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# SanRex REPORT 2024

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**SanRex**





# CREATE THE FUTURE

## Our desired future

We provide power semiconductor technologies and high-efficiency power conversion technologies aiming to establish a sustainable society.

The Sansha Electric Manufacturing Group's power semiconductors enable the efficient use of power from renewable energy sources while minimizing energy loss.

Further, we adopt environmentally friendly designs for our power supplies with high conversion efficiency to reduce energy consumption.

In addition to innovating technologies, we are proactively contributing to local communities and participating in environmental protection activities.

In our efforts to improve people's lives, we are creating a sustainable, prosperous future through these initiatives.

## The SanRex Report is published as a tool for communicating with our stakeholders.

The SanRex Report presents details of the Sansha Electric Manufacturing Group's business models, the growth strategy for achieving the Global Power Solution Partner vision and sustainability initiatives. It explains the Group's medium- to long-term value creation story to stakeholders. Further, in this report, we have clarified our policy of aiming to achieve growth on a solid foundation with the formulation of the medium-term management plan that started in FY2024. We also proactively incorporated initiatives from environmental, social, and corporate governance (ESG) perspectives to describe the Group's efforts to achieve sustainable growth.

In compiling this report, we referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation from the Ministry of Economy, Trade and Industry of Japan, and the GRI Sustainability Reporting Guidelines (Standards). We would appreciate it if you give us your frank opinions, which will be helpful for us in responding to the voices of more stakeholders.

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Our growth history

# The Sansha Electric Manufacturing Group will continue to grow through innovation in technologies and operating businesses globally

The Sansha Electric Manufacturing Group has been contributing to the development of society since its founding in 1933. Based on technological innovation, we have developed products including rectifiers for projectors and triacs. We began to operate our businesses globally when we opened our first overseas bases in 1983. In recent years, we have been focusing our efforts on renewable energy and semiconductor technologies, aiming to build a sustainable future.

1933 ~ 1936      1937 ~ 1970

## Founding period

In 1933, we worked on the task of ensuring the projection of stable images onto screens, which was faced by the movie industry, and succeeded in developing a rectifier. This achievement improved the movie culture and contributed to the prosperity of the movie industry. We continued to improve semiconductor technologies and developed a direct current welder, which is applied in not only movie-related industries but also other industries. Highly acclaimed for quality improvement and low prices, we have continued to manufacture products based on customer needs. Our mission is to manufacture products in response to customer needs, and it remains our core principle.

**1933** Develops a choke coil auto transformer, a predecessor to projector power supplies



Headquarters



Choke coil auto transformer

## Establishment of the technological foundation

During the Sino-Japanese war and Pacific War, we continued to manufacture rectifiers exclusively for movie theaters, electric vehicles, plating, and other applications. In the postwar reconstruction period, we succeeded in developing an uninterruptible power supply to address the power shortage, and developed a selenium rectifier for movie theaters. After the war, we ran booths at trade shows in Japan and other countries and developed products, focusing our efforts on thyristor technologies. In 1967, we entered the field of alternating-current control with successful development of dimmers and triacs. We also steadily established a semiconductor-related technological foundation by providing a wide range of products in the field of electronics.

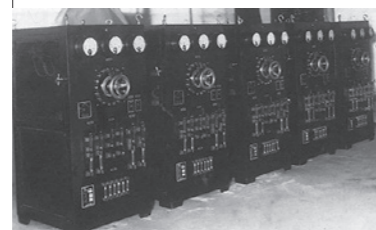
**1937** Develops a tungar rectifier for light projectors

**1963** Develops and announces our first power semiconductor and thyristor

**1964** Develops an inverter uninterruptible power supply and an electric power regulator for electric furnaces

**1968** Develops a diffusion type of triac and thyristor

**1970** Develops a rectifier for plating



Tungar rectifiers for light projectors

1971 ~ 1990

## Expansion of bases and specialization in power semiconductor development

Around this period, we began to operate businesses globally, including in Asia and Europe, and we began exporting a wide array of products. We also developed an isolated mold triac, a power transistor module for high-speed switching, and other products fully leveraging our advanced semiconductor technologies. In addition, we developed the industry's first TIG welder with a switching regulator, an inverter CO<sub>2</sub> welder, and other products that made it possible to achieve high-precision control and high energy-saving performance. With these achievements, we exported direct current power supplies to Saudi Arabia and sold welders in Asian countries. Through international business operations and technological innovations, Sansha Electric Manufacturing became an important entity in the industrial field.

**1971** Develops an insulated triac that is the first in Japan

**1980** Develops a thyristor module and a power transistor for high speed switching

**1982** Develops a power transistor module

**1988** Develops a power MOSFET module



Insulated triac      Thyristor module



Factory Production Line

1991 ~ 2010

## Developing a system for increased globalization

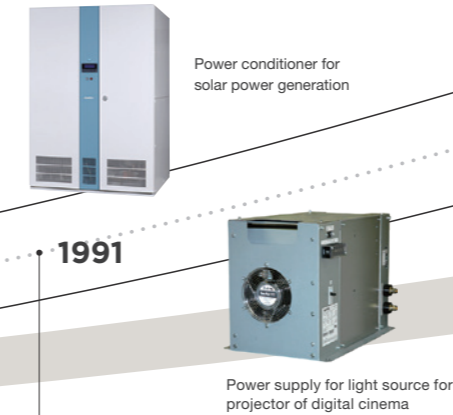
We succeeded in making planar transistors in the semiconductor sector and developed a high-capacity transistor module. We proceeded with overseas expansion by developing products including welders, cleaning equipment, and power supplies for ozonizers. Further, we prototyped a battery-charging system for electric vehicles, a large uninterruptible power supply (UPS), and an inverter circuit, and productized devices for fuel cell power generation systems, among other products. We ran booths at trade shows and increased orders received in Japan and other countries, signed manufacturing license agreements, and developed a global system for receiving orders, enhancing our business performance. Meanwhile, we established a sales subsidiary in Singapore and strengthened our operation in China and Asia as well.

**1991** Develops a planner type transistor module

**1998** Develops a power conditioner for solar power generation

**2002** Develops a power supply for light source for projector of digital cinema

**2007** Develops an IGBT chip for inverter for industrial use



Power conditioner for solar power generation



Power supply for light source for projector of digital cinema

2011 ~ 2023

## Towards a new age

As the widespread use of renewable energy and the improvement of energy efficiency are essential as awareness of climate change increases, the Sansha Electric Manufacturing Group entered the field of new energy and fulfilled demand for products for solar power generation systems. We delivered one of Japan's largest power conditioner evaluation systems compatible with new energy to the National Institute of Advanced Industrial Science and Technology. We continued to experiment with new technologies, including the development of a low-loss SiC MOSFET power module. In 2015, we enhanced the manufacturing capability of our production subsidiary in China. At the same time, we established a system that enables integrated manufacturing, sales, and service provision activities to improve our sales capabilities in the Chinese market. In 2016, we participated in the virtual power plant (VPP) construction demonstration project, a project subsidized by the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy, and developed products including a storage battery system compatible with virtual power plants. We are expanding businesses aggressively in Japan and overseas, thereby contributing to solutions to social issues.

**2014** Develops a photovoltaic power generation evaluation test system for the National Institute of Advanced Industrial Science and Technology(AIST)'s Fukushima Renewable Energy Institute

**2015** Jointly develops a compact SiC power module with Panasonic Corporation

**2016** Participates in the virtual power plant (VPP) construction demonstration project

**2017** Develops a fuel cell power conditioner

**2019** Develops a 1500 V string compatible diode module for photovoltaic power generation

**2020** Develops a power supply for storage battery tests

**2022** Develops a 1200 V voltage-resistant SiC MOSFET discrete semiconductor

**2024** Develops a high-capacity power conditioner evaluation system for the National Institute of Advanced Industrial Science and Technology (AIST)'s Fukushima Renewable Energy Institute



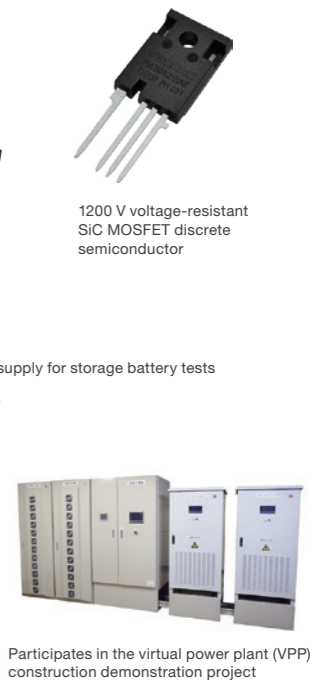
SANSHA ELECTRIC MFG.(GUANGDONG)CO., LTD.



Technical Fair



New building completed at the Shiga Plant



1200 V voltage-resistant SiC MOSFET discrete semiconductor

Power supply for storage battery tests



Participates in the virtual power plant (VPP) construction demonstration project

# Products of the Sansha Electric MFG That Support Society

The most significant social responsibility that the Sansha Electric Manufacturing Group has as a manufacturer is to conduct manufacturing that is valuable to society. We support society by providing power semiconductors for many different power supplies and industrial power supplies for a wide range of industries, from high to low power, in Japan and overseas under the concept of the integration of technologies for power semiconductors and for power supplies.

## Power semiconductor business



Power modules



Power discrete semiconductors

## Power supply business



Power supplies for copper foil manufacturing



Uninterruptible power supplies

## Energy & the environment

### Solar (PV) power generation

**Power conditioners**  
Converting the direct current electric energy obtained from sunlight into alternating current to connect to the commercial power network

**Diode modules for preventing backflow**  
Preventing the backflow of electric current from a storage battery or other device and the subsequent damage of solar panels

### New energy

**Power conditioners for fuel cells and for storage batteries**  
Converting electric energy stored in fuel cells and storage batteries and connecting to the commercial power network

### Hydrogen

**Power supplies for water electrolysis**  
Supplying a stable electric current to the water electrolysis system necessary for the production of hydrogen through the electrolysis of water

### Power plants

**Power supplies for seawater electrolysis**  
Large current power supplies that generate sodium hypochlorite through the electrolysis of seawater to prevent marine life from depositing on the plant's water inlet

### Fuel cells and storage batteries

**Power supplies for testing and evaluation and charge-discharge products**  
High performance power supplies indispensable in the testing and evaluation of a range of batteries and automotive equipment

### Lithium ion batteries

**Power supplies for copper foil**  
Performing an electrolytic process with a stable electric current to generate copper foil to be used as an anode material for lithium-ion batteries

### Waste disposal plants and contaminated substance disposal plants

**Power supplies for plasma arc generation**  
Power supplies for plasma arc generators that quickly increase the temperature of waste to be treated to a high temperature to suppress the generation of dioxins generate

## General industries

### Manufacturing robots and welders

**Thyristor/Diode**  
Converting alternate current to direct current to protect electric circuits from overvoltage. Power supplies for welding and cutting Power supplies for welding and cutting steel sheets

**Thyristor/Diode**  
Converting alternate current to direct

### Inverters for industrial use and commercial air conditioners

**Diode modules**  
Stabilizing and controlling motors

### Induction heating/high-frequency power supplies

**SiC MOSFET modules**  
Generating high-frequency power with high efficiency

### Automobiles

**Power supplies for surface treatment**  
Used in plating for increasing the abrasion resistance and oxidation resistance of metal and other surfaces

**Electric power regulators**  
Used for adjusting the temperature of electric furnaces for melting metals and glass

## Infrastructure

### Expressways and electronic toll collection (ETC)/Stations

**Uninterruptible power supplies (UPS) and control power supplies**  
Maintaining the supply of electric power for a certain period of time during a power failure to protect the operation of equipment and data

### Electric rolling stock

**Diode modules**  
Supplementary power supplies that supply stable voltage and frequency to lighting, air conditioners and other equipment in rolling stock

### Mobile phone base stations

**Power supplies for aluminium foil processing**  
Power supplies for electrochemical etching, which is the process of expanding the surface area of the aluminum foil used in electrolytic capacitors that are necessary for the power supplies for base stations

### Water supply and sewage facilities

**Power supplies for ozone generation**  
Generating ozone to decompose organic substances in water by applying a high voltage to induce an electric discharge

## Lifestyles, medical care and entertainment

### Movie theaters

**Power Supply for Light Sources**  
Power supplies for projecting images clearly onto a screen

### Medical equipment/ATMs

**Small power supplies**  
Power supplies providing stabilized electric power

### TV studios, halls and stadiums

**Power supplies for dimmers**  
Power supplies that enable the continuous dimming of lighting

### Home electric appliances and electric bidet toilet seats

**Discrete semiconductors**  
Controlling heaters and motors

### Elevators

**Diode modules**  
Stabilizing and controlling motors

## Information & communication

### Smartphones

**Power supplies for surface treatment**  
Used for plating, which is a process of placing a thin metal film over the surfaces of electronic components, printed circuit boards and other parts used in computers and smartphones



## Evolving into a self-driven organization creating the future

**Hajimu Yoshimura**  
Representative Director & President

### Organizational climate reform has been my primary focus in the past ten years

It has already been ten years since I joined this company and six years since I became president. While a number of things have happened over the decade, the thing that I have been most aware of and most committed to is organizational climate reform. An organizational climate is developed over the many years of history of a company. Our company has 90 years of history, and its organizational climate was formed over these years. It is therefore not easy to change its organizational climate. However, I thought that changing the organizational climate is essential for our company to chart a course toward continued growth. To date, customers have handed us various subjects and tasks. We have worked on them leveraging our technologies and services and earned their praise, built relationships of trust with them, and continued business with them. Thanks very much to our customers we have been able to continue to grow over those 90 years. This is by no means negative. It is our strength as well. However, it is also true that this has made the culture or climate of our entire organization

somehow passive. Changing this climate is related to our business model. It might be possible to achieve growth taking our previous approach in an era when the market is expanding and we are given jobs all the time. However, it will be difficult to continue to grow and survive the coming era using this approach. We need to proactively identify the needs of the times and customers' needs and act on our own accord. I have spent a long time telling people internally about the importance of proactively proposing solutions and planning including product planning. While our goal is still far away, I have finally begun to feel that the planning department has been enhancing presence in the organization as a whole. I think that by evolving into an organization which proactively proposes solutions we can move to the next stage.

### All of the targets in the previous medium-term management plan were achieved

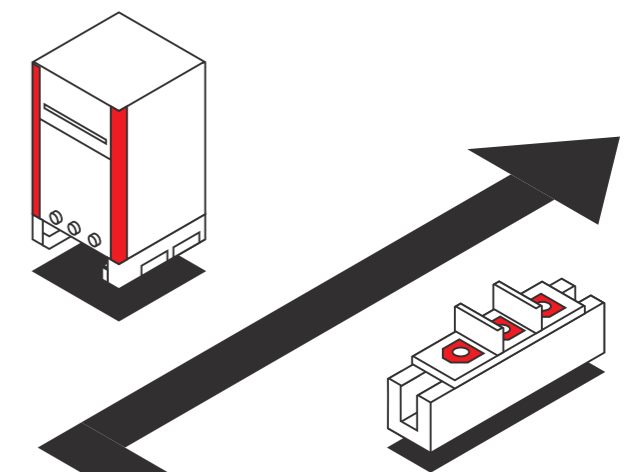
FY2023 was the final fiscal year of the second medium-term management plan since I became the president. In the three-year period, the external environment was difficult due to events including the COVID-19 pandemic, the Russian invasion of Ukraine, the escalation of the US-China economic conflict, and the slowdown of the growth of the Chinese economy. However, we were able to achieve all of the targets that we disclosed during the three-year period. One of the factors for this is the change of the sales department. While there was a time when the procurement of materials was very difficult, we were able to engage in sales activities that were committed to profit, such as negotiating with customers to set appropriate prices (including price increases) and uncompromising cost control. I feel that this was the greatest change over these three years.

We can also say that another major factor was our aiming to grow in the new energy sector, including in the areas of renewable energy and hydrogen, and we fully implemented initiatives in this sector. This is a growth area for us, not only in the three-year period of the previous medium-term management plan but also in the medium and long term. In other words, we were able to make sure that this is the path to the future that we should follow. I think this is a great achievement. We were also able to invest in a far-sighted manner. Specifically, we invested in the introduction of a control software simulator for power supply development, responses to the upsizing of wafers, and the automaton and streamlining of manufacturing process, among other investments. These investments are aimed at streamlining development and manufacturing. I think they will have effects over the long term.

In FY2023, the final year of the plan, we received multiple major projects, in which we fully use our unique technologies. As a result, net sales were 31.0 billion yen compared to the targeted 26.0 billion yen, and operating

profit was 3.4 billion yen, exceeding the targeted 1.9 billion yen. While these results were good as the achievements of sales activities, they highlighted issues. The fact is that, during the global materials shortage, we engaged in company-wide efforts to collect materials and managed to deliver products. In the end, this is a result from our passive stance, which I mentioned earlier when talking about our organizational climate. Ideally, we might spend several years proposing solutions proactively and manufacture and deliver products in a well-planned manner. I think this would prevent us from panicking during a materials shortage and enable us to receive core orders every year. We must understand the things that happened this time as an issue and improve as an organization. There also remains the issue of overseas business. Before the plan, China was regarded as an important area. However, we were not able to achieve the expected results due to the slowed growth of the Chinese economy. I think that the problem of China will remain. We will therefore regard it as an issue to overcome and update our overseas strategy in the next medium-term management plan.

(million yen)	FY2022 Result	FY2023 Result	YoY change	Announced results (Jan. 29, 2024)	Result vs. target
Net sales	28,088	31,005	+2,917 +10.4%	30,500	+505 +1.7%
Operating profit	1,629	3,407	+1,778 +109.1%	3,000	+407 +13.6%
Ratio of operating profit	5.8%	11.0%	+5.2 point	9.8%	+1.2 point
Ordinary profit	1,651	3,473	+1,822 +110.3%	3,000	+473 +15.8%
Profit attributable to owners of parent	1,241	2,955	+1,713 +138.0%	2,500	+455 +18.2%
Earnings per share(yen)	95.33	222.19	+126.86 +133.1%	187.97	+34.22 +18.2%





**CF26, a new medium-term management plan developed based on our vision using a backcasting approach**

Regarding the new medium-term management plan, our direction will not change greatly. During the period of the previous medium-term management plan, we established our purpose. We began to discuss the new medium-term management plan based on our purpose. Our purpose is to remain engaged in power electronics and move society in a better direction. This was the basis of our discussion for formulating the plan.

The new plan is also based on our vision. Specifically, we thoroughly discussed what we will do in the next three years based on what we aspire to be by FY2033, when we will celebrate our 100th anniversary. In the plan, we summarized the things that we should do to be what we aspire to be by our 100th anniversary, instead of continuing to follow the same path as before.

**Semiconductor business: The key market is the infrastructure market**

As in the previous medium-term management plan, our business strategies are directed toward growth in the new energy sector. In the semiconductor business, in addition to remaining committed to construction-related and industrial equipment markets, we will focus on the infrastructure market which has a greater impact on society. Specifically, we will target mobility, renewable energy, energy storage, data centers, and other areas. In addition, silicon carbide (SiC) semiconductor products, which are our key products, feature high withstand voltages and are attracting attention from a wide range of markets. To improve and expand our SiC products, we will engage in regional development tailored to the characteristics of each region, including Japan, China, Asia, North America and Europe. In particular, various research institutions in Europe and the United States are interested in our products, so I see potential.

**Power supply business: Achieving the global growth of power supplies for surface treatment**

In the power supply business, we will globally expand our power supplies for surface treatment, an area in which we are the best and in which we have the largest share of the market in Japan, in addition to developing products in the new energy sector as before. In the field of power supplies for surface treatment, precision surface treatment is necessary. This means that our technological capabilities must be high level. I believe that we have a competitive advantage in the global market as well because of our extensive track record.

We will also enhance our cooperation with partners with whom we have capital relationships. We will proceed with joint development with Mitsubishi Heavy Industries

and Nitto Kogyo in the new energy sector to develop competitive products as a team.

In the power supply business, there is another thing that we want to achieve. That is to develop a new market leveraging the small power supplies promoted by our subsidiary, Suwa Sansha Electric Co., Ltd. Due to the shift to a smart society, products for EV charging stations, semiconductor manufacturing equipment, and other equipment are expected to be in demand. Small power supplies are also needed for information infrastructure facilities such as data centers.

**Beginning design standardization**

The final key point in the power supply business is the standardization of parts and designs. At present, the major share of the power supply business is large power supplies, and we customize the designs of these products for the individual customers. This takes time and money because we design and productize the power supplies on a project-by-project basis. It is also hard to maintain their quality because we do not mass

produce them. Conversely, there is the possibility that if we can shift away from our design method which features customization, we can reduce the time and money necessary while also improving quality. It is true that our existing method, with which we meet every need of each customer using custom designs, has been received well by customers. However, I think there are many barriers that we must overcome. I believe that we must take on this challenge to be what we aspire to be in the long term. We would like to look for efficient design methods which will not decrease customer satisfaction. We would like to proceed with the standardization of designs and parts without decreasing user satisfaction, just as some parts that are not visible are used in both luxury and mass-market cars in the automotive industry. If we succeed, the result will be not only an increase in profit, but also an improvement in quality. This will enable salespeople to examine specifications before talking with customers, which I believe will facilitate proposal-based sales activities. Standardization will be a landmark process evolution in our history. It may take time, but I believe that achievement of standardization will naturally move us closer to the vision that we aim to achieve.



Our purpose is to remain engaged in power electronics and move society in a better direction.

**What we aspire to be (FY2033)**

- Net sales: **50.0 billion yen**
- Ratio of operating profit: **10% or higher**
- Return on equity (ROE): **10% or higher**
- Return on assets (ROA): **10% or higher**

**Taking advantage of intellectual property as a manufacturer**

Regarding sustainability, we have three priority measures. One is reducing the environmental impact of our business activities. We have set the target of reducing CO<sub>2</sub> emissions 46% from the FY2013 level by 2030. The second measure is strengthening business continuity management (BCM). In particular, to address natural disasters and threats to cybersecurity which have been increasing in recent years, we will assess risks, analyze their impact on our businesses, and create and implement strategies. Regarding BCM, inquiries from overseas customers are increasing. Therefore, we will enhance initiatives so that our customers do not feel uneasy. The third measure is related to something I mentioned at the beginning, the creation of a vibrant climate aiming to be a self-driven organization. As I have done over the past ten years, I will lead the continued improvement of our organizational climate. We will take on a number of challenges, such as changing the assessment system and improving and expanding training programs, with the goal of creating an environment where employees can work energetically and be highly motivated and happy. To do this, we strengthened the personnel affairs department over the past year.

In addition, we will also enhance our awareness of intellectual property as a manufacturer. I belonged to an intellectual property department when I was young. I think we need to consider intellectual property more strategically to achieve the vision. We are a technology driven company. I think that transforming technology into value strategically and being conscious of protecting technology to create value will be more important than ever for achieving growth globally.

During the new medium-term management plan, we aim to achieve net sales of 33.0 billion yen, operating profit of 2.2 billion yen, profit attributable to owners of parent of 1.5 billion yen, and return on equity (ROE) of 6.2% in FY2026, three years from now. In the first year, the absence of major projects in the previous fiscal year will impact us, but we plan to return to the level in FY2023 in the second year of the plan and achieve a continued increase in the third year. In addition, while depreciation will increase in the coming three years, reflecting the upfront investments made during the previous medium-term management plan, we will concurrently benefit from achievements.

**New medium-term management plan**

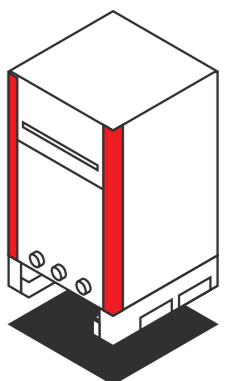
(100 million yen)	FY2024	FY2025	FY2026
Net sales	288	310	330
Operating profit	14	18	22
Ordinary profit	14	18	22
Profit attributable to owners of parent	9	12	15
Return on equity (ROE)(%)	4.1	5.2	6.2
Capital investment	28	18	18
Depreciation	12	16	16

**Advancing corporate governance**

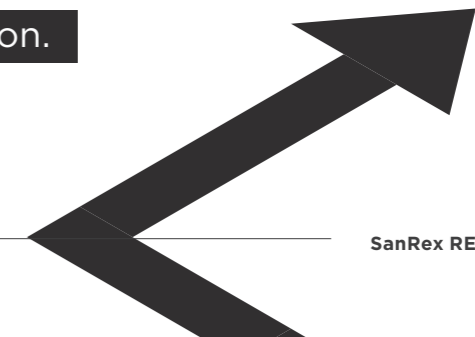
We were able to take a step forward regarding corporate governance. Ms. Eriko Nashioka, who was an Outside Audit & Supervisory Board Member, has become an Outside Director. Ms. Nashioka has a wealth of knowledge in the environmental sector, which is a target in our business strategies. She has also been an accountant. I think she will contribute to our corporate value creation from a perspective that is different from the perspectives of Mr. Uno and Mr. Ina, who are corporate managers. We are a manufacturing company, and we understand that creating an environment where women participate actively is a task that still remains for us to accomplish. We also place our hopes on Ms. Nashioka's perspective regarding the elimination of the gender gap and the promotion of diversity, areas where the focus is on the promotion of the active participation of women. Further, we have assigned Ms. Maiko Ueda to succeed Ms. Nashioka as an Audit & Supervisory Board Member. While our corporate governance still has much room to evolve, I think that we were able to take a first step forward.

**The need for sharing information to excite our stakeholders about the future we will create**

In response to a request from the Tokyo Stock Exchange, listed companies are acting to adopt management that is conscious of the cost of capital and the stock price. We also need to work to improve the price-to-book-value ratio (PBR) while being conscious of the cost of capital and the stock price. I stated above that we are reforming our organizational climate and improving profitability by standardizing designs, engaging in aggressive proposal-based sales activities, and investing to improve productivity. We have to ask the question, "What future will we aim to create for our shareholders, investors, employees, their families, and the students who will be working members of society in the future?" And how should we make it a reality? I am convinced that it is necessary to implement measures which will make many stakeholders excited about the future of the company, Sansha Electric Manufacturing, and to communicate information about these measures. We position this as a big task that we must accomplish and we will work on it. Please have high hopes for the future of Sansha Electric Manufacturing.



