

## Officer remuneration

### Basic stance

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 sustainable 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 P02 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 Audit & Supervisory Board Members (both inside and outside) consist solely of base remuneration, given that they are independent from the execution of business and that it is not appropriate to provide them with performance-based remuneration or stock compensation.

### Determination process

The Nomination and Compensation Committee, the Board of Directors and the President play their respective roles in the determination of officer remuneration to ensure transparency and fairness.

#### Nomination and Compensation Committee

- Discusses the appropriateness of base remuneration, performance-based remuneration and performance-based stock compensation on the basis of outside research data
- Submits reports to the Board of Directors

#### Board of Directors

- Determines the amount of remuneration and the points to be granted for stock compensation based on reports from the committee

#### President

- Determines the amounts of remuneration for individual officers (within the limit of the total amount of remuneration) in accordance with resolutions passed by the Board of Directors
- The appropriateness of the amounts determined by the President are checked by the committee to eliminate arbitrariness before final approval

### Types of remuneration

#### Base remuneration Monetary remuneration

Fixed remuneration determined for specific posts under the Regulations on Remuneration for Directors

#### Performance-based remuneration Monetary remuneration

The key performance indicators used are the consolidated operating profit ratio and the consolidated net sales growth rate. The amount of remuneration is calculated by multiplying the standard amount for the specific post by the coefficient appropriate in light of these two indicators.

Performance in FY2024

Consolidated operating profit ratio 4.2%

Consolidated net sales growth rate -17.9%

#### Performance-based stock compensation

The performance indicator previously used for stock compensation was the degree of achievement of the consolidated operating profit target. This was chosen from the perspective of the improvement of the medium- and long-term performance. It has been changed to return on equity (ROE) with the goal of increasing capital efficiency.

Performance in FY2024

ROE 2.1%

## 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.

#### Chair

Akira Uno (Independent Outside Director)

#### Attendees

Two Inside Directors, three Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member (for discussions of officer compensation only)

### Content of deliberations in FY2024

#### Officer appointments

- Proposal regarding the election of Directors submitted during the General Meeting of Shareholders
- Personnel transfers at Sansha Electric Manufacturing and its subsidiaries
- Substitute Audit & Supervisory Board Members
- Succession planning

#### Remuneration for officers

- Performance-based remuneration
- Granting of points for stock compensation
- Amounts of remuneration for individual Directors

### Total amount of remuneration for Directors and Audit & Supervisory Board Members (FY2024)

	Total amount of remuneration (million yen)	Total amount by type of remuneration (million yen)			Number of officers
		Base remuneration	Performance-based remuneration	Performance-based stock compensation	
<b>Directors</b> (Outside Directors)	120 (26)	74 (26)	27 (-)	18 (-)	7 (3)
<b>Audit &amp; Supervisory Board Members</b> (Outside Audit & Supervisory Board Members)	23 (9)	23 (9)	- (-)	- (-)	4 (3)
<b>Total</b> (Outside Officers)	143 (35)	97 (35)	27 (-)	18 (-)	11 (6)

(Notes)

1. The total amount of remuneration for Directors does not include the employee wages of any Directors who are also employees.
2. The amount of non-monetary remuneration equals the cost recorded in association with the points granted in the fiscal year concerned under the performance-based stock compensation program.
3. Eriko Nashioka resigned as an Audit & Supervisory Board Member and became a Director at the close of the ordinary General Meeting of Shareholders for the 90th term on June 25, 2024. Remuneration for her during her service as an Audit & Supervisory Board Member is included in the above amount of remuneration for Audit & Supervisory Board Members and her remuneration during her service as Director is included in the above amount of remuneration for Directors. This same division applies to the numbers of Audit & Supervisory Board Members and Directors.

#### Officer remuneration

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

