1987 Representative Director & Executive Vice President June 1989 Representative Director & President June 2001 Representative Director & Chairman Dec. 2016 Director & Chairman June 2017 Honorable Chairman Global Founder (present) *[Note by the Company] Mr. Ushikubo resigned as Honorable Chairman Global Founder as of May 2, 2018.* Won The Order of the Rising Sun, Gold and Silver Star in the conferment ceremony in fall 2017	225,622
	(Reasons for selection as nominee for Director) Mr. Masayoshi Ushikubo has worked for many years for the enhancement of the Sanden Group's corporate value through driving the global development of the business and building a business foundation for the Company's management policies, namely, "Environment, Global Strength, and Quality Capability." Moreover, he has broad experience, insight and capability with regard to corporate management, working as the Company's Representative Director & President, Representative Director & Chairman and Chairman of the Board of Directors. Accordingly, we propose his election as Director.	

Toshiyuki Noji (Aug. 7, 1949)	Apr. 1973	Joined Sanden	4,000
	July 1996	Representative Director, Sanden International (Europe) Ltd.	
	May 2000	Corporate Officer	
	June 2000	Director & Corporate Officer in charge of Overseas Operations Representative Director, Sanden International (Europe) Ltd.	
	Oct. 2002	Senior Director in charge of Automotive Systems Business	
	June 2003	Senior Director in charge of Overseas Operations	
	June 2005	Senior Corporate Officer	
	June 2007	Corporate Officer	
	Feb. 2009	Corporate Counselor	
	June 2009	Resigned from Sanden	
	Sep. 2009	Director & Advisor, Noji Mokuzai Kogyo, Co., Ltd. (present)	
	Oct. 2015	Commissioner, Kumano-City Furusato General Incorporated Association (present)	
	May 2016	Auditor, The Kumano Chamber of Commerce and Industry (present)	
	(**Reasons for selection as nominee for Director)** Since joining Sanden, Mr. Toshiyuki Noji has been driving the global development of the Sanden Group's automotive systems through experience in marketing, technical sales, and management of an overseas subsidiary. He has experience and ability to further drive the Sanden Group's global management. Accordingly, we propose his election as Director.		

Name (Date of birth)	Resume	Number of Sanden shares held
Hisao Nakajima (Jan. 1, 1955)	Apr. 1977 Joined Sanden May 2006 Managing Director, Sanden Manufacturing Europe S.A.S. June 2007 Corporate Officer, Division General Manager of MPS Division Dec. 2009 Corporate Officer, Yattajima Plant Manager June 2011 Corporate Officer, Division General Manager of Human Resources Division Apr. 2013 Senior General Manager in charge of Domestic Manufacturing Transformation & Representative, Sanwa Corporation June 2013 Senior Director in charge of Manufacture, Material and Parts Procurement & Representative, Sanwa Corporation Aug. 2013 Senior Director in charge of Manufacture, Material and Parts Procurement & CEO, Sanden International (U.S.A.) Inc. July 2014 Senior Executive Corporate Officer in charge of R&D, Manufacture, Division General Manager of Manufacturing Division & CEO, Sanden International (U.S.A.) Inc. Apr. 2015 Senior Executive Corporate Officer Apr. 2015 Resigned from Sanden	10,000
	(Reasons for selection as nominee for Director) Since joining Sanden, Mr. Hisao Nakajima has experienced divisions of procurement, manufacturing, human resources as well as the management of overseas and domestic subsidiaries. He has knowledge and ability of conducting management with a broad perspective toward the enhancement of the Sanden Group's corporate value. Accordingly, we propose his election as Director.	