I think we need to consider intellectual property more strategically to achieve the vision.



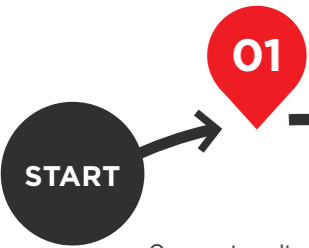


# Value creation story

The Sansha Electric Manufacturing Group has marked its 90th year in business. From a perspective rooted in our long history, we have organized the story of the challenges we will take on as we move toward the future. Using our experience and knowledge, we have defined guideposts for moving on to the next growth phase from a long-term perspective. We will continue to provide creative value and contribute to a sustainable future.

## Vision Global Power Solution Partner

### Unifying thinking



Corporate culture is the starting point of our value creation story. It all starts from like-minded people coming together and working toward the same future. Looking from this perspective, we set our purpose in 2023.

### New philosophy system



P.16

### Developing strengths (invisible assets)



In April 2023, we celebrated the 90th anniversary of our founding. We have experienced both success and failure in the 90 years. These experiences are some of the strengths that have been passed down to us. Creating history is developing strengths. The strengths we have now are what have been accumulated to date. We believe that the future we will create will make us even stronger.

- Accumulated capital P.17
- Accumulated strengths P.19

Invisible assets (FY2023)			
Human capital		Financial assets	
Number of employees	1,418	Total assets	35.3 billion yen
Ratio of overseas employees	33.5%	Equity ratio	69.1%
Social and relationship capital		Return on equity (ROE)	13.0%
Sales network	Japan 7 Overseas 8	Manufacturing and intellectual capital	
		Number of patents owned	290
		Number of plants	Japan 4 Overseas 2
		R&D expenses	1.7 billion yen

### Picturing the desired future



We will share what we aspire to be (our vision) with our like-minded peers who have strategies. We will define and understand where we are going and discuss how we can achieve the vision.

P.21

### Evaluation analysis for achieving the vision



Before developing strategies for achieving the vision, we conduct an evaluation analysis of our company, competitors and business environment. This analysis is a very important task because it will greatly influence the strategies to follow.

### Power semiconductors

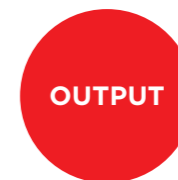


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### Power supplies



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### Developing strategies, acting and repeatedly evaluating and improving Evaluation analysis

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- Sustainability strategy P.39
- Human resource strategy P.42
- Business strategy
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- Business environment analysis
- Identify material issues P.23

### GOAL



Reduction in environmental impact (FY2023)  
CO<sub>2</sub> emissions 10,261t-co<sub>2</sub>  
Ratio of reduction from FY2013 level -28.9%

P.40

### Value created Economic value (FY2023)

Net sales 31.0 billion yen  
Operating profit 3.4 billion yen  
Earnings per share 222.19 yen

P.57

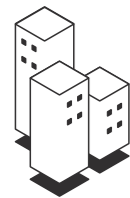


### Achieving our purpose

The corporate philosophy of the Sansha Electric Manufacturing Group embodies its mission and values and forms the foundation of its corporate activities. One element supporting this corporate philosophy is our purpose. Our purpose clearly details the value that we provide to customers and society. Our mission is to move society forward to a bright future using power electronics and creativity.

Since its founding, the Group has been committed to

transforming and controlling electricity and has been contributing to social progress using its technologies and services. We will continue to do this, with all of our employees working together to achieve our purpose. The purpose is at the core of our business activities. It is the direction we take as we aim to achieve sustainable growth, greater competitiveness, and a greater ability to influence society. We will move toward the achievement of our purpose under a consistent philosophy and strategy.



## Moving society forward with power electronics and creativity

Since our founding, we have been engaged in transforming and controlling electricity. This will remain unchanged.

Continuing to be an entity with one-of-a-kind technologies and services that moves society forward to a bright future – this is our purpose and our mission.

#### Our thoughts reflected in words

##### Power electronics

This is our role in society and our business domain, which will remain unchanged. We are always engaged in power electronics.

##### Creativity

While we are an engineering company, it is not just our engineers but all of our employees that act in accordance with our purpose. All employees act creatively with a commitment to one-of-a-kind technologies and services.

##### Moving society forward

As a manufacturer of power supplies and power semiconductors, we will be a driving force moving society in a better direction. This is our purpose and our mission.



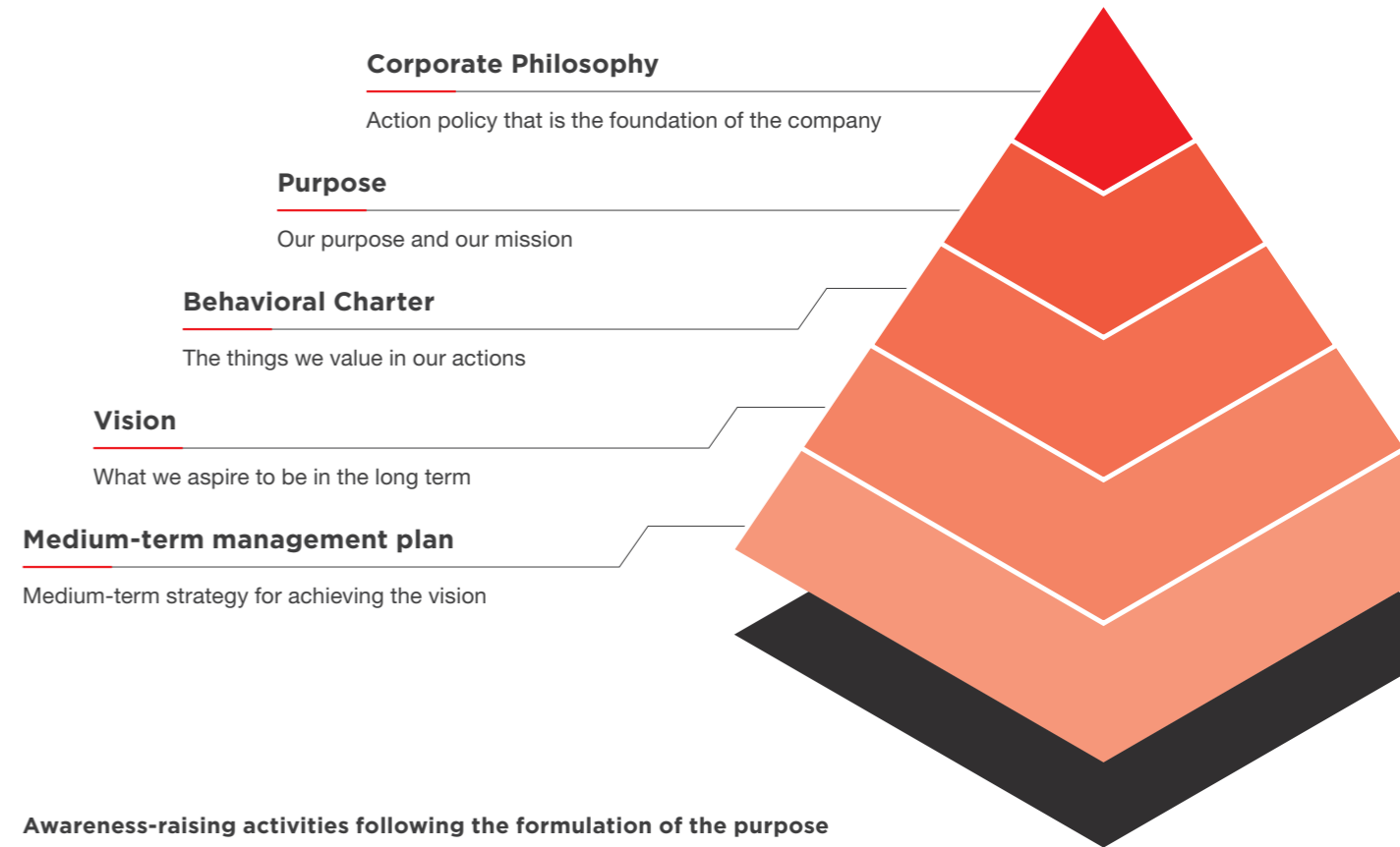
### Management centered on our purpose

Since its founding, the Sansha Electric Manufacturing Group has been guided in its business by its corporate philosophy and mission, attaching importance to the formation of its corporate culture. With more employees than before and with the establishment of overseas Group companies, we decided that redefining the meaning of our existence and setting it as a goal was essential for our achieving growth in the future. This is why we set a new purpose in April 2023.

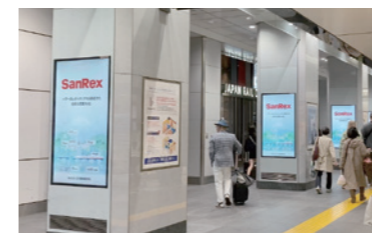
In formulating the medium-term management plan, we launched a project and developed specific measures, aiming to achieve this purpose. This has enabled the entire organization to unite in working to achieve it. We are confident that the Group's purpose will be a source of its sustainable growth and competitiveness and it is an important factor in our increasing our ability to influence society. Since identifying the purpose, we have been working to increase people's empathy and motivation to participate in businesses.

### Relationship between our philosophy system and strategies

The corporate philosophy is the foundation of the company and it expresses its mission and values. The purpose states the meaning of our existence and our mission and clearly states the value that we provide to customers and society. The behavioral charter consists of specific action guidelines that reflect the corporate philosophy and the purpose. The vision describes what we aspire to be in the future and shows the direction in which we aim to go. The medium-term management plan is a roadmap detailing the specific strategies and targets that we have set based on the above and how we will implement them. These elements are interlocking. The corporate philosophy and the purpose are achieved through the behavioral charter and the vision and the medium-term management plan reflects them. Thus, the direction of the company results in specific business activities while maintaining its consistency.



### Awareness-raising activities following the formulation of the purpose



Through advertising, we have carried out activities to enable a wide range of stakeholders to learn about our purpose. We strive to achieve our purpose by increasing the number of people who support it.



To increase employees' understanding of the purpose, we provided online training to enable them to learn about the background behind the formulation of the purpose and about its significance. This year, 97.7% of our employees received the training program.



We have created a video and released it on YouTube to increase awareness of our purpose both internally and externally. We created the video in English and Chinese, in addition to Japanese, to enable the employees of overseas Group companies to understand the purpose, and to have it take root in their workplaces.

<https://www.youtube.com/watch?v=5RW5dBgyyM>



# Accumulated capital



The Sansha Electric Manufacturing Group has more than 90 years of history. During this time, it has accumulated six types of capital: financial capital, manufacturing capital, intellectual capital, human capital, social and relationship capital, and natural capital. We have accumulated these types of capital as we have grown. They are a solid foundation for the enhancement of our corporate value. Enhancing each type of capital is essential for our future

development.

To enhance financial capital, we aim to create stable cash flows, maintain our sound financial standing and maximize our corporate value. We will continue to efficiently allocate funds to capital investments and R&D. At the same time, we will appropriately return profits to our shareholders. Regarding manufacturing capital, we will move forward with the standardization

of automation technologies, designs, and materials to streamline production processes and provide high-quality products. We will also invest in cutting-edge equipment to maintain our competitiveness. To enhance our intellectual capital, we will promote our utilization of AI and our digital transformation (DX) to streamline research and development processes and strengthen measures to protect our intellectual property. With these initiatives, we will develop products promptly and improve our market competitiveness. Regarding human capital, we will focus our efforts on developing diverse human resources and strengthening global leadership to promote the development of an environment which enables employees to fully demonstrate their capabilities. Concerning social and relationship capital, we will reinforce our relationship of trust with customers and local communities and move

forward with the development of new markets and the expansion of our network of distributors and services. We will also work to solve social issues through co-creation. Regarding natural capital, we will proactively reduce CO<sub>2</sub> emissions and implement other environmental protection activities for the establishment of a sustainable society.

At the Sansha Electric Manufacturing Group, we will continue to enhance these six types of capital in a well-balanced manner and remain fully committed to sustainable growth and the creation of social value.

Capital	Financial capital	Manufacturing capital	Intellectual capital	Human capital	Social and relationship capital	Natural capital
Strengths	<ul style="list-style-type: none"> <li>• Safe, sound financial standing</li> <li>• Creation of stable cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated production system including development, design and manufacturing</li> <li>• Unique packaging technologies for semiconductor modules</li> <li>• Expertise in quality control and manufacturing that has been accumulated over many years</li> </ul>	<ul style="list-style-type: none"> <li>• Technologies and expertise that have been cultivated over more than 90 years</li> <li>• Technological synergy created by two businesses: the semiconductor and power supply businesses</li> <li>• Solutions provided by responding immediately to market needs</li> </ul>	<ul style="list-style-type: none"> <li>• An organization that has empathy for the purpose and has a sense of unity</li> <li>• Ongoing training and career development programs</li> </ul>	<ul style="list-style-type: none"> <li>• Relationships of trust built through co-creation with customers leveraging the flexibility of our development and manufacturing</li> <li>• Solutions to social issues and customer issues provided through our businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to a decarbonized society through our businesses</li> <li>• Maintenance and continuous improvement of our environmental management system</li> </ul>
Initiatives to enhance capital	<ul style="list-style-type: none"> <li>• Improve total asset turnover by increasing the efficiency of investments, including capital and R&amp;D investments. At the same time, control inventories and other current assets to keep them at appropriate levels.</li> <li>• Implement well-planned investments in human capital and intellectual capital and deliver returns to shareholders in a well-balanced manner</li> </ul> <p>▶ P.29 Message from the Director in charge of financial affairs</p>	<ul style="list-style-type: none"> <li>• Ongoing capital investments for automation</li> <li>• Standardize designs and materials</li> <li>• Streamline production process to enhance yield and minimize energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Proactively acquire, protect, and control intellectual property rights to enhance business competitiveness</li> <li>• Promote the use of AI in R&amp;D processes and the DX and automation of processes, with the goal of shortening development lead times</li> <li>• Move forward with research on next-generation semiconductors based on the power conversion and control technologies which are our core technologies</li> <li>• Expand and enhance R&amp;D investments</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting diversity</li> <li>• Reform the personnel system in line with the organizational transformation</li> <li>• Improve employees' skills and enhance their engagement by providing ongoing human resource development programs and career development support</li> </ul> <p>▶ P.42 Human resource</p>	<ul style="list-style-type: none"> <li>• Leverage new technologies to improve our ability to propose solutions</li> <li>• Build networks of distributors and services in new areas</li> <li>• Sustainable procurement throughout the supply chain</li> <li>• Enhance CSR activities by strengthening partnerships with local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Capital investment to accelerate CO<sub>2</sub> reduction</li> <li>• Reduce CO<sub>2</sub> emissions by improving manufacturing processes and operations</li> <li>• Environmentally friendly product designs</li> </ul> <p>▶ P.39 Environment</p>
KPI	<ul style="list-style-type: none"> <li>Return on equity (ROE)</li> <li>Return on assets (ROA)</li> <li>Total asset turnover</li> <li>Ratio of operating profit</li> <li>Dividend payout ratio</li> </ul>	<ul style="list-style-type: none"> <li>Capital investment</li> <li>Yield rate</li> <li>Production lead time</li> </ul>	<ul style="list-style-type: none"> <li>Research and development expenses</li> <li>Number of intellectual property rights applications submitted</li> </ul> <p>▶ P.20 Intellectual property</p>	<ul style="list-style-type: none"> <li>Employee engagement</li> <li>Ratio of females in leading and managerial positions</li> <li>Employee retention rate</li> </ul>	<ul style="list-style-type: none"> <li>Corporate social responsibility (CSR) score</li> <li>Number of distributors</li> <li>Number of service bases</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions</li> <li>Waste recycling ratio</li> </ul>

# Accumulated strengths

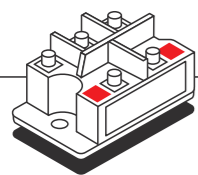
Leading the market with sophisticated technological capabilities and an integrated production system, the Sansha Electric Manufacturing Group started with a power supply for a movie projector and has been contributing to the film industry and to Japanese industry with products created by fully leveraging its semiconductor technologies. At present, we provide environmentally friendly, high-efficiency power supply technologies. We boast a world-leading market share for power supplies featuring both a wide range of applications and high reliability. We have also established a system for promptly providing high-quality products leveraging our integrated production and one-stop services. We provide optimal solutions to meet customers' needs, aiming to establish sustainable businesses.



## A large market share enabled by our advanced technologies

At the Sansha Electric Manufacturing Group, we have been providing stable light sources by fully leveraging our semiconductor technologies. We have been contributing to industry in Japan by applying our technologies for the in-house production of semiconductors to plating rectifiers and welding machines. Currently, we continue to provide highly reliable power supplies with a broad range of applications as a leader in environmentally friendly

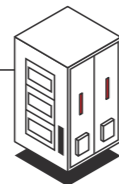
power supply technologies. We excel at high-efficiency conversion technologies which enable users to convert between direct and alternating current at will and control conversion loss, and flexibly respond to environmental issues and changes in society. Having had our founder's spirit of catering to the needs of society passed down to us, we are contributing to the development of society through our products.



**Thyristor Diode Modules Markets**

**Fourth largest share** of the global market

Source: OMDIA Annual Power Semiconductor Reports-2022



**Power Supplies for Surface Finishing Markets**

**Largest share** of the domestic market

Source: Estimated by Sansha Electric Manufacturing Co., Ltd. on the basis of the Japan Plating Suppliers Association: 2021 Dynamic Statistics of Power Supply Sales

## Integrated production and one-stop services

At the Sansha Electric Manufacturing Group, we manufacture power semiconductors supporting high voltages and currents in an integrated production system including wafer processing and package assembly. We also manufacture power supplies in an integrated production system that includes the development, design and manufacturing of circuit boards and other components. Integrated production provides many benefits, including the improvement of quality and

technological capabilities and the reduction of costs, enabling us to provide competitive products. Further, in 1974 we established a subsidiary providing maintenance services guided by our policy of providing services which support the stable operation of power supply equipment. This company caters to customer needs with one-stop services including the installation of power supply equipment as well as the operation, maintenance and replacement of equipment.

## Intellectual property

### Concept behind the intellectual property strategy

We believe that the unique qualities of the Sansha Electric Manufacturing Group lie in the support for the natural environment and social environment that we provided leveraging our technological strengths, with our intellectual property strategy built on our sales strategies reflecting our understanding of technology strategy, management strategy and partners' strategies, based on the Global Power Solution Partner concept. Therefore, in our intellectual property strategy, we position intellectual property as management resources for protecting customers' markets and achieving goals together with them, and our activities are focused mainly on creating and maintaining competitiveness. In addition, we will strive to maintain and improve our corporate value and brand through these high-quality initiatives.

### Intellectual property activities

The Group implements initiatives to increase its competitiveness, starting from increasing intellectual property awareness and proactively obtaining intellectual property rights to achievements made through various R&D efforts and analyses and protecting and controlling intellectual property rights.

- 1 Actively obtain intellectual property rights for inventions such as innovative new technologies and original designs.
- 2 File applications to secure international intellectual property rights and maintain, manage and control them in accordance with the global strategy.
- 3 To expand business in emerging countries, continuously collect information on counterfeit products to take appropriate measures to address them.

### Providing solutions that cater to customer needs

The Group has established an integrated production system including development, design, and manufacturing. This allows us to provide customers with optimal proposals from the perspective of high efficiency, safety and other features. We always have a correct understanding of customers' needs and place importance on providing optimal solutions catering to these needs. With our ability to propose solutions leveraging the flexibility of our development and manufacturing as our strengths, we will build relationships of trust with customers and realize sustainable businesses.



**Large-capacity power conditioner evaluation system**

Example delivered products  
<https://www.sansha.co.jp/eng/case/>

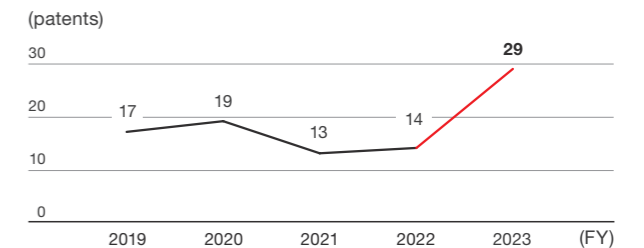


## Employee invention incentive program

We have an employee invention incentive program aimed at encouraging engineers to develop inventions and at supporting corporate development and the improvement of individuals' skills by protecting and utilizing their inventions.

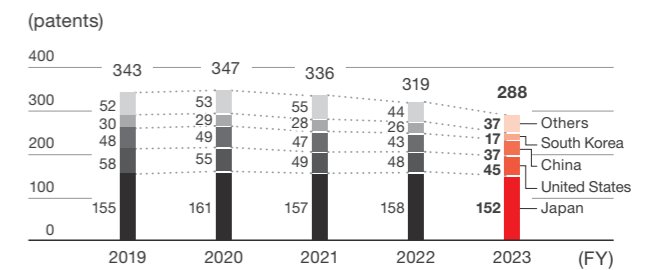
## Applications for and ownership of intellectual property rights

### Number of applications



The data covers Sansha Electric Manufacturing Co., Ltd.

### Number of patents owned



The data covers Sansha Electric Manufacturing Co., Ltd.

### Example delivered products of patents owned

#### National Institute of Advanced Industrial Science and Technology's Fukushima Renewable Energy Institute

**Large-capacity power conditioner evaluation system**  
 Enabling the simulation of power supply-related systems, this product is used for testing and evaluating large power conditioners for using renewable energy.

#### Iki City, Nagasaki

**System combining storage batteries, fuel cells and a water electrolysis system**  
 This combined system converts hydrogen generated from sunlight into a fuel and effectively uses oxygen and heat. It is used at an onshore puffer fish farm.

#### Japan Aerospace Exploration Agency (JAXA) Tanegashima Space Center (TNSC)

**Uninterruptible power supply (UPS)**  
 This system supplies power for a certain length of time in the event of a blackout. It is mounted on the rocket launch pad.

#### National Institute of Technology and Evaluation (NITE) National Laboratory for advanced energy storage technologies (NLAB)

**Power supply system for storage battery evaluation**  
 A power supply system for evaluating storage batteries from the respective manufacturers in accordance with characteristics of each

# Our desired future

Continuing to be a partner that listens to customers and meets their expectations in the provision of solutions

## Global Power Solution Partner

We provide power semiconductor technologies and high-efficiency power conversion technologies aiming to establish a sustainable society. Next-generation power semiconductors from the Sansha Electric Manufacturing Group enable the efficient use of power from renewable energy sources while minimizing energy loss. Further, we adopt environmentally friendly designs for our power supplies with high conversion efficiency to reduce energy consumption. In addition to innovating technologies, we are proactively contributing to local communities and participating in environmental protection activities. In our efforts to improve people's lives, we are creating a sustainable, prosperous future through these initiatives.

### Technology

**We will have world-leading technologies related to power electronics, which have been our strength since our founding.**

We are a company that has technology at its core. We will continue to hone our unique technologies, aiming to be a corporate group with world-leading technologies in the field of power electronics.

### Global

**Taking a global perspective, we will operate our business on a wholly global scale.**

To date, we have operated businesses mainly in Japan. Moving forward, we will turn our attention to the world and aim to be a corporate group that solves social issues by providing technologies and services from a global perspective on a global scale.

### Solution

**Capitalizing on power electronics technologies, we will thoroughly identify customers' problems and resolve them.**

We have been developing by solving the challenges presented to us by customers using our technologies. Moving forward, we will not only address the challenges given to us by customers but also delve deeper into their problems to evolve into their partner.

### Trust

**We will earn the unrivaled trust of society for our quality and sincerity.**

We attach importance to sincerity and quality. Based on these two elements, we aim to be a corporate group that is trusted by society as a whole, including our customers.

### Formulation of a long-term vision

In 2018, we formulated a long-term vision of the Group as a whole. In this vision, we defined our direction towards the future, beyond our short-term targets. Each individual employee is working on the development of products and services based on this vision.

### Changes after the formulation of the long-term vision

The thing that changed most greatly following the formulation of the long-term vision is the awareness of employees involved in development and services. This awareness reform has taken root as a part of a new corporate culture instead of being merely a part of the business process. Regarding newly developed products and services, employees have started discussing issues from the viewpoint of the future that lies ahead of the products and services and how the products and services can contribute to the future we desire.

They have strengthened their resolve to continue to always pursue change in a far-sighted manner, without being constrained by successful experiences and past achievements. Employees think deeply about how their work will contribute to the long-term vision of the company as a whole and implement their daily operations to make this vision a reality. As a result, their motivation and creativity are high as they engage in new projects and development activities.

### What we want to achieve by the 100th anniversary

We aim to further hone our power electronics technologies and develop into a corporate group that can boast of world-leading technological strengths by the 100th anniversary of our founding. We will also listen to customers and establish trust as their global power solution partner. This includes the pursuit of greater customer satisfaction and the enhancement of our ability to serve new markets and fulfill new needs.

Further, we will promote initiatives to improve energy efficiency and establish a sustainable society in our efforts to achieve growth as a company and contribute to society at the same time. To achieve this vision, we will work and innovate every day, and focus our efforts on developing and popularizing sustainable technologies with minimal environmental impact. Through these initiatives, we aim to remain proud of our company into the future.



