

# Corporate governance

## Directors, Audit & Supervisory Board Members (as of June 28, 2023)

### 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 8 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 24,600 shares of our stock

#### 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 9 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 16,000 shares of our stock

#### Hiroshi Zumoto

Director and Senior Managing Operating Officer  
 COO of Power Supply System  
 Executive General Manager of Power Supply System Manufacturing 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 2 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 9,100 shares of our stock

Status of important concurrent holding of positions  
 Chairman of the Board, SANREX LIMITED  
 Chairman of the Board, SANSHA ELECTRIC MFG. (GUANGDONG) CO., LTD.

#### 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 1 years  
 Status of attendance at Board of Directors' meetings 11/11 meetings  
 Owing 12,100 shares of our stock  
 Chairman of the Board, Sansha Electric Manufacturing (Shanghai) Co., Ltd.

#### 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 9 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 11,500 shares of our stock  
 Outside Director, Hashimoto Sogyo Holdings Ltd. Fellow, School of Business at Graduate School of Economics, Kyoto University (Doctor of Economics) Senior Executive Fellow, DMG Mori 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 4 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Owing 26,400 shares of our stock  
 Outside Director, Kubota Corporation  
 Chairman, Central Japan Industries Association

### Audit & Supervisory Board 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 7 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Status of attendance at Audit & Supervisory Board meetings 14/14  
 Owing 5,200 shares of our stock  
 Audit & Supervisory Board Member, Sansha Solution Service Co., Ltd.  
 Audit & Supervisory Board Member, Suwa Sansha Electric 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. 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 her as independent officer with the Tokyo Stock Exchange.

Serving as director for 3 years  
 Status of attendance at Board of Directors' meetings 14/14 meetings  
 Status of attendance at Audit & Supervisory Board meetings 14/14  
 Owing 300 shares of our stock  
 Head of Eiwa Law Office

#### Eriko Nashioka

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 worked as a member of the Environmental Accounting Technical Committee under the Management Study and Research Committee of the Japanese Institute of Certified Public Accountants and several committees of the Ministry of the Environment and the Ministry of Economy, Trade and Industry. She appropriately advises the Board of Directors from an expert viewpoint. She also visits and inspects subsidiaries and business facilities in her efforts to assess their situations. The Company has registered her as independent officer with the Tokyo Stock Exchange.

Serving as director for 3 years  
 Status of attendance at Audit & Supervisory Board meetings 13/14  
 Owing 1,000 shares of our stock  
 Outside Director (Audit and Supervisory Committee Member), FUKUSHIMA GALILEI CO. LTD., Ltd.;  
 Outside Audit & Supervisory Board Member, OSAKA GAS CO., Ltd.;  
 Representative Director, Institute for Environmental Management Accounting, Head of Nashioka Accounting Office

### Skill matrix

	Independence	Knowledge and experience particularly expected by the Company					
		Corporate management and management strategy	Overseas business experience	Business strategy	R&D and production	Finance and accounting	Legal affairs and compliance
Directors	Hajimu Yoshimura	●	●	●	●		
	Masaki Fujiwara	●	●	●		●	
	Hiroshi Zumoto	●		●	●		
	Hajime Katsushima	●		●	●		
	Akira Uno	●	●			●	
Audit & Supervisory Board Members	Ichiro Kitano		●	●	●		
	Kazuhiro Egawa	●	●				●
	Eriko Nashioka	●	●				●

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	Executive in charge of accounting and finance division, head of division, person with equivalent experience and person with experience in auditing firm, etc.
	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.	Experience as executive in charge of legal affairs and compliance, head of division, and person with experience in a law firm, etc.



**Our criteria for appointment and dismissal of officers and criteria for independence.**  
[https://ssi4.eir-parts.net/doc/6882/ir\\_material1/207892/00.pdf](https://ssi4.eir-parts.net/doc/6882/ir_material1/207892/00.pdf)





# What they expect of us and our issues

We interviewed the two Outside Directors and asked them to talk about what they expect of the Sansha Electric Manufacturing Group, what issues the Group is facing and other topics. We also asked them about key points of Board of Directors discussions of the introduction of the performance-based stock compensation plan that was announced in May 2023.