Kiyoshi Suzuki (Apr. 20, 1952)	Apr. 1975 Joined Sanden Sep. 2000 Division General Manager of Quality Division Sep. 2002 Division General Manager of Technology Division June 2003 Director & Corporate Officer, Division General Manager of Technology Division June 2005 Director & Executive Corporate Officer, Division General Manager of Technology Division June 2007 Senior Director June 2011 Senior Corporate Officer Mar. 2012 Councilor, the Association for the Advancement of Science & Technology, Gunma University June 2012 Resigned from Sanden Sep. 2012 Visiting Professor, Maebashi Institute of Technology Jan. 2013 Delegated as a member of the Examination Committee of the Deming Prize Committee Jan. 2014 Senior Executive Officer, Head of Technology Development Division, PARAMOUNT BED CO., LTD. Mar. 31, 2017 Resigned from PARAMOUNT BED CO., LTD.	500
	(Reasons for selection as nominee for Director) Since joining Sanden, Mr. Kiyoshi Suzuki has been in charge of industry-wide new technology development, new product development and quality assurance, and has driven the establishment of Global Technical Center. He has also driven group-wide quality assurance, promoting the Sanden Group's Total Quality Management (TQM activities). In addition, he has promoted the establishment of Sanden Management Training Academy and trained more than 100 managers. After resigning from Sanden in 2012, he joined PARAMOUNT BED CO., LTD. as Head of Technology Development Division, and contributed to the global development of medical care, nursing, and caregiving products development. He has experience and knowledge of technology development, quality, and human resources development in a wide range of business areas. Accordingly, we propose his election as Director.	

Name (Date of birth)	Resume	Number of Sanden shares held
Nobuzumi Fujii (Oct. 22, 1951)	Apr. 1976 Joined Sanden June 2002 Division General Manager of Quality Division Sep. 2009 Division General Manager of STQM Division June 2012 General Manager, Electric Engineering Center Sep. 2015 Corporate Officer in charge of quality Apr. 2017 Member and Reviewer of Japan Quality Recognition Award Committee of Union of Japanese Scientists and Engineers June 2017 Adviser (present) *[Note by the Company]The contract to assign Mr. Fujii as Adviser will expire in June 2018.* Apr. 2018 Part-Time Lecturer, National Institute of Technology, Gunma College (present) **(Reasons for selection as nominee for Director)** Since joining Sanden, Mr. Nobuzumi Fujii has been directly involved in manufacturing sites through the operations relating to technology and quality and has driven the awareness raising and promotion activities with regard to quality management. He has won deep trust from public institutions, academic societies, as well as organizations related to quality control and has knowledge and ability of conducting quality management from a broad perspective. Accordingly, we propose his election as Director.	3,400
Tatsuo Sato (Apr. 4, 1952)	Apr. 1976 Joined Sanden Jan. 2006 Yattajima Deputy Plant Manager June 2006 Yattajima Plant Manager June 2008 Corporate Officer, Yattajima Plant Manager Oct. 2010 Corporate Counsel, Division General Manager of Administration Division July 2012 Representative, Sanwa Corporation June 2013 Corporate Officer, Yattajima Plant Manager Apr. 2014 Corporate Officer, Division General Manager of Production Division July 2014 Corporate Officer, Division General Manager of MPS Division Feb. 2015 Advisor Mar. 2015 Resigned from Sanden Oct. 2017 Corporate Officer, Seiko Mold Co., Ltd. (present) **(Reasons for selection as nominee for Director)** Since joining Sanden, Mr. Tatsuo Sato has been directly involved in manufacturing sites and has driven manufacturing management, the formulation of a supplier’s network, the fostering of the corporate culture and environment management with his experience in managing business offices and subsidiaries as well as in general affairs and purchasing. He has knowledge and ability with regard to the coexistence of industry and environment. Accordingly, we propose his election as Director.	12,400

Name (Date of birth)	Resume	Number of Sanden shares held
Ryoichi Takai (Feb. 2, 1953)	Apr. 1977 Joined Sanden Apr. 2001 Seconded to Sanden BEHR A/C Systems Sep. 2008 Chairman & Executive Vice President, Tianjin Sanden Automotive Air-Conditioning Co., Ltd. Feb. 2015 General Manager, Automotive A/C Division June 2015 Director & Division General Manager of R&D Division, Sanden Automotive Climate Systems Corporation Nov. 2016 The Company's Automotive Business Division June 2017 China Business Division, Sanden Automotive Climate Systems Corporation Mar. 2018 Resigned from Sanden	2,200
	(Reasons for selection as nominee for Director) Since joining Sanden, Mr. Ryoichi Takai has experienced air-conditioning systems development and the management of a joint venture in China, driving the technology management of the Sanden Group's global automotive systems. Moreover, he has personal connections necessary in developing business in China, as well as knowledge and ability which will contribute to the enhancement of the Sanden Group's corporate value. Accordingly, we propose his election as Director.	