### Column

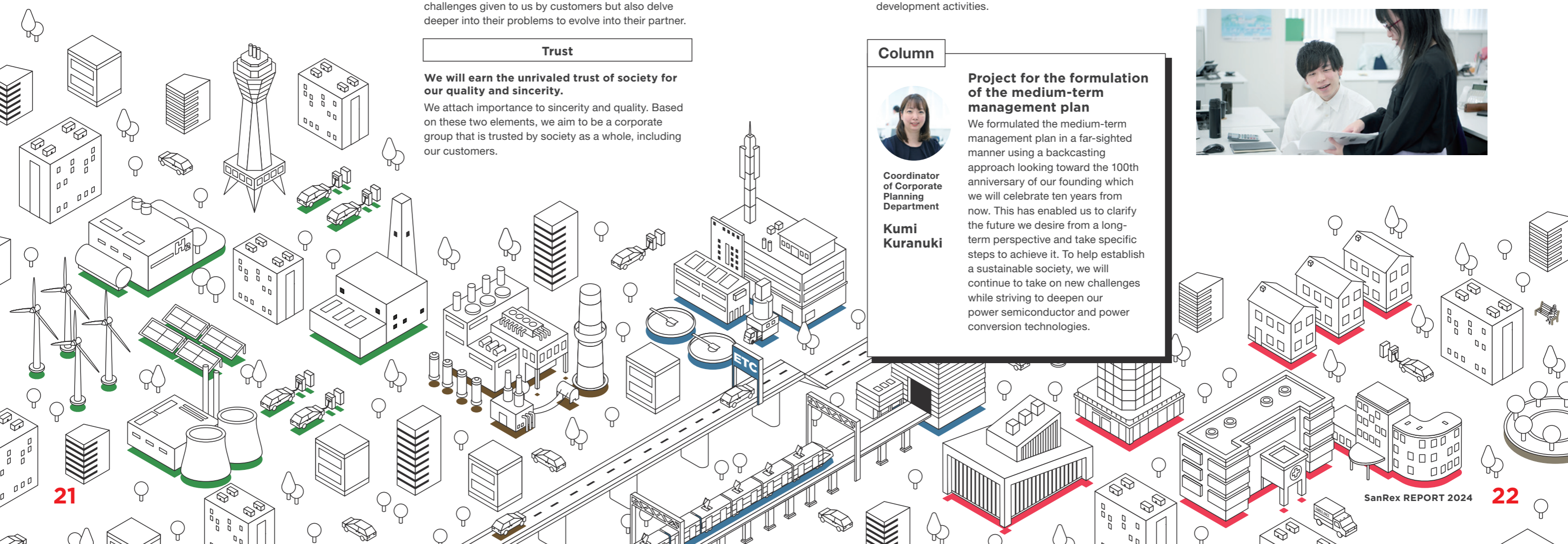


Coordinator of Corporate Planning Department

**Kumi Kuranuki**

#### Project for the formulation of the medium-term management plan

We formulated the medium-term management plan in a far-sighted manner using a backcasting approach looking toward the 100th anniversary of our founding which we will celebrate ten years from now. This has enabled us to clarify the future we desire from a long-term perspective and take specific steps to achieve it. To help establish a sustainable society, we will continue to take on new challenges while striving to deepen our power semiconductor and power conversion technologies.





# Management material issues

The Sansha Electric Manufacturing Group has been contributing to the establishment of a sustainable society through its businesses. In our CF26 medium-term management plan, we identified seven important elements by evaluating stakeholders' interests and degree of impact. These elements have been integrated into our business strategy. We will formulate specific measures and address issues, enabling us to not only pursue growth and profit but also help achieve the SDGs. We use our technologies and innovations to address social issues and contribute to the establishment of a sustainable society.

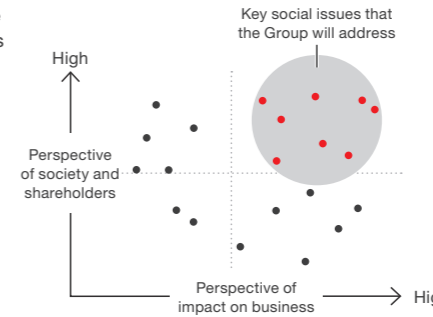
## Process of identifying material issues



We selected the social issues that the Sansha Electric Manufacturing Group will focus on by referencing the Sustainable Development Goals (SDGs) and other international initiatives, the code of conduct in the industry the Group is a part of (the Responsible Business Alliance (RBA) Code of Conduct\*), major guidelines (the Global Reporting Initiative (GRI) and ISO 26000) and megatrends.

\* The RBA Code of Conduct is guidance formulated for electronics industry and electric equipment-related industry supply chains.

We analyzed and assessed how significantly the selected social issues interested stakeholders, the size of their impact and how significant they are to the Group to create a draft set of material issues.



We determined the priority material issues to be addressed after the management team assessed the appropriateness of the draft. The Board of Directors adopted a resolution regarding them concurrently with the medium-term management plan. Going forward, each time a new medium-term management plan is formulated, we will revise them in consideration of changes in business circumstances and society.

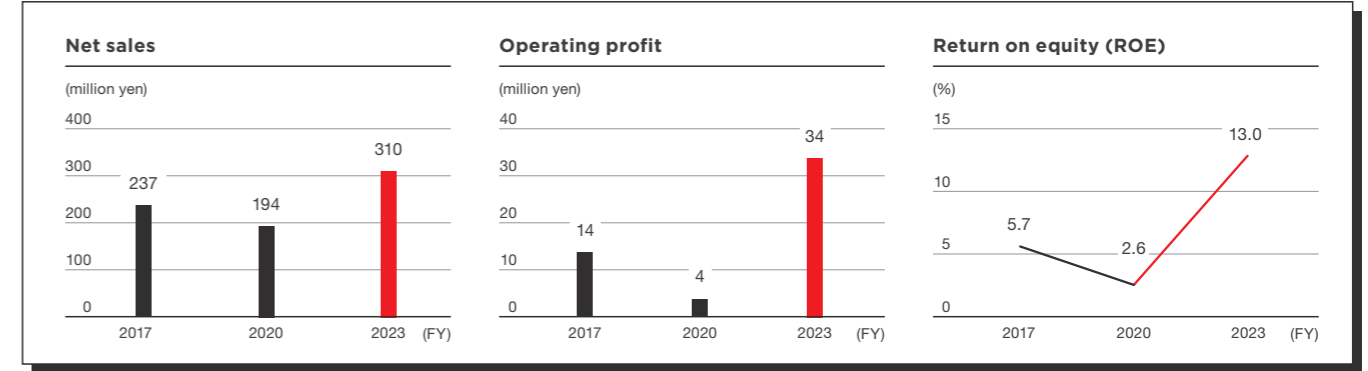
Social issues	Risks	Responses and opportunities	Material issues	Medium-term management plan (priority measures)	What we aspire to be ten years from now	Related SDGs
<b>1</b> Rise of renewable energy and new energy	<ul style="list-style-type: none"> <li>Instability of electricity supply</li> <li>High cost of power generation</li> </ul>	<ul style="list-style-type: none"> <li>Increase in business opportunities</li> <li>Development of technologies and products compatible with new and renewable energy</li> </ul>	<b>Contribution to a carbon-free society and environmental conservation</b>	<ul style="list-style-type: none"> <li>Expanding the SiC device lineup</li> <li>Developing high-performance devices</li> <li>Developing high-efficiency products</li> <li>Providing solutions that enhance customers' added value</li> </ul>	We will reduce energy consumption and facilitate the shift to a decarbonized society by developing high energy-efficiency products. We will also support the popularization of environmentally friendly and sustainable energy, ensure the stable supply of power, and contribute to the development of industry and the improvement of quality of life.	7, 13
<b>2</b> Rapid urbanization of emerging countries	<ul style="list-style-type: none"> <li>Inadequate quality control</li> <li>Intensifying competition</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the areas in which we operate</li> <li>Response to infrastructure development associated with urbanization</li> </ul>	<b>Constructing a robust infrastructure and contributing to industrial development</b>	<ul style="list-style-type: none"> <li>Focusing efforts on the infrastructure market (mobility, renewable energy and energy storage, and data centers)</li> <li>Expanding sales of power supplies for surface treatment with a focus on global expansion</li> </ul>	We will contribute to realizing sustainable infrastructure and the development of industry by improving the stability of the power supply through high-performance power semiconductors and power conversion technologies.	9, 11, 13
<b>3</b> Provision of safety and peace of mind	<ul style="list-style-type: none"> <li>Fierce competition due to market expansion</li> <li>Impact on global environmental problems</li> </ul>	<ul style="list-style-type: none"> <li>Earning customers' trust</li> <li>Increasing competitiveness</li> </ul>	<b>Provision of safety, peace of mind, and new value</b>	Improving quality, cost and delivery (QCD) and providing added value to customers	We will provide safer products by using latest technologies and innovations. For maintenance services, we will push forward with building a product management system using smart features and AI so that products' conditions and the status of operation can be monitored in real time.	12
<b>4</b> Technological progress	<ul style="list-style-type: none"> <li>Threats to cybersecurity</li> <li>Emergence of new competitors following technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Development of technologies and expansion of services using AI</li> </ul>	<b>Strengthening of manufacturing</b>	<ul style="list-style-type: none"> <li>Promoting the improvement of production efficiency and reduction of labor through automation</li> <li>Promoting modularization and unitization</li> </ul>	We will improve productivity through activities such as automating production processes, using AI, and using other advanced technologies, streamline production processes, and improve quality, enabling us to cater to diverse customer needs.	12
<b>5</b> Climate change	<ul style="list-style-type: none"> <li>Suspension of business activities due to natural disaster</li> <li>Tight electricity supply-demand balance</li> </ul>	<ul style="list-style-type: none"> <li>Development of technologies and products for stable power supply</li> <li>Development of environmentally friendly products</li> <li>Investment to replace aging equipment</li> </ul>	<b>Reduction of the environmental impact of production activities</b>	<ul style="list-style-type: none"> <li>Installing solar (PV) power generation system at the Okayama Plant</li> <li>Replacing the gas air-conditioning system at the headquarters with an electric system</li> <li>Replacing the air-conditioning system at the Okayama Plant</li> </ul>	We will maximize energy efficiency and promote the reduction and recycling of waste, minimizing the environmental impact of our production processes as a whole. We will establish environmentally friendly, optimal logistics for transporting and delivering our products, contributing to the establishment of a sustainable society.	7, 12, 13
<b>6</b> Demographic change	<ul style="list-style-type: none"> <li>Decline in international competitiveness due to a labor shortage</li> <li>Decline in technological strengths caused by difficulties in acquiring human resources</li> </ul>	<ul style="list-style-type: none"> <li>Cultivating new markets</li> <li>Use of a diverse labor force</li> </ul>	<b>Promotion of diversity and personnel in action</b>	<ul style="list-style-type: none"> <li>Developing diverse human resources for value creation and increasing the percentage of managers that are women</li> <li>Improving per-capita net sales and operating profit</li> </ul>	We will establish a vibrant corporate climate by developing human resources who create value to provide new ideas and innovations, to differentiate ourselves and achieve sustainable growth.	5, 8
<b>7</b> Fragmentation of the world and cyberattacks	<ul style="list-style-type: none"> <li>Supply chain disruption</li> <li>Information leakage, system stoppage</li> </ul>	<ul style="list-style-type: none"> <li>Digitalization and use of technology</li> <li>Inter-company partnerships</li> </ul>	<b>Enhancement of business continuity management (BCM)</b>	<ul style="list-style-type: none"> <li>Reviewing business continuity plans (BCPs)</li> <li>Making improvements related to information security issues and reviewing the system for handling incidents</li> </ul>	We will establish strong business continuity capabilities and high-level information security to be ready to respond to incidents promptly and effectively. By doing so, we will earn the trust of customers and business partners and achieve sustainable growth and greater competitiveness.	11, 12, 17

■ Semiconductor business ⚡ Power supply business

# Review of past medium-term management plans

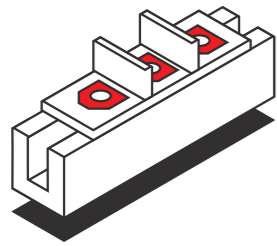
We have reviewed past medium-term management plans and evaluated the growth strategies that were implemented through global expansion and the launch of new products.

We have specifically analyzed net sales, operating profit, and return on equity (ROE) trends. The issues faced by the Sansha Electric Manufacturing Group, solutions to them and future prospects are detailed below.



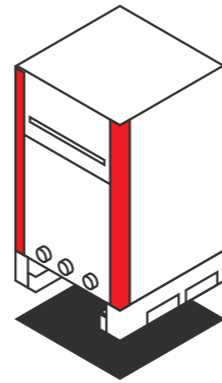
	FY2018 to FY2020	FY2021 to FY2023 <b>CG23</b>
Long-term vision	<b>Global Power Solution Partner</b>	
Policy	Developing new fields by proposing solutions based on technology	
Priority measures	<ul style="list-style-type: none"> <li>1 Expansion of SiC modules (higher resistance to heat and higher speed)</li> <li>2 Expansion of the transfer mold product lineup</li> <li>3 Increase of activity in growing industrial sectors such as servos, inverters for industrial use, and welding machines</li> <li>4 Increase of efforts for products related to new energy and electric vehicles</li> <li>5 Strengthening of the solution business</li> <li>6 Further global expansion</li> </ul>	<ul style="list-style-type: none"> <li>1 Contribution to a carbon-free society and environmental conservation                             <ul style="list-style-type: none"> <li>• Developing high-efficiency products</li> <li>• Development of products related to new energy and renewable energy</li> </ul> </li> <li>2 Contribution to a carbon-free society and environmental conservation                             <ul style="list-style-type: none"> <li>• Developing uninterruptible power supplies</li> <li>• Stable supply of power supplies for surface treatment</li> </ul> </li> <li>3 Providing safety and security, and improving services by offering new value                             <ul style="list-style-type: none"> <li>• Creation of proposals for systems rather than selling standalone products</li> <li>• Reinforcement of the remote maintenance system</li> </ul> </li> <li>4 Strengthening manufacturing                             <ul style="list-style-type: none"> <li>• Implementation of IP strategy</li> <li>• Investment in streamlining and automation</li> <li>• Design standardization</li> </ul> </li> <li>5 Reduction of the environmental impact of production activities                             <ul style="list-style-type: none"> <li>• Setting up projects to reduce CO<sub>2</sub> emissions</li> <li>• Replacement of aging equipment</li> <li>• Procurement of power from renewable energy sources</li> </ul> </li> <li>6 Promotion of diversity and development of human resources                             <ul style="list-style-type: none"> <li>• Reviewing human resource development systems and increasing education and training programs</li> <li>• Promoting diversity</li> <li>• Improving work environments</li> </ul> </li> </ul>
Achievements and issues	<p>In the semiconductor business, sales of products with new applications increased in China, but demand declined due to trade friction between the U.S. and China. In the power supply business, the Group obtained a foothold to contribute to hydrogen society by providing fuel cell equipment.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>• Development of power conditioners for the evaluation of fuel cells</li> <li>• Expansion of sales of uninterruptible power supplies (UPS)</li> <li>• Expansion of the semiconductor transfer mold product lineup</li> <li>• Chubu Sales Office and the Hokuriku Office opened</li> </ul> </div> <div style="width: 45%;"> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>• Failure to fulfill performance targets</li> <li>• Lack of development of new products that are cost competitive</li> </ul> </div> </div>	<p>In an adverse business environment, our development, manufacturing, and sales teams worked as one to implement initiatives to keep delivery times and carry out thorough price revision activities, which resulted in the achievement of the net sales and operating profit targets for the three years.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>• Establishment of capital and business alliance partnerships</li> <li>• Development of SiC supply chains</li> <li>• Development of a power supply for grid connection simulators</li> </ul> </div> <div style="width: 45%;"> <p><b>Issues</b></p> <ul style="list-style-type: none"> <li>• Accelerating contribution in the new energy sector</li> <li>• Developing a new market that is less likely to be affected by business confidence</li> <li>• Continuing to promote standardization and unitization</li> <li>• Global strategy implemented through company-wide cooperation</li> <li>• Continuing to implement the PDCA cycle for human resource development</li> </ul> </div> </div>

Social situation	<p><b>2018</b></p> <ul style="list-style-type: none"> <li>• The United States imposes import restrictions, intensifying trade friction between the U.S. and China.</li> <li>• An earthquake measuring 7 on the 7-level Japanese seismic intensity scale hits Hokkaido, stopping the supply of electricity throughout Hokkaido, the first blackout in Japan.</li> </ul>	<p><b>2019</b></p> <ul style="list-style-type: none"> <li>• The imperial era changes from Heisei to Reiwa.</li> <li>• Democracy demonstrations in Hong Kong.</li> <li>• The consumption tax rate is increased from 8% to 10%.</li> </ul>	<p><b>2020</b></p> <ul style="list-style-type: none"> <li>• The World Health Organization (WHO) declares the COVID-19 outbreak has become a pandemic, lockdowns occur in Europe and a state of emergency is declared in Japan.</li> <li>• The United Kingdom leaves the EU.</li> </ul>	<p><b>2021</b></p> <ul style="list-style-type: none"> <li>• A new variant of COVID-19 increases the infection rate.</li> <li>• Joe Biden takes office as the President of the United States.</li> <li>• A major Chinese real estate developer runs into financial difficulties.</li> </ul>	<p><b>2022</b></p> <ul style="list-style-type: none"> <li>• Russia's invasion of Ukraine</li> <li>• Xi Jinping's administration enters its third term in China.</li> <li>• A rush to increase prices is triggered by the weakening of the yen and rising resource prices.</li> </ul>	<p><b>2023</b></p> <ul style="list-style-type: none"> <li>• The World Health Organization (WHO) declares an end to COVID-19 as a public health emergency. In Japan, COVID-19 is reclassified as a class five infectious disease.</li> <li>• The Israel-Hamas war intensifies.</li> </ul>
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# CF26

Create the Future 2026



## New medium-term management plan (2024 to 2026)

In May 2024, we announced CF26, our new medium-term management plan with the slogan: **Create the Future**. This slogan is derived from our purpose: **Moving society forward with power electronics and creativity**. The plan advances our intent to move society forward using our creativity and also includes our vision for the future. In this medium-term management plan, we focus on strategies and our vision for building a better future.

### Numerical targets

In FY2024, net sales are expected to decrease from FY2023 to 28.8 billion yen. This will be a temporary decline. Major factors in this decrease are the absence of plans for a major project that was implemented to meet special demand which existed in FY2023 and upfront

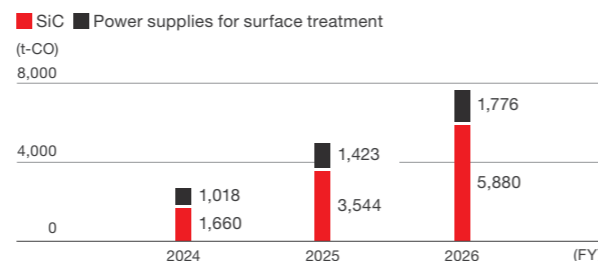
expenditures for strategic investments and investments in intangible assets. However, net sales are forecast to recover to 31.0 billion yen in FY2025 and grow to 33.0 billion yen in FY2026. Thus, we aim to return to a stable growth track.

	FY2023	New medium-term management plan			What we aspire to be (FY2033)
		FY2024	FY2025	FY2026	
Net sales (100 million yen)	310	288	310	330	50.0 billion yen
Operating profit (%)	34	14	18	22	Ratio of operating profit 10% or higher
Ordinary profit (%)	34	14	18	22	Return on equity (ROE) 10% or higher
Profit attributable to owners of parent (%)	29	9	12	15	Return on assets (ROA) 10% or higher
Return on equity (ROE) (%)	13.0	4.1	5.2	6.2	

### Development of products which will contribute to carbon neutrality

- Product development focused on power conversion efficiency and CO<sub>2</sub> reduction
- Contributing to the reduction of the CO<sub>2</sub> emissions of society as a whole by calculating CO<sub>2</sub> emissions from the use of products

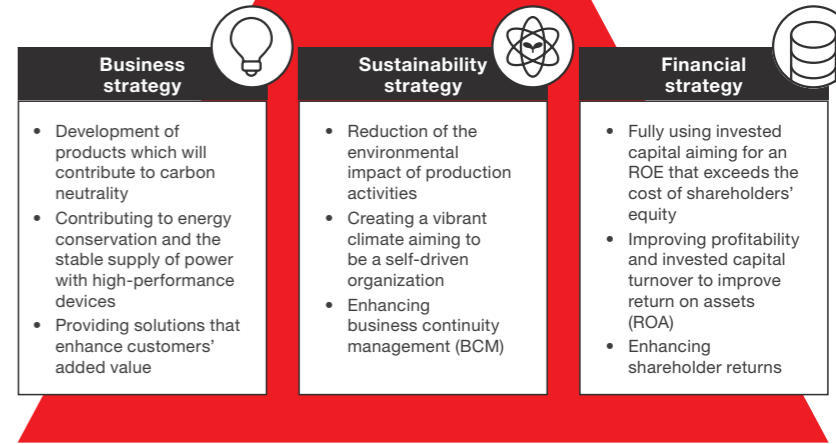
Planned CO<sub>2</sub> reduction by major product group



### Basic policy

The period of the CF26 medium-term management plan (2024 to 2026) is positioned as three years of managerial reforms to become the Global Power Solution Partner to achieve a return on equity (ROE) of 10% or higher. We aim to achieve the growth of our business and the improvement of profitability through strategic investments and investments in intangible assets. Specifically, we will provide solutions which will contribute to energy conservation and the stable supply of power and enhance customers' added value through the development of products which will contribute to carbon neutrality and the development of high-performance devices. In addition, we will implement a sustainability strategy by reducing our environmental impact and enhancing our business continuity management and fully leverage our invested capital aiming to achieve a return on equity (ROE) that exceeds the cost of shareholders' equity in our efforts to improve profitability and invested capital turnover. Further, we will also push forward with the enhancement of shareholder returns and the strengthening of corporate governance.

The period of the CF26 medium-term management plan (2024 to 2026) is positioned as three years of managerial reforms to become the Global Power Solution Partner to achieve a return on equity (ROE) of 10% or higher. We aim to achieve the growth of our business and the improvement of profitability through strategic investments and investments in intangible assets.

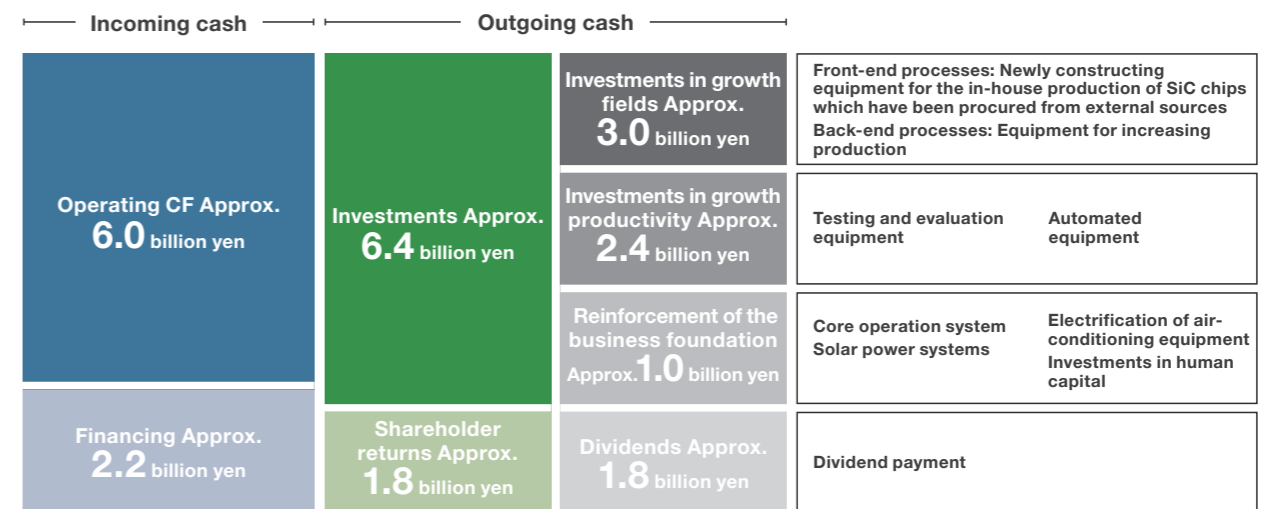


### Corporate governance

Securing the diversity of the Board of Directors and strengthening IR activities (enhancing information disclosure and the disclosure of information in English)

### Cash allocation to achieve growth

In accordance with the CF26 medium-term management plan, we will invest strategically and in intangible assets in our efforts to achieve sustainable growth and improve profitability.





Message from the Director in charge of financial affairs

# Enhancing corporate value through growth and earning power

**Masaki Fujiwara**  
Director and Executive Vice President in charge of financial affairs

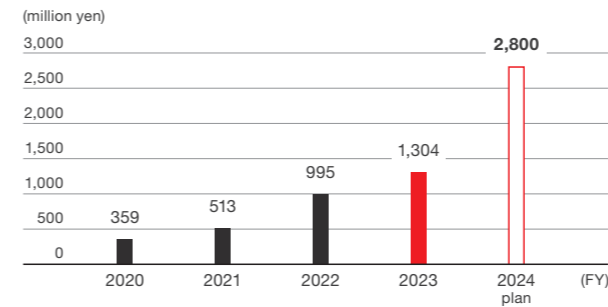
At the Sansha Electric Manufacturing Group, we have formulated a new medium-term management plan (FY2024 to FY2026) and have been implementing it since April 2024. For this medium-term management plan, we clearly envisioned what we aspire to be by our 100th anniversary, which we will celebrate ten years from now, and used a backcasting approach to formulate measures to solidify the foundation of our business for achieving the above. The slogan of the medium-term management plan is "Create the Future." It has three pillars: the business strategy, sustainability strategy, and financial strategy. We disclosed this medium-term management plan in May 2024 as our actions for implementing management that is conscious of the cost of capital and the stock price.

We will achieve growth and earning power through the medium-term management plan, aiming to enhance our corporate value. In the aspect of growth, we would like to continue to develop new products which will contribute to the establishment of a carbon-neutral society, which is a material social issue. At the same time, we want to enable our customers to understand the value of the products, and through this continue to provide value. In particular,

we are advancing product development focused on power conversion efficiency and CO<sub>2</sub> reduction which will enable us to improve our market competitiveness and facilitate the sustainable growth of our company. On the other hand, regarding earning power, we will increase profit by streamlining manufacturing through standardization in addition to selling high added-value products. Specifically, we will make company-wide efforts to ensure that the assets in which we have invested (tangible and intangible) will lead to returns.

