

Message from the President

We will proceed on the path to the future that we should follow with confidence.



Hajimu Yoshimura
Representative Director & President

Confident in the path to the future that we should follow in the second year of the medium-term management plan

Two of the three years of our CG23 medium-term management plan have already passed. We started the plan with the slogan: Change to Growth. As in the first year, we were able to exceed the targets for all of the major financial indicators, net sales, operating profit, and ROE, in the second year.

In last year's integrated report, I stated, "CG23 is the first phase of our actions towards what we aspire to be like ten years from now. Results in the second year are significant in the sense of bringing some clarity to the future." Over the course of the year, we were able to become confident about the path to the future that we should follow. Specifically, this path is in the new energy sector.

There is an ongoing global trend toward the decarbonization of society, and both the power supply business and the power semiconductor business have received many inquiries from the new energy sector, and we have received orders.

We expect this trend to continue for a

time and the sector is important from the viewpoint of sustainability and our role in society (the meaning of our existence). Therefore, want to use this opportunity to steadily produce results.

Issues and countermeasures that have been highlighted

On the other hand, issues were also highlighted. This time, we exceeded quantifiable targets such as net sales and operating profit. However, we actually achieved them by biting off much more than we could chew. While materials and parts remained in short supply throughout the year, we managed to gather materials and parts from various quarters and people working on-site used their ingenuity and overcame the situation. We are still facing difficult conditions due to the COVID-19 pandemic and the Russian invasion of Ukraine. Naturally, the prices of materials and parts that are in short supply are rising. As one misfortune follows another, electricity expenses and other energy costs have soared.

We will take measures to overcome this situation, such as looking for new

suppliers including overseas suppliers and arranging for materials in advance in line with our production plans, aiming to ensure a stable supply of materials. We will also change designs to replace materials with materials we are able to procure, aiming for stable production.

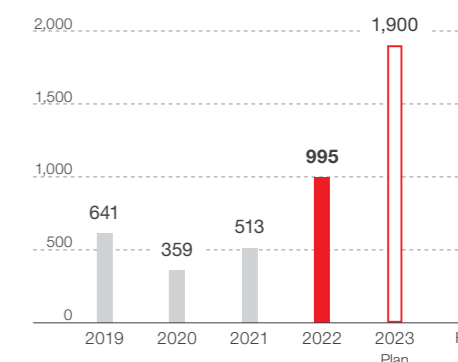
The other issue is the delays in our own investments in equipment.

In the fiscal year ended March 31, 2023, we planned to make capital investments of 2.1 billion yen. However, the equipment that was actually delivered was approx. 1.0 billion yen. As materials and parts are in short supply in our business activities, so is the equipment for which we have placed orders. We have remained in a state where equipment has not been delivered, even though we have placed orders for it in accordance with our investment plan. We invest in equipment for two major purposes. One is to increase our capacity to manufacture power semiconductors. The other is to automate our plants. The goal of automating our plants is to improve manufacturing efficiency and productivity, which improves profitability, while preparing for future labor shortages is also an objective.

CG23: Quantifiable targets and results

	FY2021		FY2022		FY2023	
	Plan	Results	Plan	Results	Plan	Forecast
Net sales	21.8 billion yen	22.6 billion yen	24.0 billion yen	28.0 billion yen	26.0 billion yen	30.5 billion yen
Operating profit	800 million yen	1.3 billion yen	1.3 billion yen	1.6 billion yen	1.9 billion yen	2.0 billion yen
ROE	2.8%	5.9%	4.4%	6.1%	6.1%	6.5%

Actual and planned capital investment (in million yen)





AC Cafe, a place for employees to communicate with the president

Taking on challenges to standardize designs

Unfortunately, I do not think that the problem of the delays in the delivery of manufacturing equipment will be solved quickly. While we will continue striving to improve the efficiency of our manufacturing processes, I think that we can do more in the design phase. In the power supply business in particular, I think we can improve productivity by devising creative measures in the design stage. While many of the power supplies we handle are large, we work to meet the needs of customers in the design phase. This measure itself is one of our strengths. Actually, however, it eventually places burdens on the manufacturing site, in the manufacturing processes. While various approaches are possible to improve this, I think that one of them is the standardization (formatting) of designs. For example, power supplies have many wires in them. While at present we do complex wiring for each customer, I presume that wiring can be standardized to a certain extent. While improving productivity and manufacturing efficiency through standardization will generate a positive impact in terms of quality improvement and profitability, it can also have positive effects from the perspective of sustainability. Specifically, it can help us tackle the climate change problem and in giving consideration to the environment. Because manufacturing companies have no choice but to use the earth's resources in our business activities, we must keep environmental considerations in mind in our activities.