Kageo Akizuki (Apr. 23, 1934) (Nominee for Outside Director)	Mar. 1965 Completed Doctoral Program of Waseda University and earned his Doctorate Degree in Engineering Apr. 1972 Professor, Faculty of Science and Engineering, Waseda University May 1987 Reviewer, TPM award of the Japan Institute of Plant Maintenance Chairman, Facility Diagnostic Technology Committee relating to the institution. President, Research Committee for Information System at Production Plant, etc. Apr. 1997 President, Consortium for Electric Power Technology June 1999 President, Institute of Electrical Engineers of Japan, holding prominent positions relating to the institution such as Department Head, District Leader, and Chairman of Technical Committee Apr. 2003 Dean, Graduate School of Information, Production and Systems, Waseda University Apr. 2005 Retired from Waseda University, Honorary Professor, Waseda University (present) Feb. 2006 The Company's Corporate Advisor Won The Order of the Sacred Treasure, Gold Rays with Neck Ribbon in the conferment ceremony in fall 2012 Received many paper awards and outstanding awards from academic societies and published many scientific papers and books	332
	(Reasons for selection as nominee for Outside Director) Mr. Kageo Akizuki has provided guidance to the Sanden Group's Total Productive Maintenance (TPM activities) and has a well understanding of the strengths and weaknesses of manufacturing sites. He has also held prominent positions including President of the Institute of Electrical Engineers of Japan and has knowledge and ability which will contribute to the enhancement of the Sanden Group's corporate value from a broad perspective. Accordingly, we propose his election as Outside Director.	

Name (Date of birth)	Resume	Number of Sanden shares held
Takashi Susai (Aug. 21, 1943) (Nominee for Outside Director)	1969 Joined SANYO Electric Co., Ltd. (SANYO) 1995 Chairman, Dalian Sanyo Air Conditioner Co., Ltd. 1997 Director, Environmental System Research Institute, SANYO 1999 Director, Eco-System Research Institute, SANYO Apr. 2001 Assistant Professor, Center for Cooperative Research, Gunma University & Councilor, the Association for the Advancement of Science & Technology, Gunma University (present) Apr. 2002 Professor, Gunma University & Deputy Head of Intellectual Property Strategy Headquarters and Head of Intellectual Strategy Office June 2008 Outside Director, Haruna Beverage Inc. (present) July 2008 Director General, Northern Metropolitan Area Four National University Cooperation Mar. 2009 Resigned from Gunma University July 2009 Visiting Professor, Utsunomiya University (present) **(Reasons for selection as nominee for Outside Director)** Mr. Takashi Susai has held positions in global technical development as well as prominent positions including directors of research institutes as one of the leading authorities on freezing and air-conditioning technology. After joining Gunma University, he has promoted the cooperation of technology development mainly through industry-university-government cooperation. He is also well-versed in the Sanden Group's technology development through supporting the Group's new technology and new product development. He has knowledge and ability that will contribute to the broad range of technology management as well as the governance related to technology management. Accordingly, we propose his election as Outside Director.	-

Ryo Kato (Apr. 27, 1980) (Nominee for Outside Director)	Apr. 2000 Joined Chuo Aoyama Audit Corporation Nov. 2005 Joined Morgan Stanley Securities Co., Ltd. Jan. 2009 Joined ForTravel Inc. as Director May 2010 Joined Barclays Securities Japan Limited Sep. 2012 Joined Coach Japan LLC Sep. 2014 CIO, S-TEAM Inc. May 2015 Outside Auditor, United & Collective Co., Ltd. Oct. 2015 Representative Director, The GUEST (present) Feb. 2016 Outside Director, United & Collective Co., Ltd. (present) Sep. 2016 Representative Director, YAP Japan.(present) Sep. 2016 Outside Director, WALK INSIGHTS Inc.(present) **(Reasons for selection as nominee for Outside Director)** Mr. Ryo Kato is a certified public accountant and has broad range of knowledge and ability through his experience at investment banks and as CFO and outside officer of other companies. He will be able to provide advice from a neutral standpoint on the Company's management activity. Accordingly, we propose his election as Outside Director.	-