Regarding property, plant and equipment, we are mainly considering investments to increase production, streamline, and increase efficiency, aiming to achieve net sales of 50.0 billion yen ten years in the future. We will move forward by examining the returns on our investments and confirming to what degree they are contributing to our earning power. Regarding intangible assets, we place importance on human capital management and we are committed to securing and developing human resources. We will proceed with human resource development to make each one employee a value-creating human resource and strive to facilitate productivity improvement and

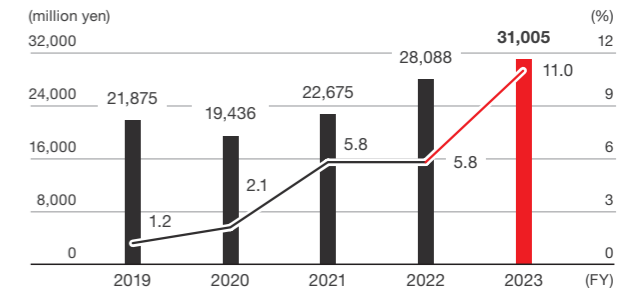
## Actual and planned capital investment



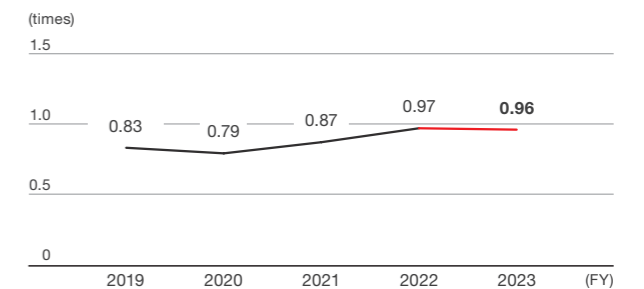
innovations. We will also improve employees' skills by providing training and supporting their career development efforts.

Looking at financial indicators, return on equity (ROE) in FY2023 was 13.0%, which exceeds the cost of shareholders' equity. However, the figure in FY2023 was the result of the significant contributions of a major special project, and its high added value was recognized accordingly. At present, we do not expect to be involved in a similar project during the coming three years of the medium-term management plan. Therefore, we forecast that the ROE will be below the cost of shareholders' equity. To improve this situation, we will engage in company-wide efforts to integrate production, sales, and engineering, aiming to achieve an ROE above the cost of shareholders' equity as quickly as possible. We have set the target of having an ROE of 10% or higher. To enable onsite practices to reflect this goal, we have set the clear target of having a return on assets (ROA) of 10% or higher based on operating profit, and we will strive to improve total asset turnover and secure operating profit. Specifically, we will expand new products in growth areas and strengthen sales activities from a global perspective. To do this, we will push forward with the creation of development and production systems, aiming to get onto a growth track. We will also strive to improve per-capita added value (marginal returns) to make improvements on the profit front. We will also proceed with the optimization of our product portfolio and focus our efforts on managing costs and improving asset efficiency, thus achieving sustainable growth. Meanwhile, we will appropriate retained earnings from profit-oriented initiatives in operating activities to invest for future growth (capital and human resource investments) in a well-planned manner, and at the same time, we will continue to deliver returns to shareholders in a well-balanced manner. Regarding shareholder return, we will return dividends at a dividend payout ratio of 30% or annual dividends of 40 yen per share, whichever is greater, during the three-year period of the medium-term management plan. We will thus meet our shareholders' expectations and strive to enhance our corporate value.

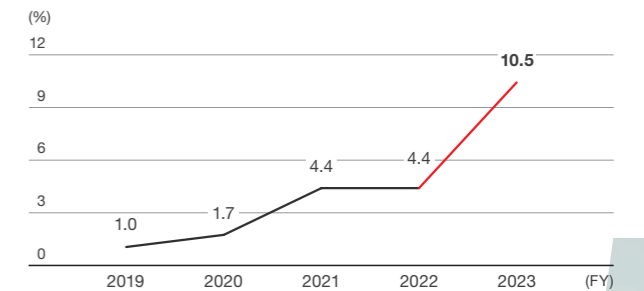
## Net sales/Ratio of operating profit to net sales



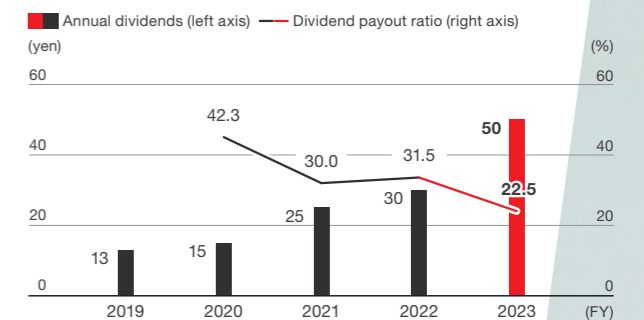
## Total asset turnover



## Return on assets (ROA) based on operating profit



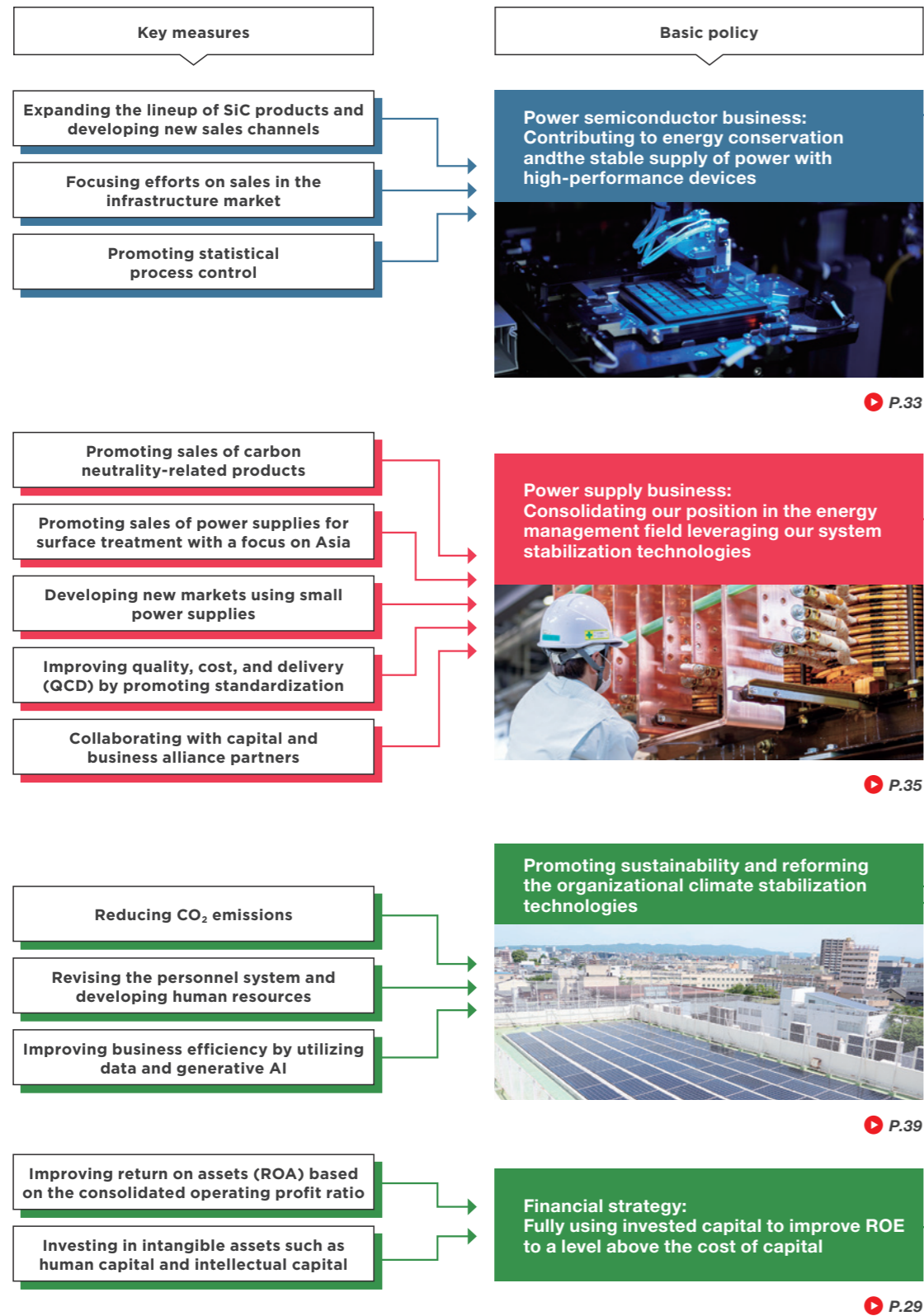
## Annual dividends and dividend payout ratio



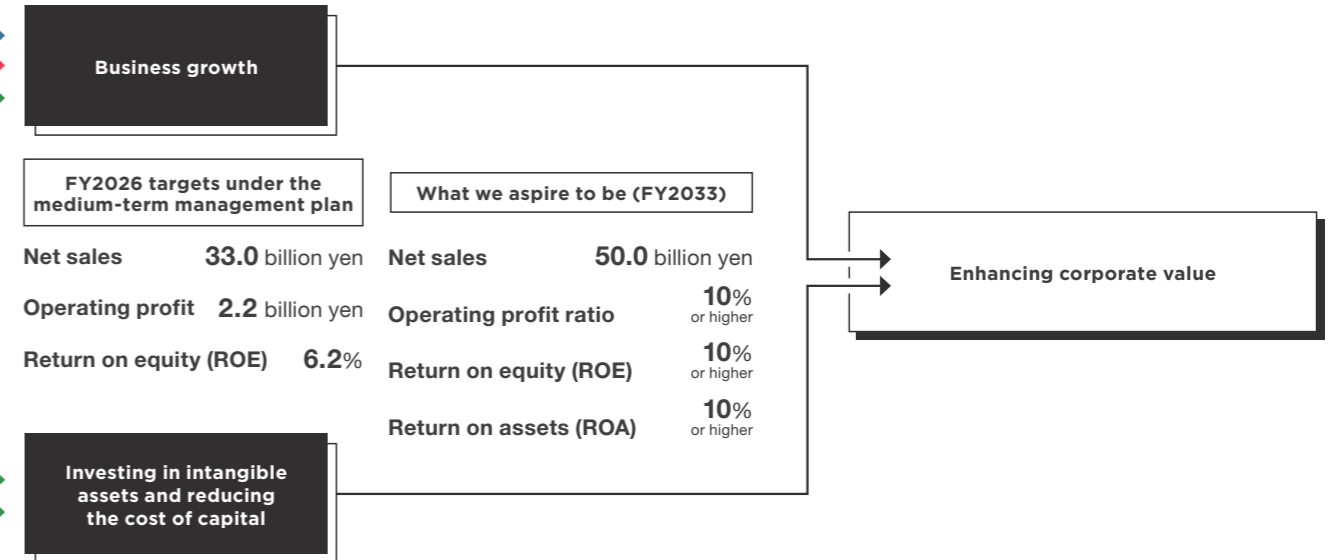
The dividend payout ratio for FY2019 is not indicated because a loss attributable to owners of parent was posted that year.



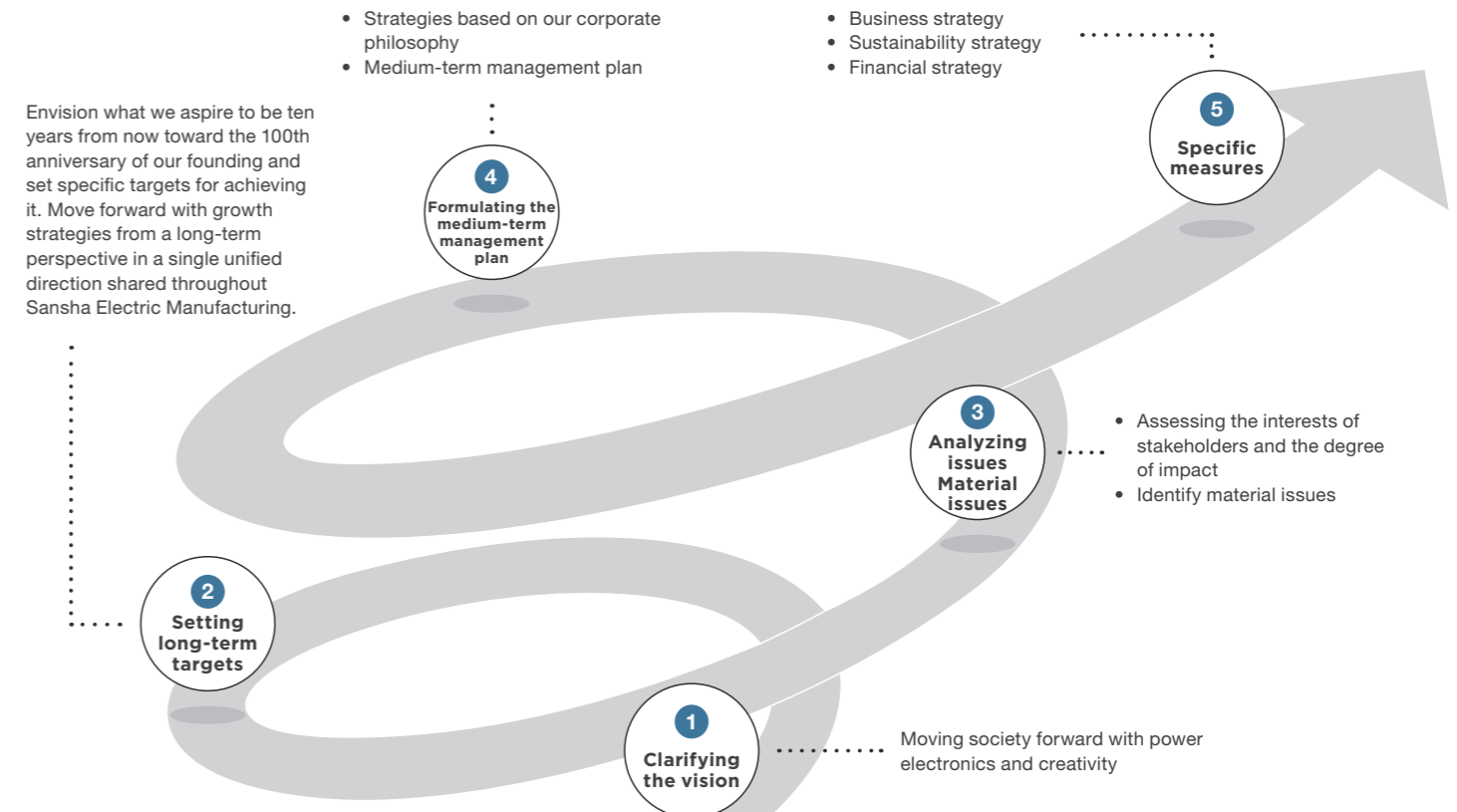
# Logic tree for enhancing corporate value



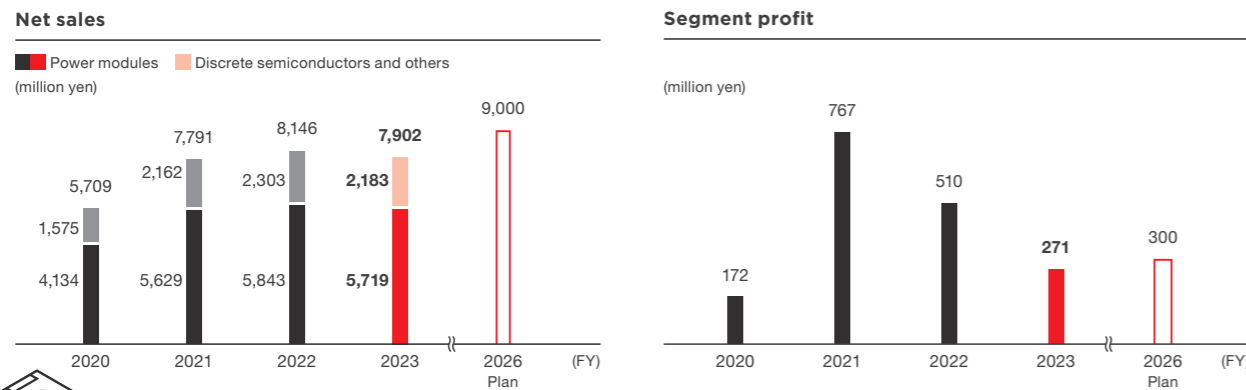
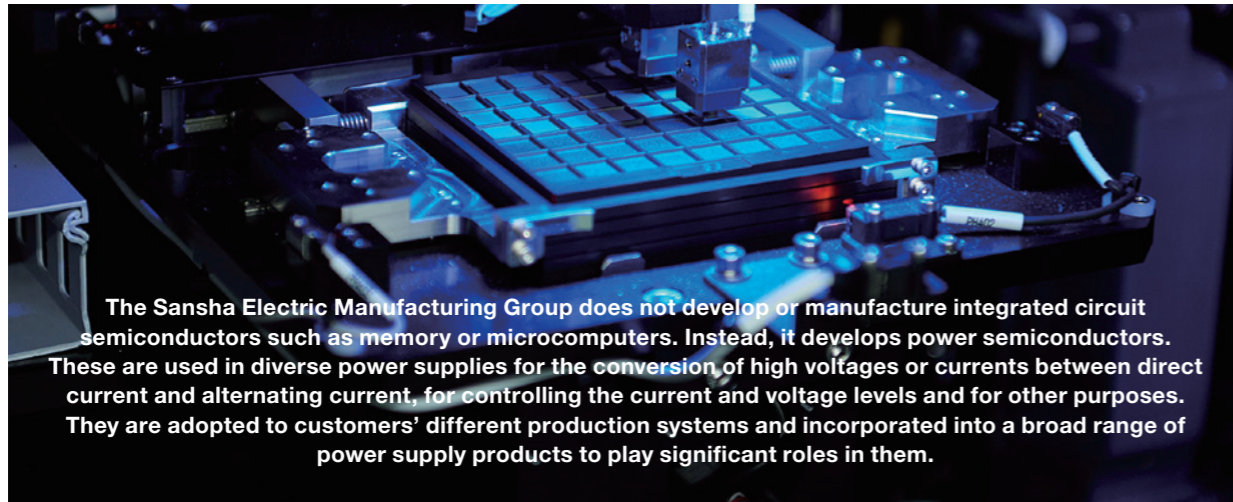
As we move toward the 100th anniversary of our founding, we have clarified our new future vision and the path toward the enhancement of corporate value. We have set long- and medium-term targets and are implementing a strategic growth plan driven by our purpose: Moving society forward with power electronics and creativity. We aim to maximize our corporate value based mainly on the interests of our stakeholders, social contribution, and sustainable technology development. The series of measures include reducing our environmental impact, investing in intangible assets, and developing our human resources. We will continue to grow sustainably.



## Path to building a logic tree



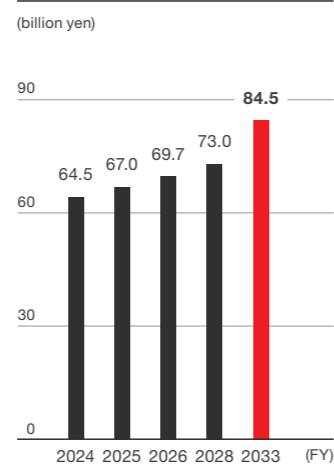
## Growth strategy of the power semiconductor business



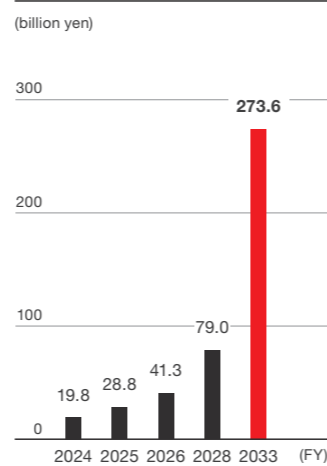
### Business environment analysis

With the achievement of carbon neutrality seen as a global challenge, the development of renewable energy and electric vehicle technologies has been progressing. This has also led to people anticipating significant growth in the semiconductor business. It is expected that both the thyristor power device market and the SiC power device market will continue to expand in the period up to 2033. In particular, the SiC semiconductor market is set to grow rapidly, and a continued increase in demand for power semiconductors is anticipated. The Sansha Electric Manufacturing Group will tap into these market trends and focus on developing new products, improving production efficiency, expanding its SiC semiconductor product line, and finding new customers.

### Thyristor power device market (inverters and servo amplifiers)



### SiC power device market (information communication, railroad cars, energy, and industry)



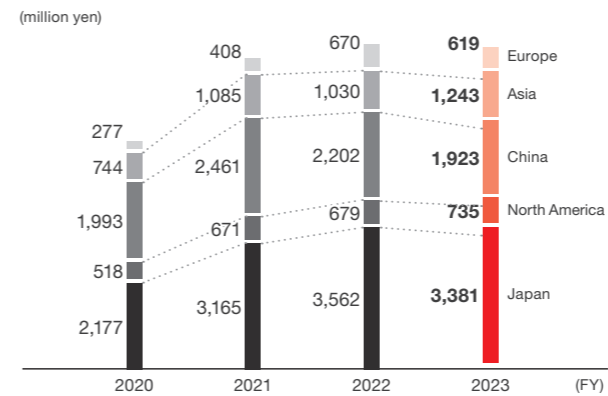
Source: Estimated by Sansha Electric Manufacturing based on Energy, Ogata Niji Denchi, Zairyo-no Shorai Tembo 2022 (2022 future outlook of energy, large secondary batteries, and materials) from Fuji Keizai Co., Ltd.

### Review of FY2023

In the first half, net sales remained strong due to orders received up to the previous fiscal year. However, net sales declined year on year in the second half because orders were weak in the fiscal year under review. Sales of power modules for inverters for industrial use and power modules for various power supply devices among other power modules increased year on year. However, sales of other products including power modules for air conditioners and FA servos declined year on year. Regarding power discrete semiconductors, sales of power discrete semiconductors for electric bidet toilet seats and other consumer products and sales of other power discrete semiconductors declined year on year.

Sales of power discrete products declined, mainly in consumer products such as hot-water toilet seats. By region, sales in China remained weak throughout the year. On the other hand, sales in Southeast Asia increased due in part to an increase in the transaction volume of wafers and chips that was a result of a change in commercial distribution. Sales in Japan declined year on year in the second half. Semiconductor sales by region (by location of sales destination)

### Semiconductor sales by region (by location of sales destination)



### Strengths and features

- Independently developed power semiconductors with high voltage resistance, high current and low power loss characteristics**  
We develop and manufacture planar power semiconductors and also semiconductors based on our original mesa technology to achieve high voltage resistance and low loss.
- Packaging technologies for high reliability**  
Our original chip packaging technologies suited for power semiconductors gain high marks for their long-term reliability in key industrial applications.
- Synergy with the power supply business**  
Because we have been developing and manufacturing power supplies, we are familiar with how power semiconductors are used in power supplies. This enables us to propose solutions that best suit the operating environment and application.

### Segments

- Power modules**  
Device packages combining multiple power semiconductors
- Power discrete semiconductors**  
Semiconductors with single functions
- Chips**  
Small piece of silicon substrate with electric characteristics, such as diodes and thyristors

### FY2024 forecast

While customers will continue to adjust their inventories in the first half of FY2024, conditions are expected to improve in the second half due to our success in generating new demand from customers. We will recover and increase profit by developing high value-added products and strategically reducing cost. While depreciation precedes profit temporarily due to the time lag before the emergence of the effects of investments in growth, we aim to build a stable profit base over the medium to long term.

### Priority measures

SiC products have high-efficiency power conversion and help reduce CO<sub>2</sub> emissions. Demand for these products is growing rapidly. We will institute the next set of measures based on these high-performance devices, as they make a significant contribution to energy conservation and the stable supply of power.

### 1 Pursuing a well-balanced industry strategy

We will newly focus on the infrastructure market (including mobility, renewable energy, energy storage, and data centers), while remaining committed to the construction-related and industrial equipment markets. We will thus aim for a well-balanced industry strategy.

The expansion into the infrastructure market, which values speed and scale, will enable us to achieve both sustainability and economic benefits. Especially in the rail and shipbuilding fields, we will streamline the supply of power and the reduction of CO<sub>2</sub> emissions, contributing to the development of sustainable transportation infrastructure. In renewable energy, we will improve power conversion efficiency in solar and wind power generation to help strengthen green energy infrastructure. Meanwhile, data centers require high-efficiency SiC power devices. Here, we will realize a highly reliable supply of electricity.

### 2 Enhancing SiC products and implementing regional strategies

We will offer a product line that is appropriate for each market segment. We aim to increase our market share mainly in the Asian market, which is expected to achieve especially high growth. We will provide optimal solutions by designing products and establishing commercial strategies that are adapted to the power infrastructure and regulations of each region. We will also strive to increase the market shares that we have with our existing modules and offer highly competitive products in key markets such as Japan, China, North America, and Europe.

We will implement these measures with the goal of increasing the ratio of sales of SiC products to total sales to 10% by FY2026. Further, we will promote automation by increasing our capital investment and redesigning products so that we can establish an efficient, sustainable production system.