We understand that we have this large responsibility. Because I was an engineer, I understand that it is not easy to change the manufacturing approaches and methods of the company that have been applied for more than 90 years. Although it is not easy to make this a reality, we would like to take on the challenge of standardizing our designs as a medium-to long-term target for our activities in the next ten years.

Aiming to focus on more overseas business markets toward our 100th anniversary

At the time that I am writing this for the integrated report, we are already in the final fiscal year of the CG23 medium-term management plan. While we work to achieve the CG23 plan, we have begun discussing the next medium-term management plan. Our medium-term management plan is a three-year action plan. We formulate it based on our long-term vision, applying a backcasting approach. We have started by discussing what we aspire to be like ten years from now, setting our eyes on 2033, when we will celebrate our 100th anniversary. At present, our overseas business is focused mostly on China. We would like to focus on more overseas markets in the next ten years. The regions that we are paying attention to are India and Europe.

At present, our business in India is limited to transactions with Japanese companies. Moving forward, we would

like to expand this to local companies. This year, we will sow the seeds for the next ten years.

In Europe, we still receive many inquiries about our power semiconductor business. With the high interest in the green energy sector, Europe is a big market in which we see massive potential. We began to engage in activities to increase our visibility in Europe last year, such as running a booth at a hydrogen energy trade show. I think that area-specific strategies will be very important in thinking about the next ten years. We must make our strategies more muscular. In the next ten years, we aim to enhance our presence in the sector of new energy in India and Europe in addition to Japan and China as our existing markets.

Possibilities of SiC power semiconductors

In addition, silicon carbide (SiC) semiconductors are attracting attention as next-generation power semiconductors. SiC semiconductors, which are made mainly from silicon carbide, are high-performance power semiconductors featuring smaller dimensions and lower power loss than conventional power semiconductors. We would like to expand these semiconductors strategically as one of our themes in the next ten years.

A duty to create a corporate culture and climate

While I have a wide range of duties as the president, the one that I have been strongly aware of since I took office is the creation of our corporate culture and organizational climate. To date, we have refined our technologies through solving the challenges that customers present to us. In other words, our company has been developed by its customers.

This is by no means bad. However, I would like to make this company a team of people who think and run on their own, partly to achieve our vision of being a global power solution partner.

We hold the AC Cafe internal community event which is aimed at enabling participants to talk with me. It was named AC, alternating current, because the Japanese word for AC is *koryu*, which also means *interaction*. The AC Cafe is a place for seven to eight people including myself to have a real, face-to-face discussion. The duration of each session is about one hour. While the time spent talking is short, this event allows me to identify on-site problems that I had not been aware of. I also receive e-mails directly from participants after each session. Therefore, I feel the AC Cafe has begun to produce results. Through this project, I am planning to talk with all employees, including the members working overseas.

Formulating our purpose toward the next step

One of the major topics in 2023 is the formulation of our purpose. We already have our corporate philosophy. I think that the corporate philosophy is the idea positioned at the top, and this position will not change. However, the corporate philosophy states our frame of mind for operating our businesses. We had yet to define in which domains we will contribute to society in what ways. Therefore, we decided to determine a purpose at this time to move to the next stage. The process of formulation was as follows. Members that were mainly young employees who are future

leaders prepared a draft, and project members who play leading roles in the management of our brand considered the draft. The Board of Directors further refined the purpose through discussions.

As a result, we were able to create our purpose, "Contributing to society in the domain of power electronics." Hereafter, we will continue working to create a new future with this purpose.

Improving management efficiency and striving to create corporate value

Thanks to all of you, Sansha Electric Manufacturing celebrated our 90th anniversary in April 2023.

I would like to express my gratitude to all of our stakeholders, including our customers, business partners,

employees and their families. Please let me reiterate that in the past year, we have become confident in the direction that we should move in. As a listed company, we will continue to improve our management efficiency in our efforts to be a company that is deemed to be promising. I appreciate your continued support.

Please have high hopes for the Sansha Electric Manufacturing Group which will continue to evolve over the next ten years toward the 100th anniversary.