(Notes)

1. All nominees have informally agreed to assume the position of the Company's directors.
2. There is no special interest between any of the director nominees and the Company.
3. If Mr. Kageo Akizuki, Mr. Takashi Susai, and Mr. Ryo Kato are elected as directors, they will enter into the "Liability Limitation Agreement" with the Company that limits the liability under Paragraph 1 of Article 423 of the Companies Act to the ceiling amount under laws and regulations.

[Opinion of the Company's Board of Directors on the shareholder proposal]

The Company's Board of Directors is "Against the Shareholder Proposal" for the following reasons.

(1) The Company is achieving a steady progress of the structural reform and recovery of performance with the responsible Medium-term Management Plan being formulated and announced under the current management structure.

In the fiscal year ended March 31, 2017, the Company's had recorded substantial deficit due to the recording of an impairment loss and restructuring expense for the reorganization of offices and reorganization associated with the fundamental structural reform aiming for future development of businesses as well as the recording of the extraordinary loss in connection with a surcharge of approximately ¥7.8 billion imposed by the European Commission for the Company's violation of EU Competition Law during the period from 2004 to 2009. The Board of Directors sincerely apologizes to our shareholders and other stakeholders for the great trouble and concern caused by this matter.

The Company, under this circumstance, has formulated and announced the four-year Corporate Mid-Term Plan up to fiscal year 2020 on May 11, 2011 under the concept of "Shrink to Grow" to build a management strategy for the prompt recovery of the performance and the medium to long term enhancement of the corporate value. Moreover, for the sustained growth of the Sanden Group from here on out, we have set priority targets which consist of four pillars, namely, "Cost structure reform for the improvement of profitability," "Improvement of asset efficiency for enhancement of financial structure," "Optimization of business portfolio for creation of corporate value" and "Management system reform for sustained growth." In this way, the Company is now promoting the company-wide initiative to realize the sustainable enhancement of the Group's corporate value and ultimately, the enhancement of shareholder value. In fact, as for the Company's latest performance in the fiscal year ended March 31, 2018, operating income has increased by ¥3.9 billion from the previous fiscal year to ¥5.5 billion, realizing a steady recovery of performance toward resuming dividend payments as early as the next fiscal year.

The structural reform, as the basis for returning to the growth path, could only be realized under the current management team with the concerted efforts of all officers and employees. Therefore, in order to accelerate the growth under this stable management foundation that we have built up, we must continue our ongoing efforts under the current management team.

However, if those director nominees in the shareholder proposal are to suddenly participate in the Company's management, there is a high possibility of causing internal confusion for no reasons, stopping the business from going forward, preventing the Company from achieving the targets in the current Medium-term Management Plan and derailing from the track to returning to a growth path.

(2) The Company proposal is the best option from the viewpoint of enhancing the Company's corporate value.

The Company proposes, as the Company's proposal for director election (Item 1), nine director nominees (three of whom are nominees for outside directors with full independence (hereinafter "Director Nominees of the Company Proposal"). Six nominees for internal directors, including Mr. Kin-ei Kanda, the current representative director, are well-versed in the respective fields of corporate governance, global business, management planning, sales, finance, product development, and manufacturing, and have focused on the aggressive development of overseas business and product development, while steadily promoting domestic business. Also, the three nominees for outside directors are composed of persons with diversified knowledge and experience and are expected to appropriately display a check-and-balance function over the Company. Therefore, we believe that the nine director nominees proposed by the Company are well-balanced, capable of maximizing the corporate value by appropriately utilizing the strengths of the Company's technical and human resources.