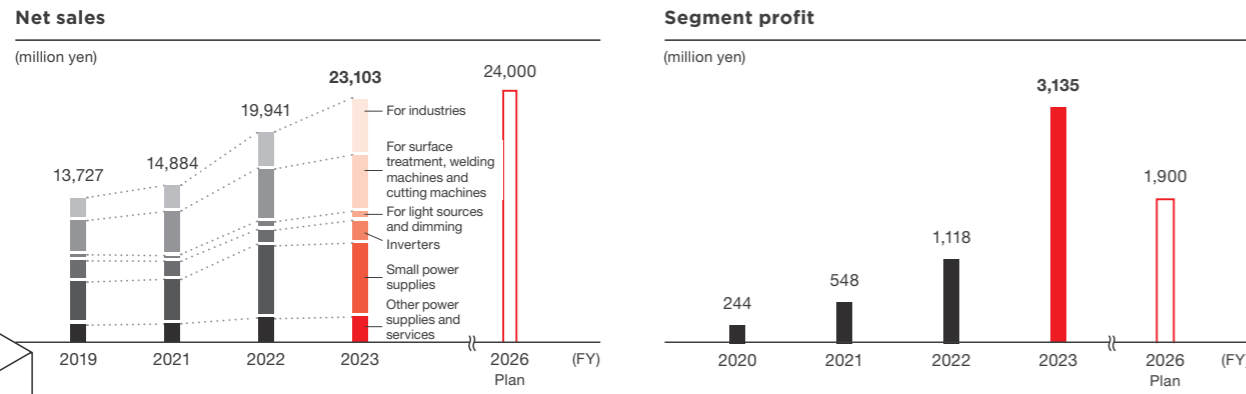
	SiC	Existing modules
	Differentiating products offered in regions based on the characteristics of products	Increasing market share
<b>Japan</b>	<ul style="list-style-type: none"> <li>Wireless power supply</li> <li>Induction heating systems</li> </ul>	<ul style="list-style-type: none"> <li>Inverters for industrial use</li> <li>High-voltage inverters</li> <li>Servo-related products</li> </ul>
<b>China</b>	<ul style="list-style-type: none"> <li>Semiconductor manufacturing equipment</li> </ul>	
<b>Asia</b>		Inverters for industrial use
<b>North America</b>	<ul style="list-style-type: none"> <li>Wireless power supply</li> <li>Induction heating systems</li> </ul>	
<b>Europe</b>	<ul style="list-style-type: none"> <li>Semiconductor manufacturing equipment</li> <li>Hydrogen generators</li> </ul>	<ul style="list-style-type: none"> <li>Inverters for industrial use</li> <li>High-capacity modules</li> </ul>

## Growth strategy of the power supply business

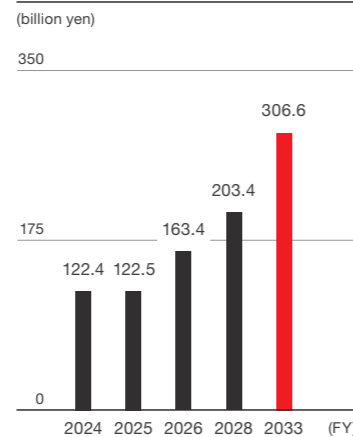


Since we developed a power supply for projectors ensuring the projection of stable images onto movie theater screens in 1933, we have been utilizing technologies that freely transform and efficiently convert electricity to develop and manufacture a wide variety of power supplies supporting the environmental and energy sectors, the infrastructure and facility equipment sectors and entertainment-related sectors.

As we engage in integrated production including development, design and manufacturing, we are able to provide standard products and also customized products tailored to customers' requests with short delivery lead times. After delivering products to customers, we consistently provide maintenance and other support services.

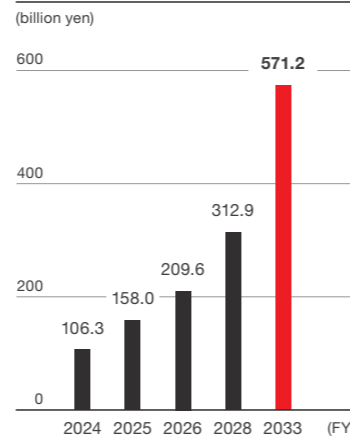


### Power storage systems (for professional/industrial use)



Source: Estimated by Sansha Electric Manufacturing based on Fuji Keizai Co., Ltd.'s Energy, Ogata Niji Denchi, Zairyo-no Shorai Tembo 2022 (2022 future outlook of energy, large secondary batteries, and materials)

### Power supplies for water electrolysis



Source: Ministry of Economy, Trade and Industry, Suiso Kihon Senryaku-no Kobetsu Ronten-to Suiso Sangyo Senryaku-ni Tsuite 2023 (2023 individual points of basic hydrogen strategy and hydrogen industry strategy) NRFL, Manufacturing Cost Analysis for PEM Water Electrolyzers 2019

### Business environment analysis

The power storage system and power supplies for water electrolysis markets are expected to expand significantly from 2024 to 2033. In response to this market expansion, the Sansha Electric Manufacturing Group will adopt strategies to increase its competitiveness, focusing its efforts on providing sustainable energy solutions and striving to develop new technologies and increase its market share.

### Review of FY2023

In FY2023, sales of large power supplies for evaluating power conditioners to the National Institute of Advanced Industrial Science and Technology (AIST) significantly increased net sales of the business as a whole. In addition to the above, sales of power supplies for surface treatment also increased due to demand in the field of precision surface treatment. Sales of other products including inverters and small power supplies for welders, uninterruptible power supplies (UPSs), and other applications also remained strong. By region, sales increased in Japan, partly reflecting the effect of the power supplies for evaluating power conditioners. However, overseas sales decreased due to the deteriorating business confidence in China and a failure to tap into demand for large power supplies, including power supplies for material processing.

### Strengths and features

- High-efficiency power conversion technology**  
This is a technology for converting power quickly with high precision while keeping power loss to a low level. We have developed power conditioners for fuel cells equipped with our silicon carbide (SiC) modules, power supplies for hydrogen generation, and other high-efficiency products.
- Wide range of development from small custom-made to large industrial power supplies**  
We are ready to design and develop unique power supplies, ranging from small embedded power supplies to large industrial power supplies, in accordance with customers' specifications.

### Segments

- For industries**  
These are high-capacity power supplies for industrial use. They are used in the production facilities of large steel, chemical, electrical machinery, and other manufacturing plants
- Power supplies for surface treatment**  
Surface treatment includes plating, coating and aluminum anodization. Our power supplies for surface treatment are used to manufacture smartphones, electronic components, printed circuit boards, automobiles and other products.
- For light sources and dimming**  
Power supplies for light sources are used for projection mapping and in movie theaters, studios and other facilities. Power supplies for dimming serve the purpose of controlling power for light source lamps. They are used for stage lighting in theaters, halls, TV studios and elsewhere.
- Inverters**  
The applications of inverters include their use in uninterruptible power supplies (UPSs), solar power generation, fuel cells, and power conditioning systems (PCSs) that can be used with storage batteries. They are used at power plants, data centers, large factories, and other facilities.
- Small power supplies**  
Small capacity power supplies are incorporated into financial institutions' automatic teller machines (ATMs), medical equipment, communication equipment and printers.
- Other power supplies**  
Electric power regulators that control the temperature of electric furnaces, etc. equipment and printers.

### FY2024 forecast

Sales are expected to decline due to the absence of a large special project like the one in FY2023. However, we will recover and increase profit by developing high value-added products and implementing strategic cost reductions. While depreciation precedes profit temporarily due to strategic investment in future growth, we aim to build a stable profit base over the medium to long term.

### Priority measures

The Sansha Electric Manufacturing Group values sustainable management and is implementing initiatives including the development of products that contribute to carbon neutrality and a reduced environmental footprint. These initiatives are aimed at increasing our competitiveness by addressing social issues while also catering to customer needs. Especially in the field of energy management, we will take steps to further consolidate our position by fully leveraging our system stabilization technologies.

### 1 Developing products in the new energy sector and increasing our share of the market for global power supplies for surface treatment

By developing power conditioners for storage batteries, we will provide efficient energy management solutions and sustainably expand our products to increase our market competitiveness. In particular, we will accelerate our expansion of models for overseas markets and promote the introduction of products for which we use precision surface treatment technologies.

### 2 Standardization

We will improve quality, cost, and delivery (QCD) by standardizing designs, manufacturing, and components of custom products as part of our efforts to increase customer satisfaction. Through this initiative, we will streamline the process from product design to manufacturing.

### 3 Collaborating with capital and business alliance partners

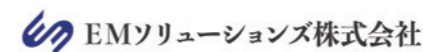
We will promote joint development projects with capital and business alliance partners to support the shift to sustainable energy and smart social infrastructure. We will provide one-stop energy management solutions, from system design to construction, to aid customers in their decarbonization efforts.

### 4 Developing new markets using small power supplies

Suwa Sansha Electric Co., Ltd., our subsidiary, is planning to cultivate new markets by developing small power supplies for information infrastructure, rapid chargers, semiconductor manufacturing equipment, and other fields. We will pursue this initiative with the goal of catering to diverse customer needs and creating new business opportunities.

### Column

#### Establishment of EM Solutions Co., Ltd., a provider of one-stop support for the introduction of renewable energy



The introduction of renewable energy is accelerating as society moves toward the achievement of carbon neutrality. With this trend, the importance of effectively utilizing distributed generation including storage batteries and the expectations for these batteries are growing. With NITTO KOGYO CORPORATION, FA Products Inc., and TOKURA CORPORATION, we have established a joint venture that is creating new value by combining the expertise of the four companies to provide comprehensive energy management solutions.

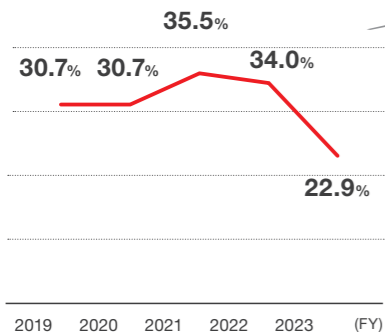
Company name	EM Solutions Co., Ltd.
Headquarters location	Floor 2, Shimbashi Annex, 5-35-10 Shimbashi, Minato-ku, Tokyo
Representatives	Takaaki Mano, Representative Director and CEO Yu Sugawara, Representative Director and COO.
Capital	40,000,000 yen (NITTO KOGYO CORPORATION: 50.1%, Sansha Electric Manufacturing: 20.0%, FA Products: 20.0%, TOKURA CORPORATION: 9.9%)
Start of business	March 2024
Business description	Provision of consulting services regarding the introduction of renewable energy and development, construction, and sales
URL	<a href="https://emsol.co.jp/">https://emsol.co.jp/</a>

## Area-specific strategy

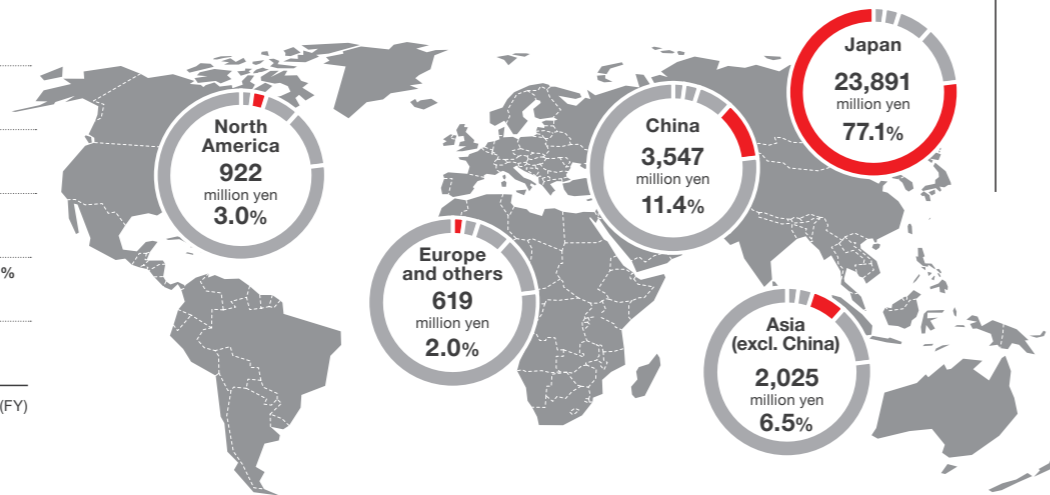
### Global expansion of the Sansha Electric Manufacturing Group

Sansha Electric Manufacturing Co., Ltd. began to expand globally in 1983 and it has established bases in the United States, China, Singapore, Europe, Southeast Asia, and other locations. In the Chinese market, we have realized prompt local production for local consumption. In North America, we focus our efforts on sales of power semiconductors and welders. In Europe, we propose environmentally friendly products. We are also striving to increase our market share in Southeast Asia and India. We will continue our efforts to achieve growth through the provision of services that reflect the characteristics of individual regions and global development.

Ratio of overseas sales



Our bases around the world and sales ratios (FY2023)



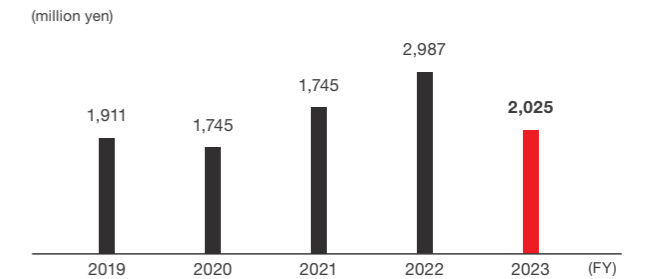
### Asia (excl. China)

In Southeast Asia, the automotive industry and the printed circuit board industry are thriving. In particular, we have acquired a certain share of power supplies for surface treatment markets in Thailand and Indonesia. Moving forward, we will strengthen sales promotional activities in these markets as we strive to continue to increase our market share. Meanwhile, we are currently cultivating the Indian market, which is expected to grow. We plan to accelerate the cultivation of this market in FY2024.

In South Korea, the semiconductor memory and automotive industries have continued to grow. We have stepped up our activities for promoting sales of advanced power supplies for surface treatment and power supplies for the testing and evaluation of power storage devices for automotive use. In Taiwan, we expect the electronic component and information communication equipment industries to grow, and we have stepped up our activities for promoting sales of advanced power supplies for

surface treatment to be used for these components and equipment. Further, in the field of power semiconductors, we aim to expand sales in the air conditioner and electric bidet toilet seat markets. We will strive to increase the market shares held by the Group's products by pursuing strategies tailored to the needs of the market in each region.

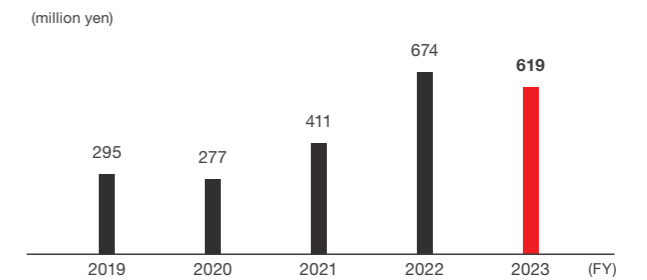
Net sales trend



### Europe and others

In Europe, there are many major manufacturers in industries where our products can contribute, including our inverters, welders, and induction heating products. We have established a branch in Helsinki, Finland where we engage in sales activities. In Europe, environmental awareness is higher than in other regions of the world, and advanced technological support and development is necessary in areas such as decarbonization, renewable energy, and hydrogen. Accordingly, instead of simply selling products, we began to dispatch our engineers this fiscal year, enabling us to strengthen our cooperation with engineers from research institutions and other companies.

Net sales trend



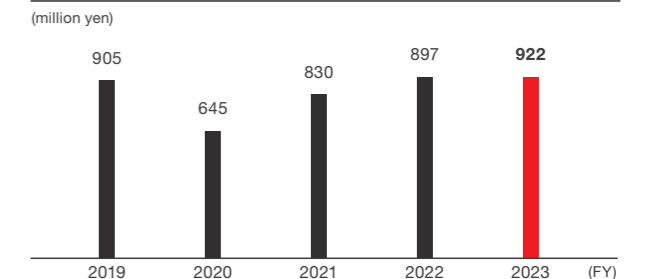
### North America

At present, the US economy is strong, with the Dow Jones Industrial Average reaching a new record high in August 2024. Most recently, however, a series of economic indicators have fallen below market forecasts, indicating the economy may slow. In addition, government policy on the economy could change dramatically, depending on the results of the presidential election in November 2024. This is a concern as the impact of this on our business activities will not be small.

Despite this environment, the Group is conducting strategic sales activities. In the field of power semiconductors, we have stepped up initiatives focused on our proprietary silicon carbide (SiC) products. Specifically, we are implementing collaborative projects with universities and research institutions, aiming to make effective use of advanced technologies and secure the mass-production business in the future. Regarding welders, we have strengthened our partnerships with

major dealers, and we are also proactively working to identify new dealers. Through these initiatives, we will diversify our sales channels and increase sales, enhancing our presence in the North American market.

Net sales trend



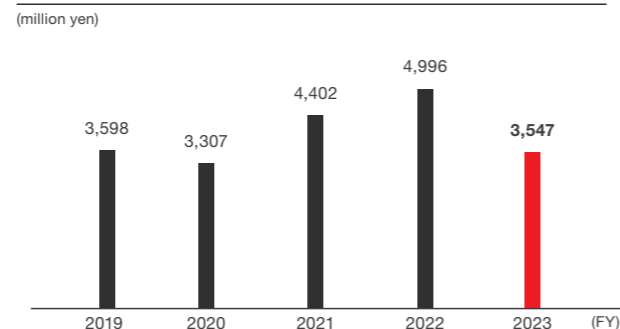
### Strategies for each major area

#### China

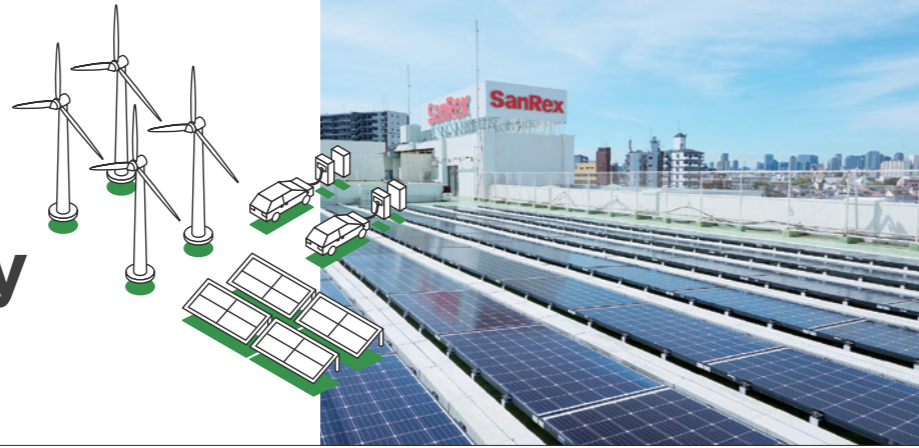
China is one of the world's economic giants. It is also an important market for us. Currently this country is facing issues, for instance with the government's "Made in China" policy and the trade friction with the US. However, a government economic stimulus package has encouraged capital investment and the replacement of automobiles. In these circumstances, there are areas where we can contribute using our power semiconductors and power supplies.

We have manufacturing and sales bases in China where we are increasing local production for local consumption. At the Sansha Electric Manufacturing Group, we aim to increase demand in the Chinese market and promote the growth of the market by providing competitive products and services.

Net sales trend



# Sustainability strategy



## Basic policy

The Sansha Electric Manufacturing Group will help to address social issues through its businesses, such as developing products with power electronics and creativity, as it seeks to improve our corporate value and build a sustainable society. We will behave in a manner that fully considers the impact of the Group's business activities on society and the global environment. We will strive to earn the trust of stakeholders. Our basic policy is to achieve sustainable management and contribute to the development of society through these initiatives.

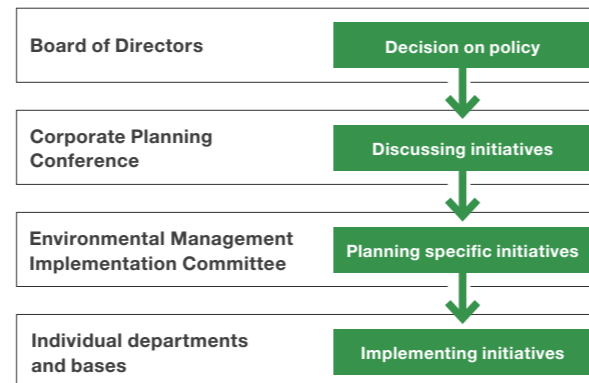
## Promotion structure

We position sustainability-related initiatives as priority tasks for businesses with a view to increasing corporate value over the medium and long terms. The Board of Directors determines the basic policy and the Corporate Planning Conference discusses specific actions in detail and studies measures. Further, related committees (Environmental Management Implementation Committee, Personnel Development Committee, Safety and Health Committee, and Internal Control Committee) implement individual measures through cross-sectoral collaborations. The entire organization works as one to achieve sustainability, as we seek to realize sustainable management and enhance our corporate value.

## Environmental management system

The Board of Directors determines the basic policy on environmental initiatives and the Corporate Planning Conference, which is attended by the President and Executive General Managers, discusses specific actions and studies measures. Specific initiatives related to environmental protection and energy conservation are planned by the Environmental Management Implementation Committee, which meets regularly. The plans are discussed at the Corporate Planning Conference and decisions on them are made by the Board of Directors.

The Environmental Management Implementation Committee is composed of managers from individual departments and bases, and the Quality and Environment Planning Department acts as the administrative office for this committee.



Environmental Policy  
<https://www.sansha.co.jp/eng/csr/environment.html>



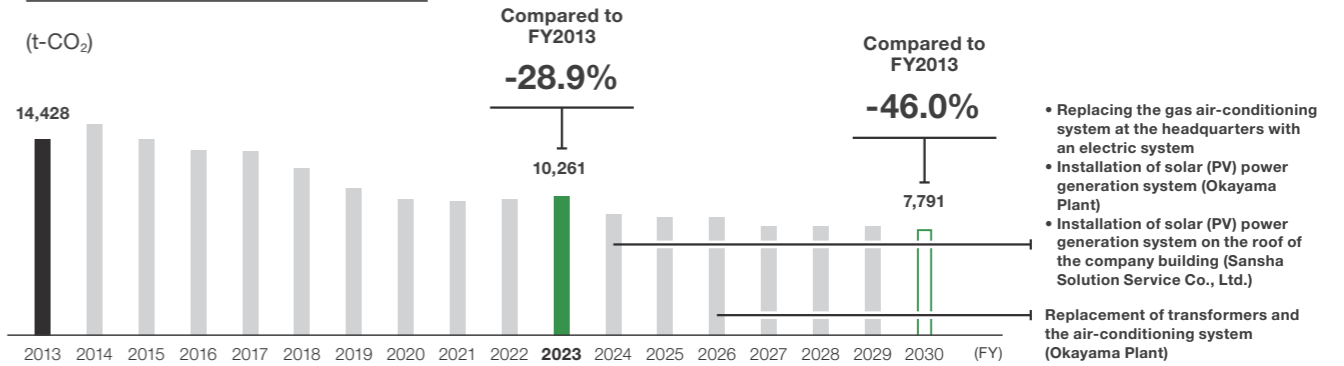
## Towards carbon neutrality in 2050

At the Sansha Electric Manufacturing Group, we recognize the importance of constantly lowering CO<sub>2</sub> and waste emissions from production activities. Based on this understanding, we set the following goals in FY2021.

Reduce the CO<sub>2</sub> emissions of all group companies 46% by 2030 (Compared to FY2013)

Achieve carbon neutrality by 2050

### Reduction of CO<sub>2</sub> emissions — Achievements and goals (Scope 1 and 2)



- Replacing the gas air-conditioning system at the headquarters with an electric system
- Installation of solar (PV) power generation system (Okayama Plant)
- Installation of solar (PV) power generation system on the roof of the company building (Sansha Solution Service Co., Ltd.)
- Replacement of transformers and the air-conditioning system (Okayama Plant)

The reasons why the result fell short of the FY2022 result are as follows.

- Increase in energy consumption that resulted from an increase in production of power supplies
- Worsening of CO<sub>2</sub> emission factor of Kansai Electric Power

### Key measures for reducing CO<sub>2</sub> emissions in FY2023 were as follows.

Business facility	Key measures	Reduction amount (t-CO <sub>2</sub> )
Headquarters building	Shift to LED, replacement of kitchen equipment, etc.	4.4
Research building	Review of operation of cleanrooms, measures on exhaust heat, etc.	22.1
Shiga Plant	Automatic air-conditioning control	12.5
Group companies	Replacement of compressors, shift to LED, etc.	20.2
<b>Total</b>		<b>59.2</b>

## Management of chemical substances

At the Sansha Electric Manufacturing Group, we manage chemical substances under the following policies, with an integrated approach that gives top priority to protecting the environment and ensuring safety.

### Protecting the environment

Under the Sansha Electric Manufacturing Group Environmental Policy, we minimize the environmental risks of chemical substances by reducing the use of such substances by improving the manufacturing process and productivity.

Pursuant to the PRTR Act, we check and aggregate the amounts of chemical substances handled, emitted, and transferred outside and observe regulatory requirements.

### Sustainability initiatives

We promote the use of sustainable materials such as selecting those with a low environmental impact when adopting new materials.

We will use resources efficiently by improving production process and yields.

### Ensuring safety

We take thorough measures to manage chemical substances appropriately and ensure safety throughout the process from purchase to manufacturing and disposal.

We ensure the safety of employees by strengthening measures to handle accidents and work management.

### Training

We provide employees with training related to the safe handling of chemical substances and the latest information about them, thus raising awareness.

We communicate closely with stakeholders and share information about the management of chemical substances while securing transparency.

### Tracking and updating information

We obtain safety data sheets (SDS) to update information regularly and take appropriate measures when relevant laws have been revised.

We establish a system for responding immediately to new information and regulatory requirements at engineering department and manufacturing sites.

### Management of chemicals contained in products

In compliance with laws and regulations such as the European Union's Directive on Restriction of Hazardous Substances (RoHS) in Electrical and Electronic Equipment, the Sansha Electric Manufacturing Group has formulated the Sansha Electric Manufacturing Chemical Substances Management Rank Guidelines to require that suppliers rigidly manage the chemicals contained in products. In

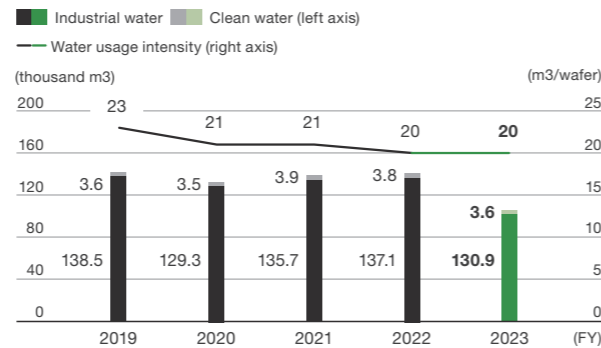
addition, to ensure the reliability of chemical substance data, we make sure that our procuring departments work with the Product Quality Assurance Department to develop a management structure.