## What roles should Outside Directors play?

**Uno:** Directors are appointed by shareholders. To put it in extreme terms, Outside Directors exist to serve the interests of shareholders. I believe that we Outside Directors play a role in giving advice and recommendations from the viewpoint of shareholders. Because I have long been involved in the management of a financial institution, I am conscious of financial perspectives in particular when making remarks at the Board of Directors' meetings.

**Ina:** Because you are a finance professional, your perspective is a little different from mine, isn't it? I myself learn a lot from your recommendations and opinions, Mr. Uno.

**Uno:** Thank you very much. I also learn a lot from your perspective as a production professional, Mr. Ina.

**Ina:** I make statements regarding the improvement of production efficiency and manufacturing based on my own experience. I also believe that shareholders entrust a company with capital

and employees entrust a company with their lives. In a company, the Board of Directors is an extremely important decision-making body. Of course, I carefully watch the flow of money, but I also try to be conscious of employees' viewpoints. I believe that we also have a duty to think deeply about employees working on site when we are making decisions, such as asking ourselves, "How will employees feel about the direction this company is going?" and "What impact will our decision have on the employees working on site?"

## Evaluation of CG23, the medium-term management plan aimed at achieving the vision

**Ina:** I want to praise the company for achieving its major financial indicators, such as net sales. On the other hand, CG23 is a medium-term plan aimed at achieving the Global Power Solution Partner long-term vision. To achieve the vision, we need to change our existential value. It is a great change, involving the shift from the idea of selling products to being a partner who

solves issues. We are still half way to achieving this point. I think that we should devise more measures, even small ones, starting from planning (upstream).

**Uno:** You are right. At the meetings of the Board of Directors, we receive many reports, but I sometimes feel that PDCA is not implemented successfully. Some indicators were nearly achieved, but in the end, they were not achieved. I want the organization to steadily implement the PDCA cycle to be able to achieve plans consecutively. In particular, I think that productivity and efficiency can be improved.

**Ina:** As you pointed out, I think that there is room for improvement in inventory control and quality control, among other aspects. Above all, reviewing (Check) is the most important part of PDCA. ROA should be higher if reviewing is uncompromisingly implemented. I feel that a good point of the company's employees is that they are very earnest and work on improvements with a sense of urgency. Things will definitely be better if they implement the PDCA cycle surely and repeatedly improve.

## Discussion about the introduction of a performance-based stock compensation plan for officers

**Uno:** I also serve as the chairman of the Nomination and Compensation Committee. We discussed the introduction of this plan for about a year. After deciding the outline of the plan, we spent time checking for negative elements. We repeatedly discussed the plan, asking ourselves, "Will profit be distributed arbitrarily?" and, "Will only the officers be treated favorably?" positioning fairness as a fundamental requirement. We led the discussion because we, the Outside Directors, are not eligible for this compensation plan.

**Ina:** I also participated in the discussion as a member of the committee. You were very strongly aware of fairness, weren't

you, Mr. Uno? We tended to place sales and profit at the center of the discussion. I hope that introduction of this plan will enable management to evolve to have a greater awareness of the stock price.

## Expectations of the Sansha Electric Manufacturing Group

**Uno:** Society as a whole is facing the problem of climate change. Next-generation energy is a subject that the entire world should address to solve this problem. In Japan, the public and private sectors are working together with the goal of achieving carbon neutrality. Our company's products have the potential to play a central role in solving this problem. Whatever the energy source, be it solar, wind or hydrogen, they all need to be transformed into electricity. I feel that this is a great opportunity for us, who are good at supplying power stably using power conversion technologies. I think it is a promising opportunity.

**Ina:** I completely agree with you. I think that our contribution to next-generation energy is also a very important subject in terms of our role in society. At present, it is not realistic to capture all of the opportunities. Therefore, I hope that the company will establish a position which will make us say, "This is what Sansha Electric Manufacturing is for!" I want them to create a category where Sansha Electric Manufacturing is the best in the world. It could be a niche category. I think that mobility and agility are our company's advantages. I want the company to take on challenges bravely by combining power semiconductors and power supplies and leveraging our unique strengths.