Meanwhile, although the director nominees in the shareholder proposal include former officers and employees of the Company, even in a time when technological innovation advances and customer needs changes day by day at an unprecedented speed, the shareholder who has submitted the proposal does not present any management plan to grow the Company, and is trying to manage the Company relying on the past experience of the nominees. We cannot possibly believe that this will be appropriate for the Company, which is at a stage to steadily promote organizational restructuring for returning the next stage of growth. Rather, we have to say that there is a high possibility of seriously damaging the source of the Company's corporate value, that is, to develop and supply products that meet the needs of the times and customers.

(3) The shareholder proposal poses a serious concern in terms of the corporate governance and ultimately, could damage the Company's corporate value

As a listed company, the Company is responsible for managing it in response to the expectation of the shareholders and other stakeholders. For that purpose, we believe in the need to establish a corporate governance structure appropriate for a listed company and to put it into practice, while reviewing it on an ongoing basis. Therefore, the Company is implementing various measures giving sufficient respect to the purpose of the corporate governance code. Specifically, under the current management team, the Company newly established the Executive Nomination and Compensation Committee as an advisory body to the Board of Directors with an independent outside director as the chairman to ensure the transparency and objectivity in the selection process of director nominees. Also, as announced in the "Announcement of New Management Structure of Board of Directors" dated February 8, 2018, the Company's Board of Directors, based on the Committee's proposal, and in order to further strengthen corporate governance, will build a new structure in which independent outside directors account for one third of the directors in the Company's proposal for director nominees, and is working to establish a system which enables the Company to be managed from the perspective of shareholders more than before.

Meanwhile, in the shareholder proposal, nothing is mentioned about corporate governance, which is extremely essential to the Company's sustained growth and medium to long term enhancement of the corporate value. If the director nominees in the shareholder proposal intend to manage the Company without acknowledging this importance, it could, we believe, seriously harm the Company's corporate value.

Furthermore, at the Sanden Group, since the transition to the current management team and until the submission of this shareholder proposal, there have been activities seemingly inappropriate in terms of the corporate governance, such as the strong intention shown by Mr. Masayoshi Ushikubo, the proposer of the shareholder proposal, to interfere in the Company's management and personnel affairs. It must be said that the sequence of his activities interfere the Company's above-mentioned constructive efforts and cause serious concerns to the Company's corporate governance and, therefore, very embarrassing to the Company. The Company's Board of Directors has taken a stringent posture in order to address such concern and ensure the management transparency. Nevertheless, Mr. Masayoshi Ushikubo submitted the shareholder proposal including his election as Honorable Chairman and Director.

The Company's Board of Directors is strongly against the shareholder proposal which aims at the old-style management team, will cause management uncertainty and possibly damage the corporate value. Additionally we express our regret to his action which could be retrogressive to the corporate governance of a listed company.

Accordingly, from the viewpoint of protection and enhancement of the Sanden Group's corporate value, it is our conclusion that, the best option for the Company is to implement the measures under the current management team for the enhancement of corporate value over the medium to long term, centered on the reestablishment of corporate governance. The shareholder proposal, on the contrary, is entirely different from the above direction, trying to manage the Company centered on the former chairman and we believe that this will not contribute either to the Sanden Group's corporate value or to the sustained enhancement of shareholder value.

To benefit all of the Company's shareholders, clients, employees and other stakeholders by breaking from the old management and realizing the enhancement of the corporate value with a view to the future, the Company's Board of Directors is against the shareholder proposal.

Thank you.