RoHS Directive: A directive related to restriction on use of specific hazardous substances in electrical and electronic equipment, etc.

### Efforts to efficiently use water resources

In recent years, we have seen various problems related to water occur, including water shortages attributed to droughts associated with climate change and flooding damage. The semiconductor manufacturing process necessarily consumes tremendous volumes of pure water for etching and cleaning and the cooling of equipment. At the Okayama Plant, we set a reduction target for water consumption per wafer production volume in FY2023 again and took steps to reduce water consumption.

#### Water consumption

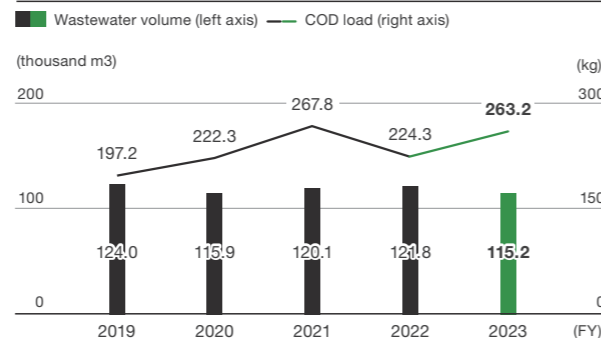


The data covers the Okayama Plant of Sansha Electric Manufacturing Co., Ltd.

### Initiatives for controlling water quality

Our Okayama Plant runs wastewater treatment facilities to purify the wastewater from the manufacturing process and discharge treated wastewater that fulfills our standards which are more strict than specified in laws and regulations. We reduce and detoxify hazardous substances and collect non-detoxifiable hazardous substances. We also monitor wastewater quality thoroughly by inspecting water quality regularly. In FY2023, wastewater volume decreased from the previous year, but we confirmed that the COD load had increased. Possible factors include an increase in production volume and a delay in process improvement. At the Okayama Plant, we will continue our efforts to minimize the environmental impact.

#### Trends in wastewater volume and chemical oxygen demand (COD) load



The data covers the Okayama Plant of Sansha Electric Manufacturing Co., Ltd.

### Energy conservation initiative for cleanrooms of the Okayama Plant

The Okayama Plant, which accounts for around 80% of the overall Group's total energy consumption, began to take initiatives to decarbonize itself in FY2013 and achieved energy conservation. In recognition of this, the Energy Conservation Center, Japan (ECCJ) awarded the Okayama Plant the "ECCJ Chairman Prize" in the Best Practice category in the FY2023 Energy Conservation Grand Prize.



#### Overview of the initiative

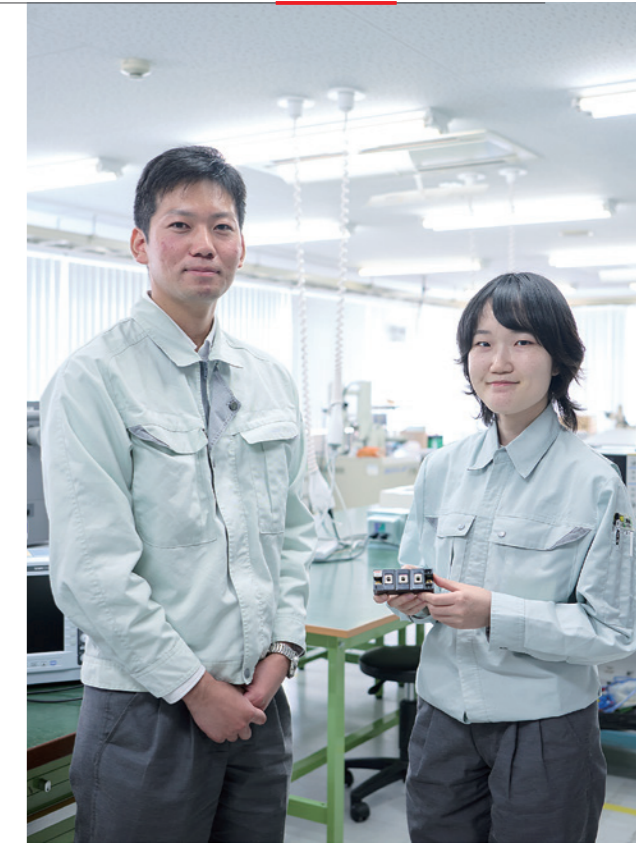
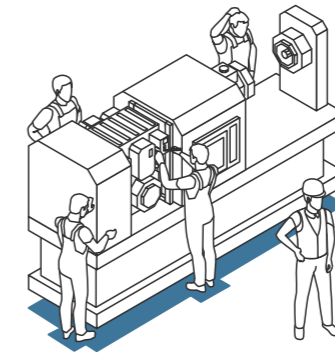
We made improvements to two plant buildings that have high cleanliness requirements. In FY2017, we began to replace the lighting system with an LED lighting system and introduce an Energy Management System (EMS). We thus improved the efficiency of Building B's outside-air-processing air conditioners. Specifically, we renovated the existing heat source equipment (cold water chiller and steam boiler) into a high-efficiency, air-cooled heat pump chiller, and we also introduced variable flow control as an improvement. Further, we have begun to use waste heat from production equipment to preheat and reheat outside air and we adopted a dry fog system for humidity control, which has led to the termination of steam humidification, which was the greatest challenge. Following Building B, we completed renovation of Building A and achieved energy conservation.

Entire Okayama Plant (compared to the FY2013 level)	Energy consumption	19% reduction
	Energy use intensity	26% reduction
	CO <sub>2</sub> emissions (tons CO <sub>2</sub> )	34% reduction

Details of the Energy Conservation Grand Prize are available at the following. (Japanese only)  
<https://www.eccj.or.jp/bigaward/item.html>



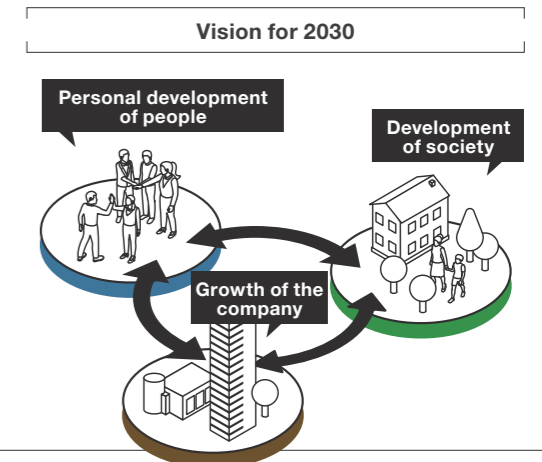
# Human resource strategy



At the Sansha Electric Manufacturing Group, Happiness and Stability for Employees is part of our corporate philosophy, and we place importance on the personal development of employees. From this perspective, we envision a cycle of personal development of people, growth of the company, and the development of society. As our 2030 goal, we aim to build a sustainable cycle in which the personal development of employees contributes to the growth of the company, and that growth leads to the development of society as a whole.

The qualities of the human resources we seek to help us achieve this goal area willingness to take on challenges globally or in new markets, the ability to communicate with a broad variety of people, a wide range of interests and eagerness to learn, and the ability to think multilaterally. We are pursuing a human resources strategy under which we leverage these elements to facilitate the personal development of employees and have it lead to the growth of the company, thus supporting the sustainable creation of corporate value.

The Sansha Electric Manufacturing Group's basic policy in its human resource strategy is rooted in the idea that proactive support for the personal development of each employee will lead directly to the growth of the overall company. We will encourage employees to achieve personal development through ongoing education and training programs designed to maximize their capabilities and potential. We will also support the personal development of each employee through regular feedback and the setting of targets, thus building an environment which enables their self-actualization. We aim to raise employees' motivation and improve their capabilities and, as a result, contribute to improving the financial results of the overall company.

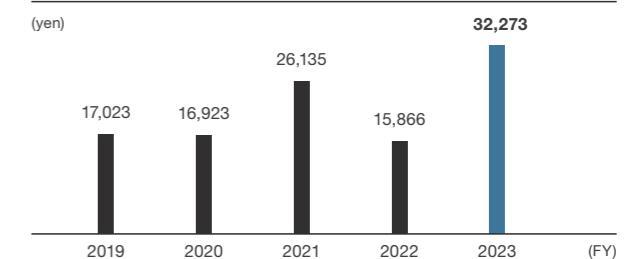


### Personnel development

Under the medium-term management plan that started in FY2024, we made promoting diversity and inclusion and developing our human resources priority measures. In doing so, we aim to create the vibrant climate needed to be a self-driven organization, as part of our sustainability strategy. We seek to facilitate innovation by proactively employing people from diverse backgrounds and leveraging their capabilities and viewpoints. At the same time, we will support employees' efforts to improve their skills and develop their careers through education and training. Meanwhile, we will enhance our human resource development systems, including job-class-specific training programs, as we seek to reinforce the foundations of our workforce. At the Sansha Electric Manufacturing Group, we recruit new graduates and mid-career employees on an ongoing basis based on our labor and recruitment

plans, which reflect our workforce composition. We take initiatives related to human resource development, including those for developing young workers at an early stage and retaining them, as well as encouraging them to acquire qualification.

#### Training costs per person



The data covers Sansha Electric Manufacturing Co., Ltd. and its group companies based in Japan.

## Promoting diversity

### Basic stance

At the Sansha Electric Manufacturing Group, we have selected the promotion of diversity and human resource development as one of our material issues. To encourage diversity, we are reforming our internal awareness, understanding that rather than making workforce diversification itself the goal, it is the transformation of the workplace structure and culture to enable a richly diverse workforce to demonstrate its capabilities that will lead to benefits for our organization, such as an improved capability to respond to the market and achieve sound governance. We believe that, to expand the global business in particular, as urgent task is to establish a management style in which we accept people with diverse ideas and values, regardless of gender, age, nationality, disabilities, and other attributes, and take advantage of their strengths.



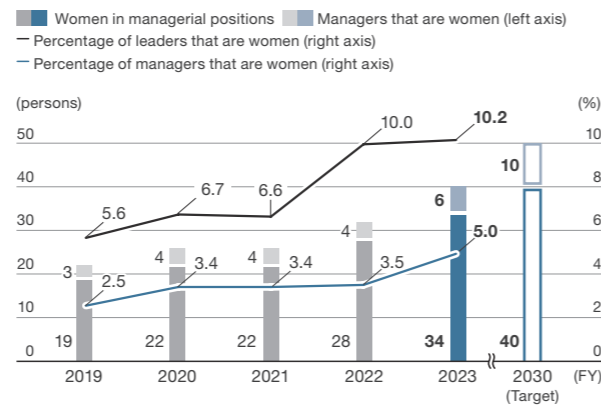
### Appointment of mid-career hires to managerial positions

At present, the percentage of active employees that were hired mid-career is 43.9%, with 38.0% of managers having been hired mid-career. While we believe that these percentages meet certain standards, we will continue to proactively hire employees through mid-career recruitment activities to achieve greater diversity in human resources, with the target percentage of all employees hired mid-career at 40% or higher and that of managers hired mid-career at 35% or higher.

### Promotion of women to managerial positions

Since FY2016, we have been taking steps to encourage the active participation of female employees. Our goal has been to deepen employees' understanding of the significance and purposes of activities to promote diversity and inclusion and to develop a climate and a pool of human resources that lead to the continued emergence of female candidates for managers. Based on the idea that the active participation of women, among others, will be extremely important, we are pursuing a number of different approaches for developing our female employees. These include actions to forge a culture encouraging all employees, irrespective of gender, to take on new challenges, skill improvement training for developing female candidates for managers, the encouragement of a shift in thinking including the mindset of their superiors, and job rotation for enabling women to work in broader fields. Moving forward, we will drive initiatives in view of the promotion of women to responsible positions, such as raising career awareness and enhancing management skills.

#### Managers and leaders that are women



The data covers Sansha Electric Manufacturing Co., Ltd. and its group companies based in Japan.

Action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life  
<https://www.sansha.co.jp/eng/csr/hr.html>



### Employment of persons with disabilities

The Group proactively employs workers with disabilities. We assign duties suited to their unique characteristics to ensure that every one of them can work without worries and that they are able to display their strengths as a valuable part of our workforce. To move forward with the employment of workers with disabilities, we are organizing plant tours for institutions providing employment support for people with disabilities and hiring interns from these institutions. In addition, we are working to help staff acquire qualification as Working Life Counselors for Persons with Disabilities.

## Employment

### Work-life balance

At the Sansha Electric Manufacturing Group, we attach importance to work-life balance. We are enhancing effective benefit programs to help employees live happily with good health. For example, we have introduced accumulated annual leave, which permits employees to take expired annual paid leave for purposes related to

medical treatment/nursing care, a program that allows employees with pre-school children to set their children's birthdays as days for taking commemorative event leave, and shortened working hours that are available until employees' children graduate from elementary school.

Systems	Details
<b>Scheduled annual leave</b>	Every year, employees plan to take three days of annual leave in the first half and three days in the second half to maintain and improve work-life balance.
<b>Commemorative event leave</b>	Employees with pre-school children are entitled to set their children's birthdays as days for taking commemorative event leave.
<b>Accumulated annual leave</b>	Employees are allowed to take expired annual paid leave for purposes related to medical treatment/nursing care, sick family care, support for disaster-affected areas, social welfare activities, and others.
<b>Shortened working hours</b>	On May 1, 2024, we extended the period during which shortened working hours to care for children are available, from the period up to the end of the third year at elementary school to the period up to graduation from elementary school.

### Encouraging male employees to take childcare leave

At the Sansha Electric Manufacturing Group, the number of male employees taking childcare leave has been gradually increasing. To further increase their use of this leave, we inform employees thoroughly of the childcare leave program, ask superiors to encourage their subordinates to take leave, individually explain the program to eligible employees, and implement other initiatives, thus continuing efforts to build an environment which facilitates the use of childcare leave. In recognition of the initiatives being implemented to create an environment that enables employees to establish a healthy work-life balance, such as promoting the use of annual paid leave to encourage employees to use it to ensure they are refreshed, in addition to the measures above, the Group was granted Kurumin certification by the Ministry of Health, Labour and Welfare.



### Creation of organization and climate

The Sansha Electric Manufacturing Group is proactive in having all employees share and practice the corporate philosophy, purpose, vision, and other statements. Above all, we launched an event named AC Cafe in FY2023 to further deepen communication between the President and employees and have them share the approach to leadership and the purpose.

The AC Cafe sessions are held as opportunities for the President to talk directly with employees over coffee for about one hour. They are held at not only the headquarters but also plants, branches, sales offices and group companies, which the President visits. Talking about hobbies and sports, not to mention work, the President exchanges opinions on a range of topics with employees in a comfortable, relaxed atmosphere, which is a feature of this event. Each session is held with a small group of seven or eight employees, which creates a comfortable atmosphere and allows participants to make remarks without hesitation.

As of August 31, 2024, the AC Cafe session had been held 121 times with the participation of 843 employees in total. In the questionnaire conducted after each session, many employees expressed the opinion that they found the event meaningful and enjoyable, and reaffirmed the importance of communication. Moreover, participants deepen exchange with their peers not only in work but also privately. This is helping to build a better workplace environment.

The trust and cooperative relationships built through direct talks between the President and employees in AC Cafe sessions are having a positive impact on the overall organization. It is expected that initiatives like these will continue to develop teamwork and contribute to the development of the overall company.

#### AC Cafe

The Group's strengths are in technologies for converting chokuryu (direct current, or DC) electricity into koryu (alternate current, or AC) electricity and vice versa. The name AC Cafe reflects the Group's determination to be good at koryu (which can also mean "interaction") between people as well.



## Directors, Audit & Supervisory Board Members (as of June 25, 2024)

Directors

### Hajimu Yoshimura

Representative Director & President

Has rich experience cultivated as the president of a group company of a major Japanese electronics manufacturer and vice president of an overseas subsidiary in the same group, among other positions. Since assuming his position as our company's Representative Director & President in 2018, he has been using his rich experience, broad knowledge, and strong leadership to drive the growth strategy and managerial reforms.

Serving as director for 9 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 27,200 shares of our stock

### Hajime Katsushima

Director and Managing Operating Officer  
 COO of Semiconductor  
 Executive General Manager of Engineering Research and Development Division

Worked for many years in research and development to develop products in the new energy sector. In November 2016, he was appointed representative director and president of a subsidiary to engage in corporate management. He has been controlling the power supply business since April 2021 and controlling the semiconductor business and serving as the Executive General Manager of the Engineering Research and Development Division since April 2023.

Serving as director for 2 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 13,000 shares of our stock  
 Chairman of the Board, Sansha Electric Manufacturing (Shanghai) Co., Ltd.

### Eriko Nashioka

Independent Outside Director

Has great experience and advanced knowledge about finance and accounting as a certified public accountant. She is also a licensed tax accountant. She also has experience and a high level of knowledge related to sustainability, including environmental accounting. Moreover, she is expected to help enhance the Board of Directors' functions and participate in its important decision-making by leveraging her experience of having served as our Outside Audit & Supervisory Board Member for four years. Accordingly, she was appointed as an Outside Director in June 2024. The Company has registered her as independent officer with the Tokyo Stock Exchange.

Serving as director for -  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 1,300 shares of our stock  
 Outside Director (Audit and Supervisory Committee Member), FUKUSHIMA GALILEI CO. LTD., Outside Director (Audit & Supervisory Committee Member), OSAKA GAS CO. LTD., Representative Director, Institute for Environmental Management Accounting, Head of Nashioka Accounting Office, Lecturer (part-time lecturer), Faculty of Commerce, Doshisha University

### Masaki Fujiwara

Director, Vice President and Operating Officer  
 Executive General Manager of Corporate Planning Division

Has rich experience and broad knowledge based on his service in various positions mainly the areas of management and accounting in the group companies of a major Japanese electronics manufacturer and as a director at an overseas subsidiary of the same group. Since appointed as a Director in June 2014, he has been in charge of the administrative department and the corporate planning department. In April 2023, he was appointed as Director, Vice President and Operating Officer.

Serving as director for 10 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 17,700 shares of our stock

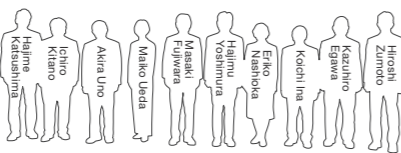
### Akira Uno

Independent Outside Director

Has advanced knowledge of financial affairs due to his work experience at a financial institution. In addition, at the meetings of our company's Board of Directors, he takes advantage of his rich experience and advanced knowledge cultivated through his service in positions, including outside director of a listed company, to fulfill the decision-making and supervisory functions of the Board, such as identifying issues and giving advice about the Group's growth strategy and managerial reforms. Since November 2019, he has been the chairman of the Nomination and Compensation Committee. The Company has registered him as independent officer with the Tokyo Stock Exchange.

Serving as director for 10 years  
 Status of attendance at Board of Directors' meetings 12/14 meetings  
 Owing 12,000 shares of our stock

Fellow, School of Business at Graduate School of Economics, Kyoto University (Doctor of Economics), a Special Assistant to the President, Kyoto University, Senior Executive Fellow, DMG Ltd.MORI CO., LTD.



### Hiroshi Zumoto

Director and Senior Managing Operating Officer COO  
 Director, Vice President and Operating Officer  
 Executive General Manager of Corporate Planning Division

Has been engaged in productivity improvement and the strengthening of the production system for many years as a person responsible for production technologies. He began to hold important positions in the semiconductor business in 2012. He has been controlling the semiconductor business since his appointment as Director in June 2021 and controlling the power supply business since April 2023.

Serving as director for 3 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 9,500 shares of our stock  
 Chairman of the Board, SANREX LIMITED  
 Chairman of the Board, SANSHA ELECTRIC MFG. (GUANGDONG) CO., LTD.

### Koichi Ina

Independent Outside Director

Possesses advanced knowledge of production technology and research and development since he worked in the management team of a leading automobile manufacturer in Japan and as an engineer in factory management. At the meetings of our company's Board of Directors, he takes advantage of his knowledge to fulfill decision-making and supervisory functions of the Board, such as identifying issues and giving advice about the Group's growth strategy and managerial reforms. Since November 2019, he has been a member of the Nomination and Compensation Committee. The Company has registered her as independent officer with the Tokyo Stock Exchange.

Serving as director for 5 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 30,100 shares of our stock

### Our criteria for the appointment and dismissal of officers and criteria for independence

<https://www.sansha.co.jp/eng/csr/governance.html>



Audit & Supervisory Members

### Ichiro Kitano

Audit & Supervisory Board Member (Full-Time)

He has an abundance of working experience and knowledge after long serving as a person responsible for product design and the manufacturing of power supplies. Since being appointed an Audit & Supervisory Board Member in June 2016, he has been making appropriate suggestions based on his experience and knowledge and conducting on-site inspections to help improve the effectiveness of the Audit & Supervisory Board's auditing as a whole.

Serving as director for 8 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Status of attendance at Audit & Supervisory Board meetings 13/13 meetings  
 Owing 5,400 shares of our stock  
 Audit & Supervisory Board Member, Sansha Solution Service Co., Ltd.

### Kazuhiro Egawa

Independent Outside Audit & Supervisory Board Member

Leverages many years of experience as a lawyer and advanced knowledge he has cultivated as a legal professional to appropriately advise the Board of Directors from an expert viewpoint. He also visits and inspects subsidiaries and business facilities in his efforts to assess their situations. Further, he participated in the Nomination and Compensation Committee's deliberations on remuneration for officers as an observer and gave advice. While Mr. Egawa is a lawyer, he has not concluded an advisory contract with our company. Therefore, our company pays him no money other than the compensation for officers. The Company has registered him as independent officer with the Tokyo Stock Exchange.

Serving as director for 4 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Status of attendance at Audit & Supervisory Board meetings 13/13 meetings  
 Owing 400 shares of our stock  
 Head of Eiwa Law Office

### Maiko Ueda

Independent Outside Audit & Supervisory Board Member

Has great experience and advanced knowledge about finance and accounting as a certified public accountant. She is also a licensed tax accountant. She is expected to fulfill her duties as an Outside Audit & Supervisory Board Member by leveraging this knowledge and experience. Accordingly, she was appointed as an Outside Audit & Supervisory Board Member in June 2024. The Company has registered her as independent officer with the Tokyo Stock Exchange.

Serving as director for -  
 Status of attendance at Board of Directors' meetings - meetings  
 Status of attendance at Audit & Supervisory Board meetings - meetings  
 Owing -  
 Director, Ueda Certified Public Accountant Office Auditor, Kansai Industry Activation Council

	Directors						Audit & Supervisory Members			
	Hajimu Yoshimura	Masaki Fujiwara	Hiroshi Zumoto	Hajime Katsushima	Akira Uno	Koichi Ina	Eriko Nashioka	Ichiro Kitano	Kazuhiro Egawa	Maiko Ueda
Independence					●	●	●		●	●
Corporate management and management strategy	●	●	●	●	●	●	●		●	
Overseas business experience	●	●						●		
Business strategy	●	●	●	●				●		
R&D and production	●		●	●		●		●		
Finance and accounting		●			●		●			●
Legal affairs and compliance									●	

Skills for ensuring the effectiveness of the Board of Directors		Reasons for selecting skills	Skill requirements
Overall business management skills	Corporate management and management strategy	Requires management experience and achievements in corporate management and the formulation and promotion of management strategies to realize the Group's growth strategy	Management experience as a representative director or officer in a company
	Overseas business experience	Requires overseas business management experience, and knowledge and experience of an overseas business environment to respond to global business development	Experience as a representative of overseas subsidiary, head of overseas business division, or executive officer
Business core skills	Business strategy	As the Company's business area is a niche and highly specialized market based on power electronics technology, this position requires a high level of knowledge in such area as well as experience in executing business strategies	Executive in charge of business division, head of division and person with equivalent experience as senior management
	R&D and production	Requires knowledge and experience to develop safe, secure, and high-quality products and realize integrated production from design to production	Executive in charge of R&D and production division, head of division and person with equivalent experience as senior management
Functional core skills	Finance and accounting	Requires accurate financial reporting, efficient management of invested capital, and knowledge and experience to enhance shareholder returns	<ul style="list-style-type: none"> <li>Executive in charge of accounting and finance division, head of division, person with equivalent experience</li> <li>Person with experience in auditing firm, etc.</li> </ul>
	Legal affairs and compliance	Requires knowledge and experience in legal affairs and compliance fields to ensure effective corporate governance and improve the effectiveness of the Board of Directors.	<ul style="list-style-type: none"> <li>Experience as executive in charge of legal affairs and compliance, head of division, and person with experience in a law firm, etc.</li> <li>Our criteria for appointment and dismissal of officers and criteria for independence.</li> </ul>





### Basic stance on corporate governance

At the Sansha Electric Manufacturing Group, we practice management based on our corporate philosophy to achieve our purpose: Moving society forward through power electronics and creativity. We will also enhance our corporate value sustainably and contribute to the

sustainable development of society by achieving our vision: Global Power Solution Partner. To achieve this, we have set ensuring compliance and building a highly transparent, efficient foundation of our business as our basic policies on corporate governance.

### Characteristics of the corporate governance system

- Outside Directors make up at least one third of the Board (with the ratio of women among them at 14.3%)
- The Nomination and Compensation Committee has been established voluntarily
- The maximum number of Directors is eight, and the Directors' term of office is one year

### Strengthening corporate governance

#### Board of Directors

Chairman Hajimu Yoshimura, Representative Director

Number of meetings held in FY2023: 14 meetings

The Board of Directors holds a regular meeting each month in principle and extraordinary meetings as needed. It makes decisions on basic management policies and important strategies. It is also defined as an organization that supervises business execution by Directors and Operating Officers.

#### Main matters considered

- > Important management issues including matters related to the management plan, financial plan and investments
- > Initiatives for achieving PBR at 1.0
- > Important personnel affairs and organizations
- > Matters concerning the internal control

#### Regulation Committee

Chairman Hajimu Yoshimura, Representative Director

Number of meetings held in FY2023: 8 meetings

It is attended by Operating Officers and presidents of subsidiaries based in Japan. It discusses the creation of regulations and detailed rules as needed and delivers reports on important regulations to the Board of Directors.