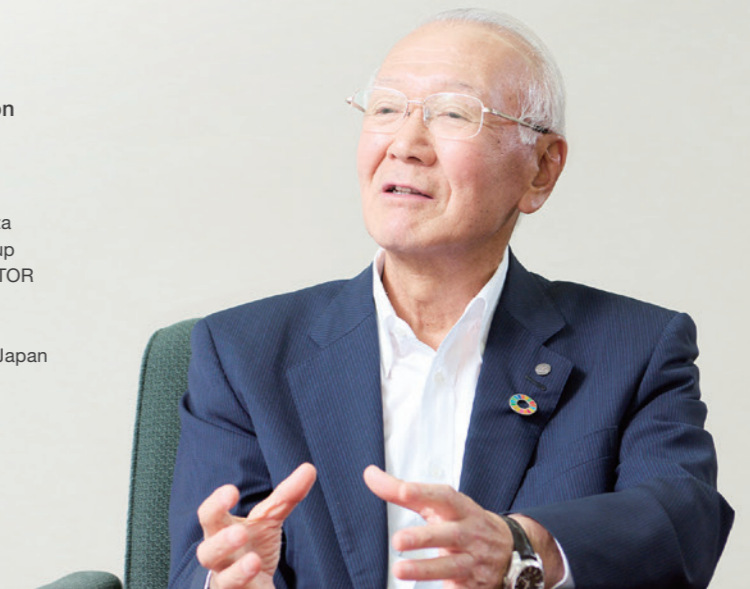
**Uno:** Our company celebrated the 90th anniversary of its founding in April 2023. There is no easy way for a company to continue operating for nearly 100 years. I hope that the company will continue to achieve growth by solving social issues based on its history and the unique technologies it has accumulated and cultivated.



## Akira Uno

Outside Director and chairman of the Nomination and Compensation Committee

After serving as a director of The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) and Chairman and Representative Director of SMBC Consulting Co., Ltd., he was involved in the privatization of postal services as an executive officer of Japan Post Co., Ltd. He became a Director of our company in 2014. He is also a Senior Executive Fellow of DMG Mori Co., Ltd., a fellow of Graduate School of Economics, Kyoto University (Doctor of Economics), and an Special Assistant to the President, Kyoto University



## Koichi Ina

Outside Director and member of the Nomination and Compensation Committee

He served as the Senior Managing Director and Chief Officer of Strategic Production Planning Group at Toyota Motor Corporation, Chief Officer of Manufacturing Group at the same company, and President of DAIHATSU MOTOR CO., LTD. before accepting his position as a Director of our company in 2019. He is also an Outside Director of KUBOTA Corporation and the Chairman of the Central Japan Industries Association.

### 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.

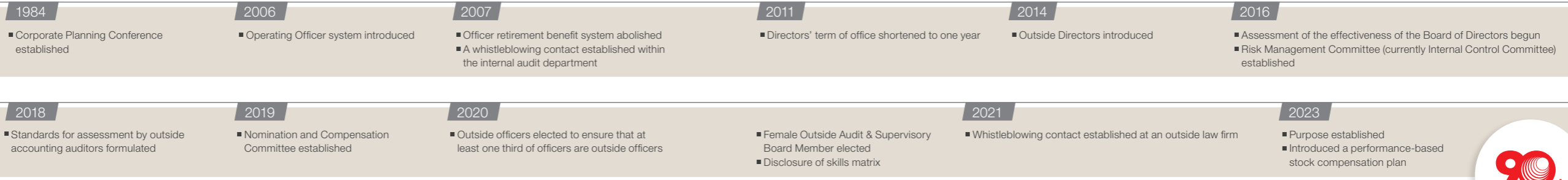
### Characteristics of the corporate governance system