Consolidated Balance Sheet

(As of March 31, 2018)

(In millions of yen)

Item	Amount	Item	Amount
[Assets]		**[Liabilities]**	
Current assets:	**161,954**	**Current liabilities:**	**150,257**
Cash and deposits	18,776	Notes and accounts payable – trade	53,483
Notes and accounts receivable – trade	74,204	Short-term loans payable	45,011
Merchandise and finished goods	21,895	Current portion of bonds	712
Work in process	12,089	Current portion of long-term loans payable	18,299
Raw materials	10,065		
Other inventories	3,438	Accounts payable – other	11,039
Deferred tax assets	2,590	Lease obligations	2,018
Accounts receivable – other	5,876	Income taxes payable	699
Consumption taxes receivable	4,527	Provision for bonuses	3,759
Other	9,167	Provision for sales rebates	935
Allowance for doubtful accounts	(678)	Provision for product warranties	3,253
		Provision for loss on compensation for damage	986
		Deferred tax liabilities	29
		Other	10,027
Noncurrent assets:	**114,335**	**Noncurrent liabilities:**	**75,075**
Property, plant and equipment	**81,741**	Bonds	5,987
Buildings and structures	21,351	Long-term loans payable	56,134
Machinery, equipment and vehicles	23,642	Lease obligations	6,113
Tools, furniture and fixtures	5,019	Deferred tax liabilities	815
Land	16,883	Net defined benefit liability	3,376
Lease assets	8,144	Provision for environmental measures	273
Construction in progress	6,699	Reserve for compensation to be paid in stock	187
Intangible assets	**3,869**	Other	2,185
Goodwill	73	**Total Liabilities**	**225,332**
Lease assets	177	**[Net assets]**	
Other	3,618	**Shareholders' equity**	**47,346**
Investments and other assets	**28,724**	Capital stock	11,037
Investment securities	22,960	Capital surplus	3,731
Net defined benefit asset	118	Retained earnings	33,703
Deferred tax assets	2,691	Treasury stock	(1,126)
Other	6,018	**Accumulated other comprehensive income**	**(2,161)**
Allowance for doubtful accounts	(3,064)	Valuation difference on available-for-sale securities	292
		Deferred gains or losses on hedges	(16)
		Foreign currency translation adjustment	(1,484)
		Remeasurements of defined benefit plans	(954)
		Non-controlling interests	**5,772**
		Total net assets	**50,957**
Total assets	**276,289**	**Total liabilities and net assets**	**276,289**

Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Amount	
Net sales		**287,609**
Cost of sales		**234,955**
Gross profit		**52,654**
Selling, general and administrative expenses		**47,185**
Operating income		**5,469**
Non-operating income		
Interest income	54	
Dividends income	191	
Equity in earnings of affiliates	2,667	
Other	1,064	3,978
Non-operating expenses		
Interest expenses	2,180	
Foreign exchange loss	1,437	
Other	1,419	5,036
Ordinary profit		**4,411**
Extraordinary income		
Gain on sales of noncurrent assets	690	
Insurance income	106	
Gain on sales of investment securities	5,488	
Gain on sales of investment in capital of subsidiaries and affiliates	572	
Other	163	7,020
Extraordinary loss		
Loss on disposal of noncurrent assets	557	
Restructuring charges	2,884	
Provision for loss on damage compensation	1,901	
Other	221	5,564
Profit before income taxes and minority interests		**5,867**
Income taxes – current		1,269
Income taxes – deferred		139
Profit before minority interests		**4,458**
Net income attributable to non-controlling shareholders		202
Net profit		**4,255**

Consolidated Statements of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(In millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	11,037	3,747	29,447	(1,203)	43,028
Changes of items during the period					
Net profit			4,255		4,255
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		(15)		83	67
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(15)	4,255	76	4,317
Balance as of March 31, 2018	11,037	3,731	33,703	(1,126)	47,346

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2017	3,618	(16)	(2,048)	(1,032)	520	5,610	49,159
Changes of items during the period							
Net profit							4,255
Purchase of treasury stock							(6)
Disposal of treasury stock							67
Net changes of items other than shareholders' equity	(3,325)	0	564	78	(2,681)	161	(2,520)
Total changes of items during the period	(3,325)	0	564	78	(2,681)	161	1,797
Balance as of March 31, 2018	292	(16)	(1,484)	(954)	(2,161)	5,772	50,957

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(In millions of yen)