#### Main matters considered

- > Establishment and revision of important regulations
- > Approach to Regulation Management
- > Regulation review results

#### Nomination and Compensation Committee

Chairman Akira Uno, Outside Director

Number of meetings held in FY2023: 5 meetings

It is chaired by an Outside Director, and a majority of its members must be Outside Directors. The content of its deliberations are reported to the Board of Directors. Deliberations on remuneration for officers are joined by an Outside Audit & Supervisory Board Member as an observer.

#### Main matters considered

- > Proposal on prospective officers to be submitted to the Board of Directors for discussion
- > Approach to succession planning and implementation schedule
- > Audit & Supervisory Board system with substitute members
- > Stock compensation system, performance-based remuneration, and amounts of remuneration for individual Directors

#### Audit & Supervisory Board

Chairman Ichiro Kitano, Full-Time Audit & Supervisory Board Member

Number of meetings held in FY2023: 13 meetings

It is attended by Operating Officers and presidents of subsidiaries based in Japan. It discusses the creation of regulations and detailed rules as needed and delivers reports on important regulations to the Board of Directors.

#### Main matters considered

- > Audit policies and plans
- > Proposals for the General Meeting of Shareholders
- > Reappointment of accounting auditor and remuneration for accounting auditor

#### Internal Control Committee

Chairman Masaki Fujiwara, Executive General Manager of Corporate Planning Division

Number of meetings held in FY2023: 12 meetings

It is chaired by the Director and the Executive General Manager of the Corporate Planning Division and attended by Inside Directors, Operating Officers, presidents of subsidiaries based in Japan and heads of relevant departments. It holds at least one meeting each month in principle. It provides overall control and supervision of matters related to risk management and compliance in the whole Group.

#### Main matters considered

- > Activities to promote compliance
- > Risk management
- > Deliberations regarding projects involving large payments

#### Corporate Planning Conference

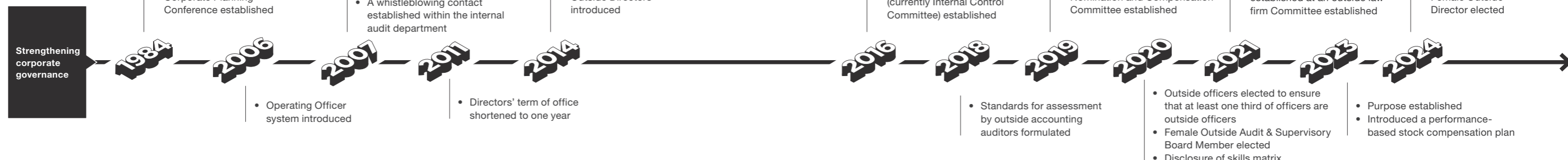
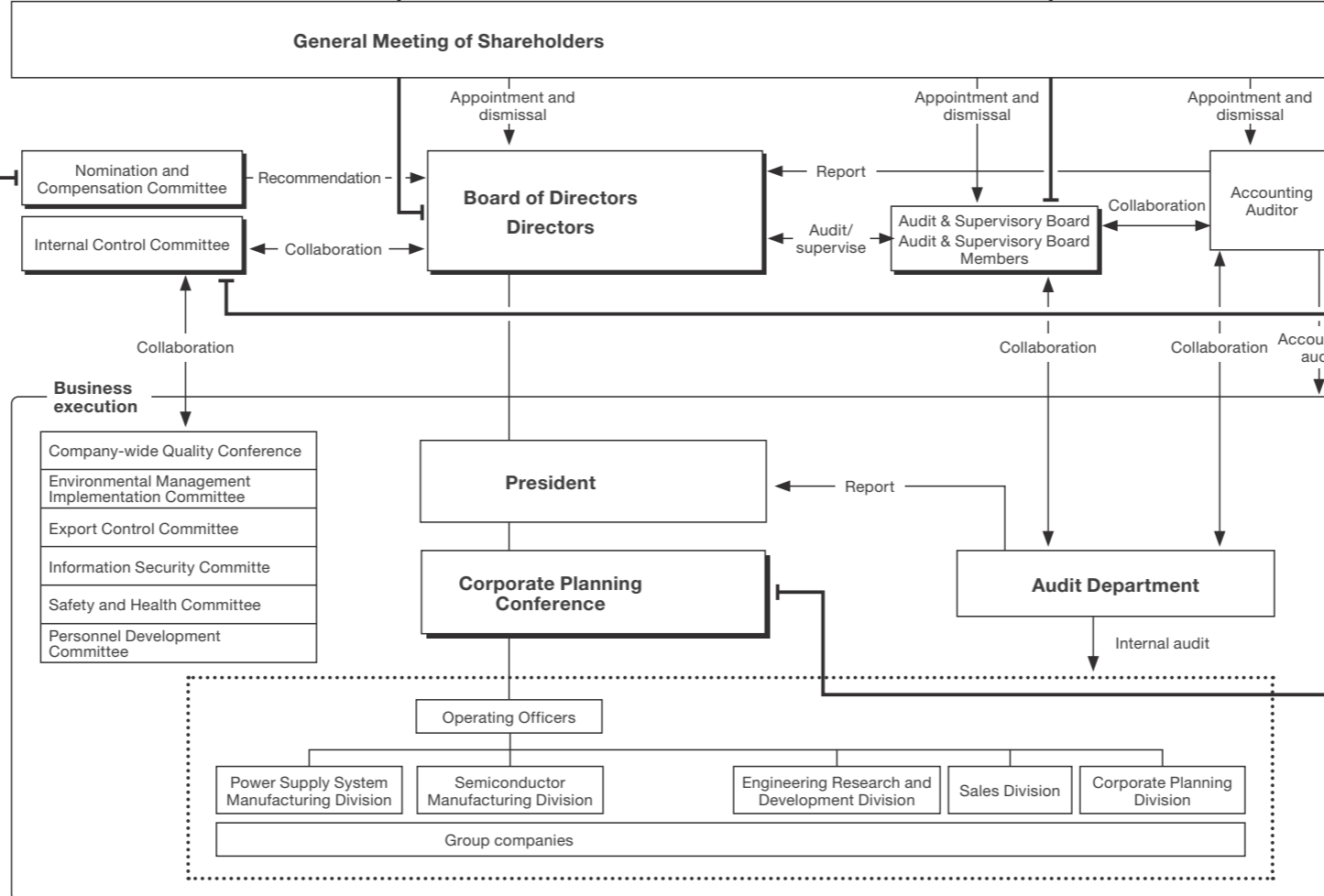
Chairman Hajimu Yoshimura, Representative Director

Number of meetings held in FY2023: 12 meetings

It is attended by Inside Directors, Full-Time Audit & Supervisory Board Members, Operating Officers, presidents of subsidiaries based in Japan and the heads of relevant departments. It holds at least one meeting each month in principle. It makes advance deliberations on important business execution matters for which resolutions are set to be made at meetings of the Board of Directors. It also monitors the overall state of progress in the management plan and manages day-to-day actions such as solutions to problems.

#### Main matters considered

- > Report on operations of each business and subsidiary
- > Report on the progress of each project



Message from Independent Outside Director

# I will move ahead with confidence to create value and solve social issues.

I completed a term of four years as an Outside Audit & Supervisory Board Member, which began in 2020. This time, I have been assigned to an Outside Director.

I will fulfill my new role by focusing on the soundness of management and sustainable growth and contributing to corporate value. I visited the Fukushima Renewable Energy Institute (FREA) of the National Institute of Advanced Industrial Science and Technology (AIST), which is in Fukushima. It was my final visit as an Outside Audit & Supervisory Board Member. AIST is one of the three Specified National Research and Development Agencies in Japan. FREA under AIST undertakes R&D related to renewable energy such as solar, wind, and geothermal power. Sansha Electric Manufacturing has delivered test equipment to the power conditioner testing site of FREA, which is among the largest in the world, to evaluate the performance of power conditioners for converting direct current electricity to alternating current. This is an essential step in using electricity generated from renewable energy sources.

It is conducting research on next-generation power conditioners that are critical to the use of renewable energy. In other words, the research is important for achieving carbon neutrality. At FREA, I saw many devices from Sansha Electric Manufacturing used in research facilities related to hydrogen energy and other research. Sansha Electric Manufacturing clearly has a very high level of technological capabilities.

How should we express and convey widely known value that has yet to be seen, as shown in this example? I believe this is a challenge for the company, and one that I can help it overcome. I am sure that value created by Sansha Electric Manufacturing will help solve social issues that the entire world is aiming to solve. I would like to think about what I can do for this purpose.



Independent Outside Director  
**Eriko Nashioka**

**Has great experience and a high level of expertise as a certified public accountant. She also has deep knowledge related to sustainability, including environmental accounting.**

**She is also expected to help enhance the functions of the Board of Directors and contribute to its decision-making by leveraging her experience of having served as an Outside Audit & Supervisory Board Member for four years.**

**Significant concurrent positions**

- Outside Director (Audit and Supervisory Committee Member), FUKUSHIMA GALILEI CO., LTD.
- Outside Director (Audit & Supervisory Committee Member), OSAKA GAS CO., LTD.
- Representative Director, Institute for Environmental Management Accounting
- Head of Nashioka Accounting Office
- Lecturer (part-time lecturer), Faculty of Commerce, Doshisha University

## Nomination and Compensation Committee

We established the Nomination and Compensation Committee in November 2019. Its objectives are to nominate Directors and Audit & Supervisory Board Members and to increase the independence, transparency and objectiveness of the Board of Directors' functions regarding Directors' remuneration and other matters. The committee will enhance our accountability and corporate governance. To ensure the fairness and transparency of the committee, an advisory body focused on decisions regarding the nomination of prospective Directors and Audit & Supervisory Board Members and on Directors' remuneration, the committee deliberates about these matters and reports to the Board of Directors.

### Composition of the Committee

- The committee consists of at least three Directors selected by the Board of Directors.
- The majority of its members are Independent Outside Directors.
- The committee is chaired by a person selected from among the Independent Outside Directors.
- Meetings of the committee are attended by an Outside Audit & Supervisory Board Member as an observer

### Officer remuneration system

We have formulated a policy regarding the determination of remuneration for officers and the method for calculating it. It is as follows.

- The officer remuneration system must be intended to promote our continuous growth and medium and long term increase of our corporate value. It must encourage officers to perform their duties to their utmost abilities in accordance with our Group vision and to contribute to the improvement of financial results.
- On the basis of the data collected by outside research bodies, remuneration for officers will consist of base remuneration, which is a fixed amount for individual posts, and performance-based remuneration, to ensure that the sound incentives matched with the Directors' duties will serve their intended functions.
- Remuneration for Outside Directors and for inside and outside Audit & Supervisory Board Members will consist solely of base remuneration, as they are independent from the execution of business and variable performance-based remuneration is not appropriate for them.

Current committee members		Attendance in FY2023
Chair	Akira Uno Independent Outside Director	80%
Members	Koichi Ina Independent Outside Director	100%
	Eriko Nashioka Independent Outside Director	-
	Hajimu Yoshimura Representative Director & President	100%
	Masaki Fujiwara Director	100%
Observer (for deliberations on remuneration for officers only)	Kazuhiro Egawa Independent Outside Audit & Supervisory Board Member	100%

### Content of deliberations in FY2023

	Officer appointments	Remuneration for officers
Apr. 27, 2023	<ul style="list-style-type: none"> <li>Proposal regarding the election of officers to be submitted to the General Meeting of Shareholders for resolution</li> </ul>	<ul style="list-style-type: none"> <li>Final decision to introduce stock compensation</li> <li>Payment of performance-based remuneration for Directors</li> <li>Consideration of amounts of remuneration for individual Directors and Audit &amp; Supervisory Board Members</li> <li>Change of policy on determining remuneration for officers</li> </ul>
Aug. 29, 2023	<ul style="list-style-type: none"> <li>Review of the previous fiscal year</li> <li>Matters considered in FY2023</li> <li>Approach to succession planning</li> <li>Consideration of implementation schedule</li> </ul>	<ul style="list-style-type: none"> <li>Review of the previous fiscal year</li> <li>Items to be discussed in FY2023</li> </ul>
Oct. 26, 2023	<ul style="list-style-type: none"> <li>Major appointments of officers in FY2024</li> <li>Consideration of succession planning</li> <li>Consideration of Audit &amp; Supervisory Board system with substitute members</li> </ul>	
Dec. 26, 2023	<ul style="list-style-type: none"> <li>Officer appointments at affiliates Consideration related to officer appointments</li> </ul>	<ul style="list-style-type: none"> <li>Consideration of basic policy, levels, system, and composition of remuneration for officers</li> <li>Change to evaluation of performance</li> </ul>
Jan. 29, 2024	<ul style="list-style-type: none"> <li>Officer appointments at affiliates Final decision on officer appointments</li> </ul>	

### Process of deliberation and determination of remuneration for officers

<b>Matters regarding a resolution of the General Meeting of Shareholders on remuneration for officers and others</b>	A resolution on monetary remuneration for Directors was passed at the ordinary General Meeting of Shareholders for the 74th term that took place on June 27, 2008, establishing an annual upper limit of 300 million yen, excluding the employee wages of any Director who is also an employee. The number of Directors as of the conclusion of the ordinary General Meeting of Shareholders for the 74th term was eight. Further, a resolution to offer Directors up to 320 million yen in four fiscal years and grant them up to 40,000 points per year under a performance-based stock compensation plan, separate from monetary remuneration, was passed at the ordinary General Meeting of Shareholders for the 89th term.	term that took place on June 28, 2023. The number of Directors (excluding Outside Directors) as of the conclusion of the ordinary General Meeting of Shareholders for the 89th term was four. Resolution on the monetary compensation for Audit & Supervisory Board Members was adopted by the ordinary General Meeting of Shareholders for the 59th term that took place on June 28, 1993 to set an annual upper limit of 40 million yen. The number of Audit & Supervisory Board Members at the conclusion of the ordinary General Meeting of Shareholders for the 59th term was three (including one Outside Audit & Supervisory Board Member).
<b>Stance on performance-based remuneration</b>	The performance indicators for performance-based remuneration are consolidated operating profit ratio and growth rate of consolidated net sales. They were chosen because they are key performance indicators related to improvement of performance. We calculate performance-based remuneration by multiplying the standard amount for the specific post by the coefficient appropriate to the consolidated operating profit ratio and growth rate of consolidated net sales.	The amount of performance-based remuneration for Directors is discussed by the Nomination and Compensation Committee in accordance with the consolidated operating profit ratio and growth rate of consolidated net sales for the fiscal year under review and reported to the Board of Directors. The Board of Directors determines the amount of performance-based remuneration for Directors in accordance with the report from the Nomination and Compensation Committee.
<b>Matters regarding non-monetary remuneration</b>	Non-monetary remuneration is granted under the performance-based stock compensation plan and aimed at increasing Directors' motivation to contribute to improved business results and enhanced corporate value in the medium and long term by further clarifying the link between Directors' remuneration and the Company's business performance and stock prices and having Directors share the benefits and risks of stock price fluctuations with shareholders. Points will be granted to each Director according to their position and the degree of achievement of performance targets, etc. The Company's stock, etc., which is equivalent to the number of granted points, is offered to each Director when they retire from office.	The degree of achievement of the consolidated operating profit target, which was chosen with an aim of improving performance in the medium and long term. Points to be granted to Directors for stock compensation are discussed by the Nomination and Compensation Committee in accordance with the degree of achievement of consolidated operating profit target for the fiscal year under review and reported to the Board of Directors. Based on a report from the Nomination and Compensation Committee, the Board of Directors determines the number of points to grant to each Director for stock compensation.
<b>Matters regarding determination of remuneration for individual officers and others</b>	Base remuneration for Directors is the fixed remuneration for specific posts under the Regulations on Remuneration for Directors and is discussed by the Nomination and Compensation Committee on the basis of officer remuneration data surveyed by an outside research body. The determination of remuneration for individual Directors is delegated to Representative Director & President, on the basis of the resolution of the Board of Directors. The Representative Director & President determines remuneration in accordance with the amounts of remuneration for individual Directors reported after deliberations by the Nomination and Compensation Committee within the limit on total amount of remuneration, etc. that has been adopted at	the General Meeting of Shareholders. The reason this duty has been delegated is that we believe the Representative Director & President can appropriately determine the remuneration for individual Directors in consideration of our overall financial results and other factors. The Nomination and Compensation Committee reviews the appropriateness of the determination of remuneration under the delegated authority prior to decisions coming into effect. Remuneration for Audit & Supervisory Board Members is determined through deliberation among them within the limit for the total remuneration for Audit & Supervisory Board Members as determined by a resolution passed at the General Meeting of Shareholders.

### Evaluation of the effectiveness of the Board of Directors

We conduct a self-evaluation and analysis of the effectiveness of the Board of Directors for the purpose of securing the effectiveness and enhancing our corporate value.

In FY2023, we conducted a questionnaire of all Directors and Audit & Supervisory Board Members using an external institution. We ensured the anonymity of respondents by having them respond directly to the external institution. Based on aggregate results from an outside organization, analysis, discussion, and evaluation were made at a regular meeting of Board of Directors that took place in February 2024. The content of the questionnaire and a summary of its results are as follows.

<b>Date</b>	From December 15, 2023 to January 12, 2024
<b>Subjects</b>	Nine subjects in total, with six Directors (including two Outside Directors) and three Audit & Supervisory Board Members (including two Outside Audit & Supervisory Board Members)
<b>Method</b>	Questionnaire by an external institution (anonymous survey)
<b>Outline of the questions</b>	Forty questions about what the Board of Directors should be like, its composition and operations, discussions at its meetings, its monitoring function, the system for support for Directors and Audit & Supervisory Board Members, their training, their dialogues with shareholders (and investors), their own initiatives, and operation and general overview of the Nomination and Compensation Committee
<b>Summary of evaluation results</b>	As a result of analysis and evaluation on the effectiveness of the Board of Directors, which were made by the Board of Directors based on the results of the questionnaire, it was confirmed that the effectiveness is almost secured. On the other hand, the following issues were shared. <ul style="list-style-type: none"> <li>• There remains scope for improving discussions made at the Board of Directors and its monitoring function.</li> <li>• There should be more opportunities to discuss the medium- to long-term growth strategy, sustainability, internal control of the overall Group, etc.</li> <li>• Further improvements are needed about the timing of prior provision of information to outside officers and content of the information.</li> </ul>
<b>Measures for increasing the effectiveness</b>	<ul style="list-style-type: none"> <li>• Enhancing discussions made by the Board of Directors: Submitting proposals that will create opportunities to discuss specific initiatives about growth strategy and sustainability</li> <li>• Enhancing the Board of Directors' monitoring function: The administrative office should be proactive in providing information, such as providing outside officers with reports on progress related to important decisions and minutes of major meetings, and create opportunities for explanation where necessary.</li> </ul>

### Internal control

We have established the Basic Policy on the Internal Control System on the basis of a resolution of the Board of Directors. Under this basic policy, we are working to build and operate an internal control system. At the Sansha Electric Manufacturing Group, we build and operate an internal control system and strive to improve it on an

### Evaluation of effectiveness of the Audit & Supervisory Board

In FY2021, the Company's Audit & Supervisory Board began to conduct a self-evaluation on its effectiveness for the purpose of assessing initiatives related to its functions and roles and the effectiveness of audits attributed to these initiatives.

<b>Date</b>	From December 26, 2023 to January 29, 2024
<b>Subjects</b>	Three Audit & Supervisory Board Members
<b>Method</b>	Questionnaire
<b>Outline of the questions</b>	Composition and operation of the Audit & Supervisory Board, improvement of the internal control system, response to the Board of Directors, three-way auditing, and other matters Evaluation in a total of 21 items on a four-grade scale
<b>Summary of evaluation results</b>	In light of results of evaluation of the effectiveness in the previous fiscal year, improving the status of the establishment of the risk management system was set as a task. In FY2023, improvements were made by sharing risks with Outside Directors and the President on a regular basis. In addition, regarding the task of increasing the number of regular meetings with Outside Directors and the President and enhancing the content of the meetings, we increased the number of meetings with the President by one in FY2023 and strived to enhance the content. An evaluation of "almost appropriate" was also given to questions about the frequency of onsite inspection in Japan and other countries and stance on information-sharing at internal management meetings, which were added in FY2023.
<b>Measures for increasing the effectiveness</b>	We plan to increase the number of meetings with the Vice President and Outside Directors next fiscal year. We will also reflect the evaluation results in the audit plan for the next fiscal year and strive to improve the quality of audits further and reinforce our corporate governance system.

ongoing basis so as to secure reliability and transparency of the companies.

**The Basic Policy on the Internal Control System**  
<https://www.sansha.co.jp/eng/csr/internal-controls.html>



### Risk management

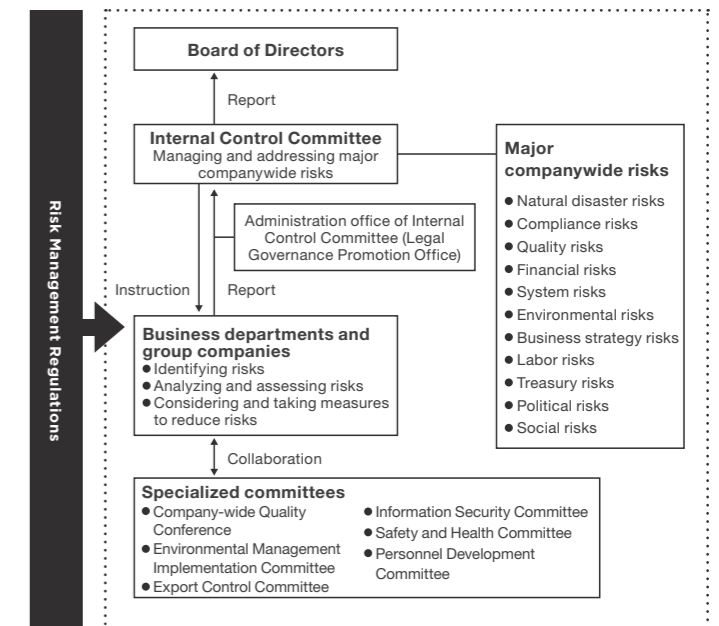
#### Basic stance

While risks facing businesses are diversifying, the Sansha Electric Manufacturing Group identifies various risks involved in its businesses, constructs a management system to prevent risks from actually materializing, and

takes actions to minimize their impact. Our basic stance is to respond swiftly and appropriately under the leadership of top management when any risk becomes a reality.

#### Risk management system

We have set up the Internal Control Committee, which is chaired by the Director and the Executive General Manager of the Corporate Planning Division. We have built a system under which the Internal Control Committee manages and addresses the Company's major risks in accordance with the Risk Management Regulations and reports to the Board of Directors as necessary. The Internal Control Committee also works together with each department and group company in identifying, analyzing, and assessing risks and considering and taking measures to reduce risks. Moreover, the Company-wide Quality Conference, the Environmental Management Implementation Committee, the Export Control Committee, the Information Security Committee, the Safety and Health Committee, and the Personnel Development Committee manage risks in the respective fields as specialized committees. As major company-wide risks, we have identified natural disaster risks, compliance risks, quality risks, financial risks, system risks, environmental risks, business strategy risks, labor risks, treasury risks, political risks, and social risks, and consider appropriate measures to address each risk.



#### Risk management flow

All business departments and group companies identify risks involved in businesses of the Sansha Electric Manufacturing Group. We analyze and evaluate the frequency of their occurrence, the scale of their impact, and other factors. We thus identify risks to address with priority and take steps to reduce the risks.

**Risks of businesses, etc.**  
 (Securities report for the 90th term) (Japanese only)  
[https://ssl4.eir-parts.net/doc/6882/yo\\_ho\\_pdf/S100TQJL/00.pdf](https://ssl4.eir-parts.net/doc/6882/yo_ho_pdf/S100TQJL/00.pdf)



#### Business continuity management (BCM)

To fulfill our responsibility to supply products as a manufacturer even when a major disaster or similar event has occurred, we have introduced business continuity management (BCM). Aimed at clarifying actions to take in the event of a disaster and actions at normal times, BCM minimizes the impact of a disaster on our businesses and is vital for business continuity and an early recovery.

#### Business continuity management at the Sansha Electric Manufacturing Group (basic policy)

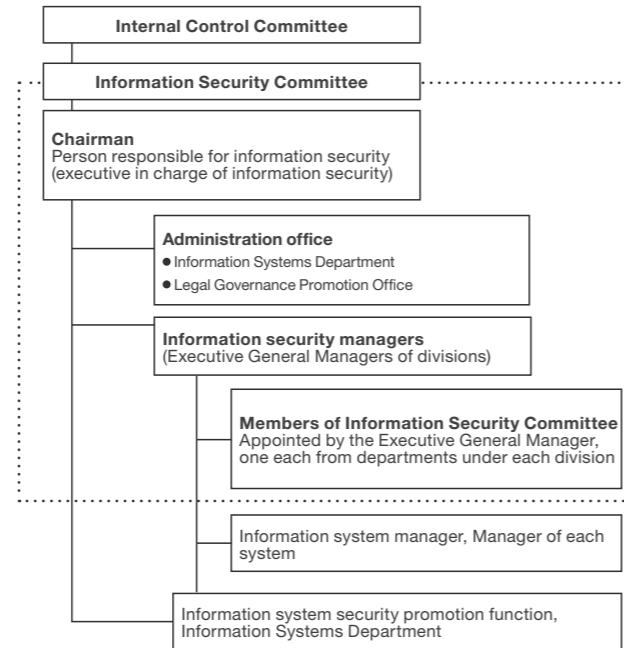
- 1 Give top priority to the safety of employees and their family in the event of a disaster.
- 2 Contribute to early disaster recovery and reconstruction in light of corporate social responsibility.
- 3 Minimize the impact on our corporate customers and businesses.

### Information security measures

At the Sansha Electric Manufacturing Group, we understand that we have an important social responsibility to ensure information security. To respond to the trust of society as a whole, we have established rules on information security under our Information Security Policy, developed a system for managing information security, and are pushing forward with relevant measures.

In response to the latest information security threats, we strive to implement information security measures which are appropriate for the business environment and provide officers and employees with necessary training, such as giving them relevant information, in our efforts to increase their awareness.

In addition, we check for security holes based on the security diagnostics of external specialized institutions and take necessary measures to improve our information security.



**Information Security Policy**  
<https://www.sansha.co.jp/eng/csr/risk-management.html>



### Compliance

#### Basic stance

We are convinced that the Group's corporate value will be increased by developing a corporate culture that values compliance and by building sound business foundations as a company winning trust from society. We have also established the Sansha Electric Manufacturing Group Behavioral Charter for constantly reviewing our business activities with a view to realizing our corporate philosophy. We strive to ensure that each one employee will comply with this Charter in their daily activities. We also establish policies and regulations on individual priority initiatives and keep employees thoroughly informed of them.

#### Respect for human rights

In the Sansha Electric Manufacturing Group Behavioral Charter, the Group has clarified that, in its global operation of businesses, it will respect the human rights and diversity of not only its employees but also every person with a relationship with the Group. In addition, the Group will consider human rights of all suppliers, including the suppliers in its supply chain, in accordance with its Procurement Policy and Supplier Selection Policy.

In its business activities, the Sansha Electric Manufacturing Group will not tolerate discrimination against anyone or the infringement of anyone's personal dignity on the ground of their race, nationality, birth, religion, belief, gender, sexual orientation, age, disability or other attributes. In contrast, the Group will provide equal opportunities and strive to build a worker-friendly system.

**Sansha Electric Manufacturing Group Basic Policy for Prevention of Bribery and Corruption**  
<https://www.sansha.co.jp/eng/csr/compliance.html>



#### Anti-bribery Initiatives

At the Sansha Electric Manufacturing Group, we believe that we need to strengthen measures against bribery risks, in light of recent situations including the progress in the globalization of business, the tightening of laws and regulations, and the stricter enforcement. We have therefore developed a basic policy and are striving to enhance initiatives to prevent violations.

### Training and awareness-raising

At the Sansha Electric Manufacturing Group, we raise compliance awareness among employees through group training and online learning, so that they can comply with laws and regulations and behave ethically. We respond promptly to revisions of laws and regulations by providing training and online learning specific to each job class and theme and we hold workplace meetings regularly, so that all members, from officers to employees, will ensure that compliance and awareness of compliance are instilled. With these initiatives, we raise compliance awareness and prevent risks.

#### Number of employees who participated in compliance training in FY2023 (total number)

New employee training	19
Specialized training on laws and regulations, etc., including the Export Trade Control Order and chemicals control	588
Training on specific themes including information security	1,031
Harassment prevention training	506

The data covers Sansha Electric Manufacturing Co., Ltd.

### Whistleblowing system

We have set up compliance helpdesks (whistleblowing contacts), which conform to the Whistleblower Protection Act. The helpdesks are to be contacted for inquiries about compliance and reporting of any dishonest conduct. In addition to internal contacts, we have set up an external law firm helpdesk, which provides services in English and Chinese as well. We have provided all employees of the Group with information about these helpdesks via a card which is distributed to the employees of the Group to carry with them, as well as internal groupware, training sessions, and other means of communication. We also inform them that we prohibit dismissal or any other disadvantageous treatment of a person for their whistleblowing to thoroughly protect whistleblowers. We are thus striving to improve the reliability of the helpdesk system.

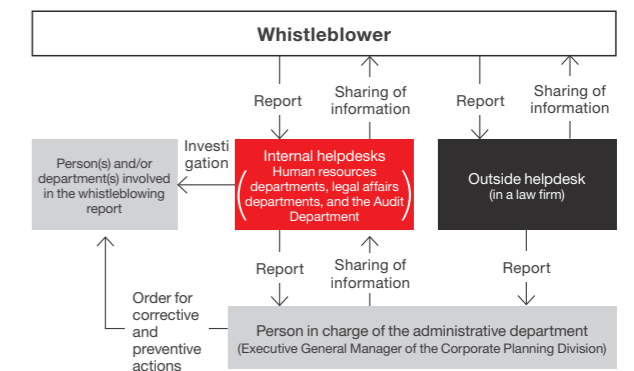
In FY2023, six reports and inquiries were received via the helpdesk system. Fact-finding surveys were conducted for all of them, and they were handled appropriately.

#### Number of reports and inquiries received via our internal helpdesks

	FY2021	FY2022	FY2023
	5	6	6

\* Including reports and inquiries for which investigations were not conducted and reports and inquiries which were found to be not problematic

#### Whistleblowing process flow



### Overview of the internal audit system

We have established the Audit Department as an independent organization under the direct control of the President. It conducts internal audits of each department and group company's execution of business from the perspectives of compliance with laws, regulations, and internal rules, the effectiveness and efficiency of operations, the reliability of financial reporting, and asset protection, among others. In internal audits, realities of operations are evaluated with rigorous methods and processes, and points to be improved are identified as necessary. Audit & Supervisory Board Members, the Audit Department, and the accounting auditor hold regular reporting sessions or as needed to promote the sharing of information and best practices within the organization,

thus building a more effective internal audit system. In addition, the Audit Department employs a risk-based approach, pointing out matters to be improved as necessary based on internal audit results and following up the improvement status. The results of internal audits are reported to the Representative Director & President and the Full-Time Audit & Supervisory Board Member. Further, the Audit Department members participate in liaison meetings with Audit & Supervisory Board Members and meetings with the accounting auditor to share information and exchange opinions, thus deepening cooperation. With these initiatives, the Audit Department contributes to risk management and improvement of compliance by the overall organization.

## Trends in major financial indicators in the past 11 years

	FY2013 80th business period	FY2014 81th business period	FY2015 82th business period	FY2016 83th business period	FY2017 84th business period	FY2018 85th business period	FY2019 86th business period	FY2020 87th business period	FY2021 88th business period	FY2022 89th business period	FY2023 90th business period	FY2024 91th business period (Results forecast)
Fiscal year (million yen)												
Net sales	23,279	22,113	22,191	20,069	23,717	24,369	21,875	19,436	22,675	28,088	31,005	28,800
Japan	16,697	14,943	15,400	13,451	16,026	16,927	15,165	13,462	14,626	18,534	23,891	-
Overseas	6,582	7,169	6,790	6,618	7,691	7,442	6,709	5,973	8,049	9,553	7,114	-
Cost of sales	16,708	15,726	16,421	15,652	17,515	17,930	17,281	15,027	17,227	21,600	22,423	-
Gross profit	6,570	6,387	5,770	4,417	6,202	6,438	4,594	4,408	5,447	6,488	8,582	-
Selling, general and administrative expenses	4,078	4,085	3,893	4,194	4,727	4,605	4,337	3,992	4,131	4,858	5,174	-
Operating profit	2,492	2,301	1,876	222	1,474	1,833	256	416	1,316	1,629	3,407	1,400
Ordinary profit	2,582	2,289	1,801	217	1,480	1,804	243	441	1,313	1,651	3,473	1,400
Profit before income taxes	2,542	2,281	1,710	281	1,471	1,793	290	612	1,320	1,651	3,473	-
Profit attributable to owners of parent	1,651	1,506	1,172	126	1,065	1,339	(680)	497	1,147	1,241	2,955	980
Capital investment	3,040	1,011	407	463	734	720	641	359	513	995	1,304	2,800
Depreciation	872	1,056	970	955	977	955	1,030	948	920	885	901	1,200
Research and development expenses	664	688	703	511	904	1,305	1,204	1,223	1,250	1,576	1,791	1,800
Cash flows from operating activities	621	2,886	1,401	1,844	3,560	746	36	1,729	940	(198)	2,303	-
Cash flows from investing activities	(1,858)	(2,244)	(321)	(2,594)	(499)	(658)	(571)	(355)	(317)	(799)	(1,097)	-
Cash flows from financing activities	334	20	(1,484)	(94)	(1,135)	(961)	(659)	(249)	(1,666)	(189)	488	-
Segment information (million yen)												
Semiconductor business												
Net sales	6,372	7,039	6,103	5,751	7,016	6,816	5,688	5,709	7,791	8,146	7,902	7,700
Segment profit	352	859	180	77	657	452	(368)	172	767	510	271	0
Power supply business												
Net sales	16,906	15,073	16,087	14,318	16,700	17,553	16,186	13,727	14,884	19,941	23,103	21,100
Segment profit	2,139	1,442	1,695	145	817	1,381	624	244	548	1,118	3,135	1,400
As of the end of fiscal year (million yen)												
Cash and cash equivalents	5,212	6,204	5,654	4,966	6,820	5,963	4,659	5,870	5,026	3,959	5,825	-
Interest-bearing debt	1,560	1,832	1,001	1,150	200	100	-	-	-	-	1,000	-
Total assets	27,602	28,007	26,169	25,725	27,817	28,532	24,051	24,846	27,146	29,083	35,334	-
Net assets	16,756	18,665	18,421	18,248	19,314	19,952	18,489	19,336	19,810	21,065	24,432	-
Per-share data (yen)												
Earnings per share	114.75	100.80	79.29	8.71	73.48	93.44	(48.22)	35.42	83.30	95.33	222.19	73.68
Net assets per share	1,121.30	1,249.11	1,271.07	1,259.14	1,332.69	1,410.77	1,316.15	1,376.49	1,541.90	1,583.87	1,837.05	-
Dividends per share	15.0	17.0	23.0	10.0	20.0	28.0	13.0	15.0	25.0	30.0	50.0	40.0
Financial indicators (%)												
Operating profit/net sales	10.7	10.4	8.5	1.1	6.2	7.5	1.2	2.1	5.8	5.8	11.0	4.9
Return On Assets (ROA)	6.4	5.4	4.3	0.5	4.0	4.8	(2.6)	2.0	4.4	4.4	9.2	-
Equity ratio	60.7	66.6	70.4	70.9	69.4	69.9	76.9	77.8	73.0	72.4	69.1	-
Return On Equity (ROE)	10.7	8.5	6.3	0.7	5.7	6.8	(3.5)	2.6	5.9	6.1	13.0	4.1
Dividend payout ratio	13.1	16.9	29.0	114.8	27.2	30.0	-	42.3	30.0	31.5	22.5	54.8
Total shareholder return	108.8	115.3	104.7	96.8	288.1	163.7	100.8	162.4	163.7	194.2	345.1	-
Ratio of dividends to net assets	1.3	1.4	1.8	0.8	1.5	2.0	1.0	1.1	1.7	1.9	2.9	-
Shares and share prices												
Total number of issued shares	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	-
Total number of treasury shares	6,541	7,099	457,099	457,099	457,099	807,120	902,122	902,122	2,102,122	1,650,022	1,527,022	-
Share price at the end of period (yen)	627	648	563	506	1,615	853	469	817	800	950	1,790	-
Price earnings ratio (PER)	5.46	6.43	7.10	58.09	21.98	9.13	-	23.07	9.60	9.97	8.06	-
Price book-value ratio (PBR)	0.56	0.52	0.44	0.40	1.21	0.60	0.36	0.59	0.52	0.60	0.97	-

## Consolidated balance sheets

(million yen)

	FY2022 89th business period	FY2023 90th business period
<b>Assets</b>		
Total current assets	22,510	27,393
Non-current assets		
Property, plant and equipment	5,499	5,770
Intangible assets	123	211
Investments and other assets	949	1,959
Total non-current assets	6,572	7,941
<b>Total assets</b>	29,083	35,334

## Liabilities and net assets

(million yen)

	FY2022 89th business period	FY2023 90th business period
<b>Liabilities and net assets</b>		
Current liabilities	7,519	10,522
Non-current liabilities	498	378
Total liabilities	8,017	10,901
Shareholders' equity	19,965	22,493
Accumulated other comprehensive income	1,100	1,939
Total net assets	21,065	24,432
<b>Total liabilities and net assets</b>	29,083	35,334

## Consolidated statements of income

(million yen)

	FY2022 89th business period	FY2023 90th business period
<b>Net sales</b>	28,088	31,005
Cost of sales	21,600	22,423
Gross profit	6,488	8,582
Selling, general and administrative expenses	4,858	5,174
Operating profit	1,629	3,407
Ordinary profit	1,651	3,473
Profit before income taxes	1,651	3,473
Total income taxes	409	518
Profit	1,241	2,955
<b>Profit attributable to owners of parent</b>	1,241	2,955

## Consolidated statements of comprehensive income

(million yen)

	FY2022 89th business period	FY2023 90th business period
<b>Profit</b>	1,241	2,955
Other comprehensive income	85	838
Comprehensive income	1,327	3,794
(Comprehensive income attributable to)		
<b>Comprehensive income attributable to owners of parent</b>	1,327	3,794

## Consolidated statements of cash flows

(million yen)

	FY2022 89th business period	FY2023 90th business period
<b>Net cash provided by (used in) operating activities</b>	(198)	2,303
Net cash provided by (used in) investing activities	(799)	(1,097)
Net cash provided by (used in) financing activities	(189)	488
Effect of exchange rate changes on cash and cash equivalents	120	171
Net increase (decrease) in cash and cash equivalents	(1,066)	1,865
Cash and cash equivalents at beginning of period	5,026	3,959
Cash and cash equivalents at end of period	3,959	5,825

## Non-financial data

## Environmental data

## Energy consumption

	Scope			FY2019	FY2020	FY2021	FY2022	FY2023
	Sansha Electric Manufacturing Co., Ltd.	Domestic group companies	Overseas group companies	86th business period	87th business period	88th business period	89th business period	90th business period
Power consumption (MWh)	●	●	●	16,998	16,919	17,826	18,319	17,933
Utility gas consumption (m <sup>3</sup> )	●	●	●	184,852	178,568	216,984	205,375	213,139
Heavy oil consumption (liters)	●			80,051	75,028	71,210	9,676	0
Water consumption (thousand m <sup>3</sup> )	●	●	●	219	178	191	193	187
CO <sub>2</sub> emissions (tons CO <sub>2</sub> )	●	●	●	10,836	10,056	9,916	10,063	10,261
Industrial waste (tons)	●	●	●	642	619	726	698	688
Recycling rate (%)	●	●	●	97.5	99.0	98.2	98.1	98.0
The volume of PRTR substances handled (tons)	●			42.1	43.7	54.0	49.8	58.4
The volume of VOCs which require notification handled (tons)	●			44.0	56.6	53.7	43.3	29.8

## Employee-related data

Scope

## Basic data

	Sansha Electric Manufacturing Co., Ltd.	Domestic group companies	Overseas group companies	FY2019 86th business period	FY2020 87th business period	FY2021 88th business period	FY2022 89th business period	FY2023 90th business period
Number of employees (persons)	●	●	●	1,402	1,381	1,405	1,465	1,418
Number of male employees (persons)	●	●	●	925	926	933	987	969
Number of female employees (persons)	●	●	●	477	455	472	478	449
Female employee ratio (%)	●	●	●	34.0	32.9	33.6	32.6	31.7
Average age	●			45.1	45.8	46.2	46.2	46.4
Average years of service (years)	●	●		18.2	18.8	18.7	18.9	18.7
Average years of service of male employees (years)	●	●		19.1	19.6	19.6	19.8	16.9
Average years of service of female employees (years)	●	●		14.6	15.2	15.1	15.0	14.5
Turnover ratio (%)	●	●		2.8	2.4	2.6	3.0	3.6
Average annual salary (yen)	●			5,633,151	4,990,469	5,353,204	5,625,232	5,829,583
Wage gap between men and women (%)*	●	●		66.0	69.6	72.5	73.5	70.8

## Diversity

Number of leaders (persons)	●	●	338	330	334	279	332
Number of leaders that are women (persons)	●	●	19	22	22	28	34
Percentage of leaders that are women (%)	●	●	5.6	6.7	6.6	10.0	10.2
Number of managers (persons)	●	●	120	118	116	113	121
Number of managers that are women (persons)	●	●	3	4	4	4	6
Percentage of managers that are women (%)	●	●	2.5	3.4	3.4	3.5	5.0
Number of employees with disabilities (persons)	●	●	23.5	23.5	24.5	24.0	26.5
Percentage of employees with disabilities (%)	●	●	2.7	2.7	2.7	2.6	2.5

## Employment

New graduate hires (persons)	●	●	18	18	17	11	19
Male new graduate hires (persons)	●	●	13	14	14	10	11
Female new graduate hires (persons)	●	●	5	4	3	1	8
Mid-career hires (persons)	●	●	7	3	18	27	32
Number of male mid-career hires (persons)	●	●	3	3	13	21	26
Number of female mid-career hires (persons)	●	●	4	0	5	6	6

## Work-life balance

Average overtime hours (hours per month)	●	●	10.1	9.4	13.3	13.2	8.9
Paid leave acquisition rate (%)	●	●	74.8	72.3	74.2	81.5	84.8
Number of employees taking childcare leave (persons)	●	●	5	19	13	13	10
Number of male employees taking childcare leave (persons)	●	●	1	4	1	9	8
Percentage of employees returning from childcare leave (%)	●	●	91.7	100.0	100.0	100.0	100.0
Percentage of male employees returning from childcare leave (%)	●	●	100.0	100.0	100.0	100.0	100.0
Percentage of female employees returning from childcare leave (%)	●	●	90.9	100.0	100.0	100.0	100.0
Percentage of employees with shortened working hours to care for children (%)	●	●	33.3	30.0	16.6	21.1	27.2
Percentage of male employees with shortened working hours to care for children (%)	●	●	0.0	0.0	0.0	0.0	11.1
Percentage of female employees with shortened working hours to care for children (%)	●	●	90.0	75.0	66.6	80.0	100.0
Number of employees taking nursing care leave (persons)	●	●	0	0	0	2	0
Percentage of employees with shortened working hours to provide nursing care (persons)	●	●	0	0	0	1	0

## Personnel development

Training costs per person (yen)	●	●	17,023	16,923	26,135	15,866	32,273
Number of employees with public qualifications (persons)	●	●	13	16	20	18	9

## Occupational safety

Number of occupational accidents with lost worktime (cases)	●	●	0	0	1	1	1
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\* Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace

**Stock and shareholder data (as of March 31, 2024)**

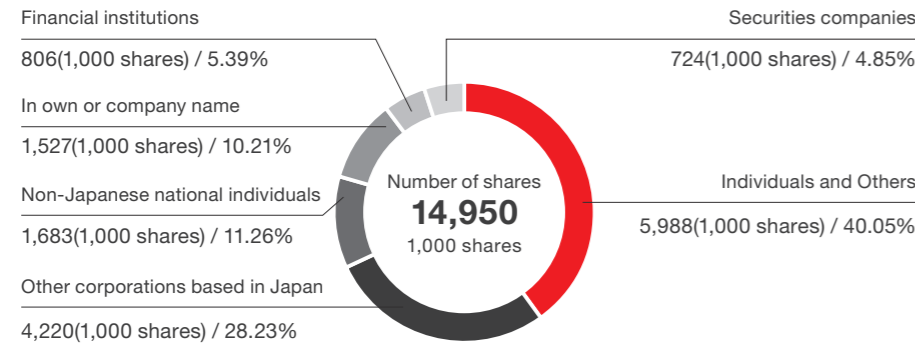
Stock exchange listing	Tokyo Stock Exchange Standard Market (securities code 6882)
Administrator of shareholders' register	Sumitomo Mitsui Trust Bank, Limited
Number of shares issued	14,950,000 shares
Number of shareholders	11,030

**Major shareholders (ten largest shareholders)**

Name	Number of shares held (1,000 shares)	Shareholding ratio (%)
Mitsubishi Heavy Industries, Ltd.	1,335	9.95
Panasonic Holdings Corporation	807	6.02
Miyashiro Limited Liability Company	758	5.65
Nitto Kogyo Corporation	667	4.97
Employee Shareholding Association of Sansha Electric Manufacturing	381	2.84
Kunio Shikata	330	2.46
The Senshu Ikeda Bank, Ltd.	314	2.34
Sumitomo Mitsui Banking Corporation	280	2.09
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	229	1.71
Hideo Shikata	228	1.70

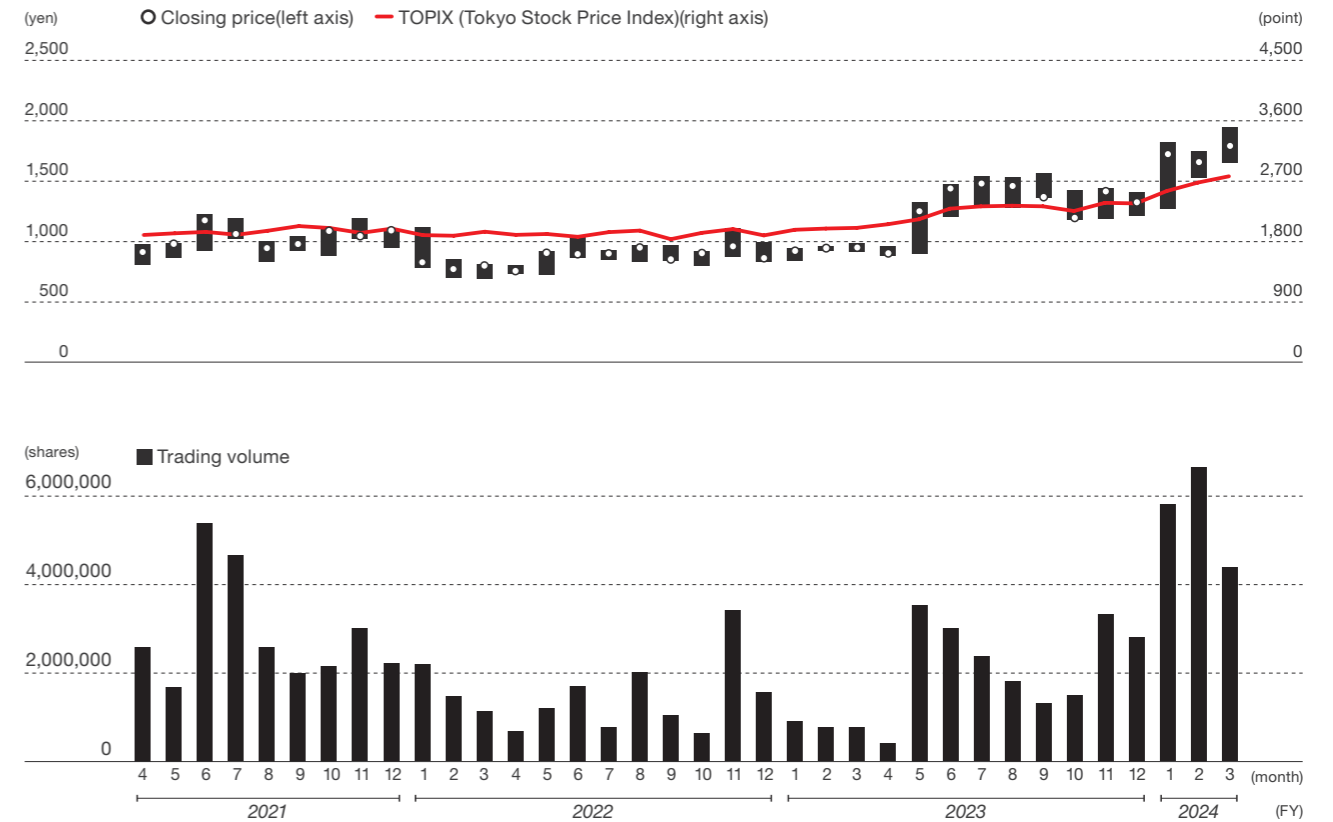
(Notes) 1. The number of shares held is rounded down to the nearest thousand.  
 2. Sansha Electric Manufacturing Co., Ltd. owns 1,527,022 treasury shares, but excluded itself from the list of major shareholders.  
 3. The shareholding ratio is calculated disregarding treasury shares and rounding to three decimal places.

**Share Distribution by Shareholder Type**



(Notes) 1. The number of shares held is rounded down to the nearest thousand.  
 2. The shareholding ratio is rounding to three decimal places.

**Monthly trends in share price and trading volume**



**Company outline (as of March 31, 2024)**

<b>Company name</b>	Sansha Electric Manufacturing Co., Ltd.	<b>Scope of reporting</b>	Sansha Electric Manufacturing Co., Ltd. and its nine consolidated subsidiaries. However, the applicable scope of reporting is specified on a case-by-case basis if it differs from the above.
<b>Date of foundation</b>	March 8, 1933	<b>Period covered</b>	Fiscal year 2023 (from April 1, 2023 to March 31, 2024) (Some of the initiatives include the most recent)
<b>Data of incorporation</b>	April 28, 1948	<b>Contact for inquiries</b>	Public Relations Department Phone: +81-6-6321-0321 (switchboard number) sanrex-ir@sansha.co.jp
<b>Headquarters location</b>	3-1-56, Nishiawaji, Higashiyodogawa-ku, Osaka 533-0031 Japan	<b>Disclaimer</b>	This report contains plans, strategies and forward looking statements such as financial outlooks. They are based on the information available at the time of publication and on certain assumptions that are deemed reasonable. Please note that results may differ from these statements due to a variety of factors.
<b>Capital</b>	2.7 billion yen		
<b>Number of employees (consolidated)</b>	1,418 (943 in Japan, 475 overseas)		
<b>Branches, sales offices and other offices</b>	Tokyo, Aichi, Fukuoka, Ishikawa, Finland, South Korea and Taiwan		
<b>Plants and laboratories</b>	Osaka, Shiga and Okayama		
<b>Consolidated subsidiaries</b>	Japan SANSHA SOLUTION SERVICE CO., LTD. (Osaka) SUWA SANSHA ELECTRIC CO., LTD. (Nagano Prefecture) OSAKA DENSO INDUSTRY CO., LTD. (Osaka)  Overseas SANREX CORPORATION (USA) SANREX ASIA PACIFIC PTE. LTD. (Singapore) SANREX LIMITED (Hong Kong) SANSHA ELECTRIC MFG. (SHANGHAI) CO., LTD. (China) SANSHA ELECTRIC MFG. (GUANGDONG) CO., LTD. (China) DONGGUAN EASTERN ELECTRONICS CO., LTD. (China)		