Outside Directors make up at least one third of the Board

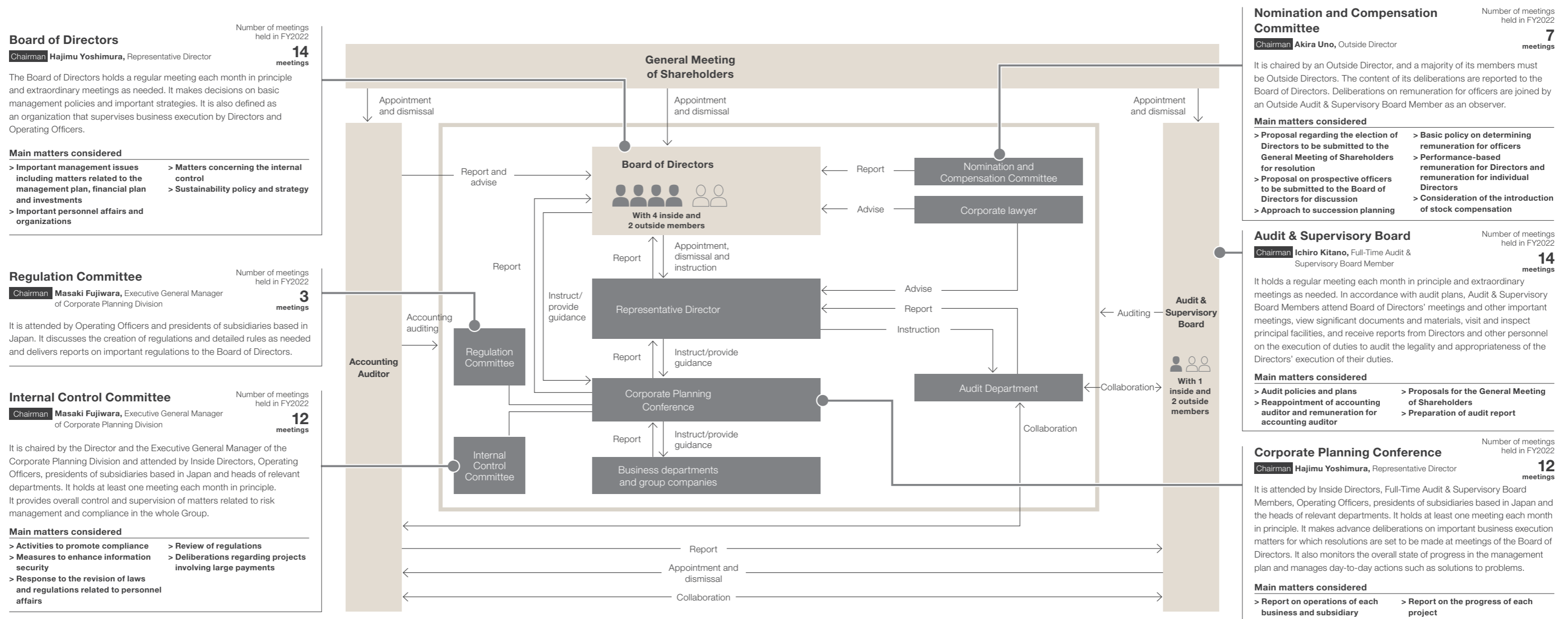
The Nomination and Compensation Committee is established voluntarily

The maximum number of Directors is eight, and the Directors' term of office is one year

### Strengthening corporate governance



### Corporate governance system chart



## 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. Since December 2021, an Independent Outside Audit & Supervisory Board Member has been taking part in deliberations on remuneration for officers as an observer.

### Composition of the Committee

- 1 The committee consists of at least three Directors selected by the Board of Directors.
- 2 Independent Outside Directors make up half of the committee or more.
- 3 The committee is chaired by a person selected from among the Independent Outside Directors.
- 4 Meetings of the committee are attended by an Outside Audit & Supervisory Board Member as an observer.

### Current committee members

Chair	<b>Akira Uno</b> Independent Outside Director
Members	<b>Koichi Ina</b> Independent Outside Director <b>Hajimu Yoshimura</b> Representative Director & President <b>Masaki Fujiwara</b> Director
Observer(for deliberations on remuneration for officers only)	<b>Kazuhiro Egawa</b> Independent Outside Audit & Supervisory Board Member

\* Attendance in FY2022: 100% (all members)

## 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.

- 1 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.
- 2 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.
- 3 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.

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

#### Matters regarding a resolution of the General Meeting of Shareholders on remuneration for officers and others

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. 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.

#### Stance on performance-based remuneration

The performance indicator for performance-based remuneration is consolidated operating profit ratio, chosen because it is the most important performance indicator related to the evaluation of performance during the fiscal year under review. We calculated performance-based remuneration by multiplying the standard amount for the specific post by the coefficient appropriate to the consolidated operating profit ratio. The amount of performance-

based remuneration for Directors is discussed by the Nomination and Compensation Committee in accordance with the consolidated operating profit ratio 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.

#### Matters regarding non-monetary remuneration

The Company has introduced the performance-based stock compensation plan (hereafter, the "Plan") as non-monetary remuneration. The purpose of the Plan is to increase 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., based on the stock issuance rules established by the Board of Directors. In principle,

the Company's stock is granted to the Directors when they retire from office. Regarding the upper limit in the amount of money to be provided to the trust as a fund for the acquisition of stock, the initial period of the trust will be approx. four years, and under the Plan and during the period covered, the Company will offer up to 320 million yen, which is the amount of funds for the acquisition of stock necessary for granting the Company's stock to Directors, as compensation for the Directors who are in office during the period covered. Regarding the upper limit for the granting of the Company's stock to Directors, the total number of points allocated to Directors shall not exceed 40,000 points per fiscal year.

#### Matters regarding determination of remuneration for individual officers and others

Base remuneration for Directors for the fiscal year under review is the fixed remuneration for specific posts under the Regulations on Remuneration for Directors and has been 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 Hajimu Yoshimura as Representative Director & President, on the basis of the resolution of the Board of Directors. The Representative Director & President will determine remuneration in accordance the amounts of remuneration for individual Directors reported after deliberations by the Nomination and Compensation Committee within the limit on total remuneration in accordance with other resolutions that have

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 facts. The Nomination and Compensation Committee reviews the appropriateness of the determination of remuneration under the delegated authority prior to decisions coming into affect. 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

The Company evaluates the effectiveness of the Board of Directors every year to maintain and increase its effectiveness. The Directors and Audit & Supervisory Board Members are subject to evaluation.

<b>Date</b>	From December 26, 2022 to February 27, 2023
<b>Method</b>	Questionnaire 58 questions about the composition, roles, and operations of the Board of Directors, their determination of strategies and orientation, the effectiveness of the internal control system, and the Nomination and Compensation Committee, and other matters
<b>Subjects of the evaluation</b>	6 Directors (including Outside Directors) and 6 Operating Officers
<b>Summary of evaluation results</b>	<ul style="list-style-type: none"> <li>High marks were generally given to the roles and services played by Board of Directors members, the leadership of the chairperson and the Nomination and Compensation Committee</li> <li>There still remained some problems with monitoring of management resources, successor nomination and development plans although discussion about them was deepened by the Nomination and Compensation Committee</li> </ul>
<b>Measures for increasing effectiveness</b>	<p>As a result of the evaluation of the effectiveness of the Board of Directors, the following tasks were identified</p> <ul style="list-style-type: none"> <li>Deepening discussion about the revision of personnel policies, including human resource development, ensuring diversity and the development of successors</li> <li>Sharing an understanding of the changes in the external environment, risks, and other matters and thoroughly discussing medium- to long-term management policies</li> <li>Striving to improve the provision of information to outside officers, such as the creation of regular opportunities to exchange information with them</li> </ul>

## Evaluation of effectiveness of the Audit & Supervisory Board

In FY2021, the Company's Audit & Supervisory Board began to conduct a self-evaluation on the effectiveness of its audits 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 November 29, 2022 to January 31, 2023
<b>Method</b>	Questionnaire 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 18 items on a four-grade scale
<b>Subjects of the evaluation</b>	3 Audit & Supervisory Board Members
<b>Summary of evaluation results</b>	The self-evaluation concluded that the auditing activities continued to function effectively in the fiscal year ended March 31, 2023, with improvements made from the previous year in terms of regular interviews with the Representative Director & President and Outside Directors and cooperation with the internal audit department.
<b>Measures for increasing effectiveness</b>	<p>As a result of the analysis of the responses to the questionnaire, we identified the following tasks to be done in the future. We will ensure that the audit plans for the next fiscal year reflect these tasks and strive to improve the quality of audits and reinforce our corporate governance system.</p> <ul style="list-style-type: none"> <li>Increasing the number of regular meetings with Outside Directors and the President and enhancing the content of the meetings</li> <li>Enhancing information about the status of the establishment of the risk management system</li> </ul>

## Internal control

We have established our basic perspective on internal control as the Basic Policy on the Internal Control System and are striving to improve it.

**The Basic Policy on the Internal Control System**  
<https://www.sansha.co.jp/ir/governance.html>



## Risk management

### Basic stance

As the risks facing businesses are diversifying, the Group identifies the various risks involved in its businesses, constructs a management system for risk prevention and takes actions to minimize the impact of risks. Our basic stance is to respond swiftly and appropriately to respond under the authority of the management team when any risk becomes a reality.

### Risk management system

The Group has established the Internal Control Committee chaired by the Director and Executive General Manager of the Corporate Planning Division. To manage and prevent risk, we are working to develop our emergency response capabilities to address emergency situations when they occur. We have established a system for reporting to the Board of Directors as appropriate. The committee discusses policies and specific measures to address risks that are presumed to be involved in the Group's business activities and to instruct individual departments.

### Major risks and response measures

Risks	Details	Response policy and measures
<b>Changes in economic environment</b>	Impacts of economic slowdown and decline in capital investment demand on business performance	<ul style="list-style-type: none"> <li>Sales strategy that does not depend on any specific region or industry</li> </ul>
<b>Business risks Strategic risk</b>	Product defects, delays in product development, suspension of OEM supply and collaboration, rising prices of raw materials, delays in procurement, changes in financial positions of contractors, country risks, competition risks, information security risks and labor shortage	<ul style="list-style-type: none"> <li>Improvement in technology development, quality and maintenance services</li> <li>Manufacturing cost cuts, enhancement in productivity and expense reduction</li> <li>Consideration of alternative procurement for main parts and revision to production contractors</li> <li>Collection of information on country risks</li> <li>Information security enhancement and management of contractors</li> <li>Enhancement of employment system as well as education and training programs</li> </ul>
<b>Environmental risks</b>	RoHS Directive and other environmental regulations and spillage of chemical substances Impacts of fluctuations in foreign exchange rates and interest rates and a slide in share price on business performance	<ul style="list-style-type: none"> <li>Quality management based on quality management standards that comply with laws and ordinances</li> <li>Chemicals management in strict compliance with standards and procedures</li> </ul>
<b>Financial risks</b>	Impacts of fluctuations in foreign exchange rates and interest rates and a slide in share price on business performance	<ul style="list-style-type: none"> <li>Forward foreign exchange contracts</li> <li>Reduction of cross-shareholding stocks</li> </ul>
<b>Treasury risks</b>	Impacts of impairment in long-term assets, occurrence of retirement benefit obligations, changes in accounting and/or taxation systems on business performance	<ul style="list-style-type: none"> <li>Regular reviews on possibility of collecting the remaining value of assets</li> <li>Regular monitoring of pension asset management at the internal committee for pension asset management</li> </ul>
<b>Natural risks and pandemics</b>	Damage to manufacturing bases and others caused by natural disasters and business suspension due to a pandemic	<ul style="list-style-type: none"> <li>Drills for swift first response to large-scale disasters</li> <li>Formulation of a business continuity plan (BCP)</li> <li>Encouragement of commuting off rush hours and working from home</li> </ul>

## 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 have adopted a system under which the management and supervision of activities to promote compliance are controlled by the Internal Control Committee chaired by the Executive General Manager of the Corporate Planning Division and these matters are reported to the Board of Directors as necessary.

### 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.

### Compliance awareness survey

We have conducted a compliance awareness survey in the form of a questionnaire since FY2021. Its findings are reported to all employees. The Board of Directors reviews of whether or not the Group has a corporate culture that respects the objectives and the spirit behind the Sansha Electric Manufacturing Group Behavioral Charter. The Internal Control Committee endeavors to identify risks on the basis of the survey results and improves educational and awareness-raising activities regarding compliance.

Based on the results of the questionnaire conducted in FY2021, we continued awareness-raising and educational activities related to compliance. As a result, the percentage of respondents who answered "yes" or "probably yes" to the question, "Do you think that you act with morals and a high ethical standard in business and personal matters?" increased 8 percentage points from FY2021, to 90%.

### Number of employees who participated in compliance training in FY2022 (total number)

New employee training	11
Specialized training on laws and regulations, including the Act on the Protection of Personal Information and the Export Trade Control Order	869
Training on specific themes including information security	1,862
Harassment prevention training	868

Data covers Sansha Electric Manufacturing Co., Ltd.

### Whistleblowing system

The Group has set up compliance helpdesks (whistleblowing contacts) to be contacted by employees regarding inquiries about compliance and for the reporting of any dishonest conduct. In October 2021, an external law firm helpdesk was added and the helpdesk services became available in English and Chinese as well. Further, 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. Through these and other initiatives, we are striving to reinforce the helpdesk system and improve its reliability.

Upon inquiry or notification of any dishonest conduct, the Group will investigate the facts and take corrective and preventive actions.

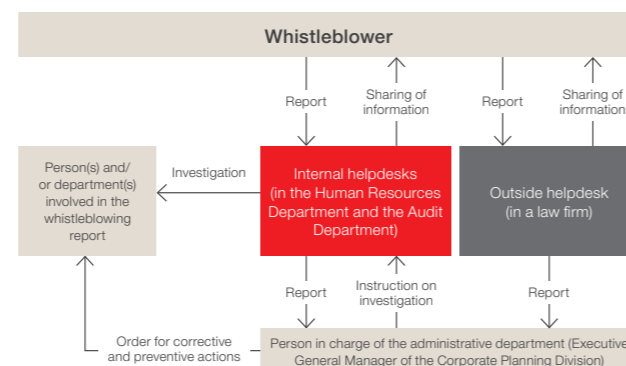
In accordance with the Whistleblower Protection Act and to thoroughly protect whistleblowers, the whistleblowing system prohibits the dismissal or any other disadvantageous treatment of a person for their whistleblowing.

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

FY2020	FY2021	FY2022
1	5	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



## Information security

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

At the Sansha Electric Manufacturing Group, we understand that we have an important social responsibility to ensure the appropriate management of information, and we have

established our Information Security Policy as described below to respond to trust of society as a whole, including our customers.

#### 1 Compliance with laws, regulations and internal rules

We will comply with laws, regulations and other norms related to information security, establish rules on the handling of information assets and manage them appropriately.

#### 2 Information security management system

We will appoint a person responsible for the overall management of the entire Group's information security and build an information security management system with a responsible person in place at each organization. Under this management system, we will implement information security measures to maintain and improve information security.

#### 3 Implementation of security measures

We will strive to implement information security measures which are appropriate for the changes in the business environment and business category, mainly reflecting the latest threats to information security, examples of attacks and vulnerabilities. If an information security incident should occur, we will respond to it promptly to minimize the damage and take measures to prevent its recurrence.

#### 4 Information security education and training

We will provide education and training needed to raise officers' and employees' awareness of information security.

#### 5 Continuous improvement

To check the effectiveness of our information security measures, we will conduct self-inspections or self-audits and strive to improve the measures continuously.

## 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.

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



## Statuses of internal audits, accounting audits and the internal control department

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.

Results of internal audits are reported to the President and

Full-Time Audit & Supervisory Board Member. If there are any points that require improvement, the department monitors the status of improvements in its efforts to ensure the appropriate execution of business.

In addition, Audit & Supervisory Board Members, the Audit Department and the Accounting Auditor hold reporting sessions regularly or as needed to exchange information and cooperate with each other.