Item	Amount	Item	Amount
[Assets]		**[Liabilities]**	
Current assets:	40,164	**Current liabilities:**	**37,651**
Cash and deposits	7,486	Operating payables	6,320
Operating receivables	5,910	Electronically recorded obligations	5
Accounts receivable -trade	0	Short-term loans payable	15,180
Supplies	17	Current portion of long-term loans payable	13,780
Short-terms loan receivable from subsidiaries and affiliates	35,357		
Deferred tax assets	406	Current portion of bonds	712
		Lease obligations	38
Other	1,038	Provision for loss on compensation for damage	986
Allowance for doubtful accounts	(10,052)	Provision for loss on business of subsidiaries and affiliates	145
		Provision for bonuses	128
		Other	354
Noncurrent assets:	**60,168**	**Noncurrent liabilities:**	**48,347**
Property, plant and equipment	**23,512**	Bonds	5,987
Buildings	7,930	Long-term loans payable	41,830
Structures	982	Lease obligations	158
Machinery and equipment	32	Guarantee deposits received	28
Vehicles	0	Reserve for compensation to be paid in stock	187
Tools, furniture and fixtures	229	Deferred tax liabilities	125
Land	14,039		
Lease assets	42		
Construction in progress	255	Other	28
		Total liabilities	**85,998**
		[Net assets]	
Intangible assets	**2,300**	**Shareholders' equity**	**14,047**
Leasehold right	8	**Capital stock**	**11,037**
Software	2,250	**Capital surplus**	**4,478**
Other	41	Legal capital surplus	4,453
Investments and other assets	**34,354**	Other capital surplus	24
Investment securities	1,165	**Retained earnings**	**(613)**
Stocks of subsidiaries and affiliates	17,609	Other retained earnings	(613)
Investments in capital of subsidiaries and affiliates	14,569	Retained earnings brought forward	(613)
Prepaid pension costs	118	**Treasury stock**	**(854)**
Other	1,000	**Valuation and translation adjustments**	**286**
Allowance for doubtful accounts	(107)	**Valuation difference on available-for-sale securities**	**286**
		Total net assets	**14,333**
Total assets	**100,332**	**Total liabilities and net assets**	**100,332**

Non-Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(In millions of yen)

Item	Amount	
Operating income		
Income from Group operations	6,448	
Income from real estate rentals	1,656	
Income from dividends of associated companies	7,311	
Other operating income	166	**15,583**
Operating expenses		**8,763**
Operating profit		6,819
Non-operating income		
Interest income	420	
Dividends income	183	
Foreign exchange gains	198	
Miscellaneous income	80	882
Non-operating expenses		
Interest expenses	702	
Taxes and dues	215	
Provision of allowance for doubtful accounts	3,078	
Provision for loss on business of subsidiaries and affiliates	145	
Miscellaneous loss	685	4,826
Ordinary profit		**2,876**
Extraordinary income		
Gain on sales of noncurrent assets	47	
Gain on sales of investment securities	5,484	
Gain on sales of investment in capital of subsidiaries and affiliates	874	
Others	12	6,419
Extraordinary loss		
Loss on valuation of investments in capital of subsidiaries and affiliates	1,790	
Transfer pricing taxation adjustment payment	799	
Provision for loss on compensation for damage	1,901	
Other	106	4,596
Profit before income taxes		**4,699**
Income taxes – current		946
Income taxes – deferred		61
Net income		**3,692**

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(In millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings / Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2017	11,037	4,453	24	4,478	(4,305)	(4,305)	(897)	10,312
Changes of items during the period								
Net profit					3,692	3,692		3,692
Purchase of treasury stock							(6)	(6)
Disposal of treasury stock			(0)	(0)			48	48
Net changes of items other than shareholders' equity								
Total changes of items during the period			(0)	(0)	3,692	3,692	42	3,734
Balance as of March 31, 2018	11,037	4,453	24	4,478	(613)	(613)	(854)	14,047

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2017	3,609	3,609	13,922
Changes of items during the period			
Net profit			3,692
Purchase of treasury stock			(6)
Disposal of treasury stock			48
Net changes of items other than shareholders' equity	(3,322)	(3,322)	(3,322)
Total changes of items during the period	(3,322)	(3,322)	411
Balance as of March 31, 2018	286	286	14,333