



# Management material issues

## Material issues

At the Sansha Electric Manufacturing Group, we have been proactively contributing to building a sustainable society through business under one of the components of our corporate philosophy: Valuable Products for Society. Since before the Sustainable Development Goals (SDGs) were adopted, the Sansha Electric Manufacturing Group has been addressing social issues, attaching importance to environmental consideration and responsibility for social impact.

In formulating the CG23 medium-term management plan, we paid close attention to social issues and evaluated important factors that are directly related to the Group's business, as well as the interests of our stakeholders and the impact on them. Through this evaluation process, we identified six material issues that we should tackle on a priority basis at the Sansha Electric Manufacturing Group.

These material issues have been integrated into our business strategies in the medium-term management plan, and we will address the issues by formulating and implementing specific measures. In addition, these measures will be taken not only to pursue the Group's growth and profits but also to contribute actively to achieving the SDGs. At the Sansha Electric Manufacturing Group, we will address social issues leveraging our technologies and innovations, thus contributing to the establishment of a sustainable society.

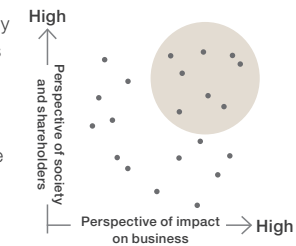
### Process of identifying material issues



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.

### Identify social issues

### Analyze risks and opportunities

Social issues to which we pay close attention	Risks	Responses and opportunities
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>
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>
Shift of global economic power from developed countries to emerging countries	<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>Expansion of the areas in which we operate</li> <li>Response to infrastructure development associated with urbanization</li> </ul>
Progress of technologies/innovation	<ul style="list-style-type: none"> <li>Delay in the utilization of digital technologies</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 IoT</li> </ul>
Decline in the domestic population	<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>Innovation utilizing diverse human resources</li> <li>Improvement of productivity by improving business efficiency</li> <li>Development of human resources that are experts in technology</li> </ul>

### Material issues that were identified and main initiatives

Material issues	Main initiatives	Related SDGs
<b>1</b> Contribution to a carbon-free society and environmental conservation	<ul style="list-style-type: none"> <li>Development of high-efficiency products</li> <li>Development of products related to new energy and renewable energy</li> </ul>	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 14 LIFE BELOW WATER
<b>2</b> Constructing a robust infrastructure and contributing to industrial development	<ul style="list-style-type: none"> <li>Development of uninterruptible power supplies (UPS)</li> <li>Stable supply of power supplies for surface treatment</li> </ul>	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION
<b>3</b> Providing safety, security and new value to improve services	<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>	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
<b>4</b> Strengthening of 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>	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
<b>5</b> 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>Considering the replacement of aging equipment</li> <li>Procurement of power from renewable energy sources</li> </ul>	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER
<b>6</b> Promotion of diversity and personnel in action	<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>	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH