



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

Evolving into a self-driven organization creating the future

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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

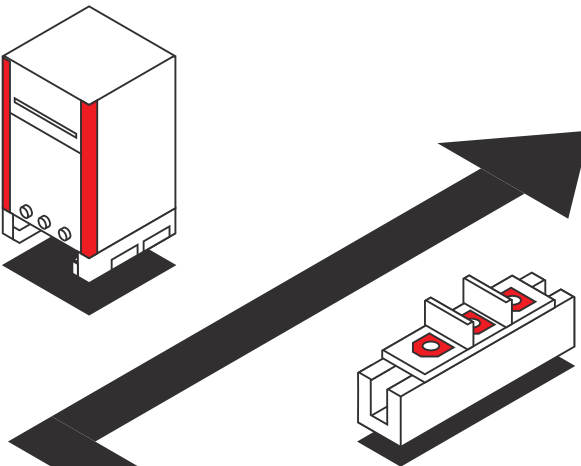
FY2023 was the final fiscal year of the second medium-term management plan since I became the president. In the three-year period, the external environment was difficult due to events including the COVID-19 pandemic, the Russian invasion of Ukraine, the escalation of the US-China economic conflict, and 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 CO₂ 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

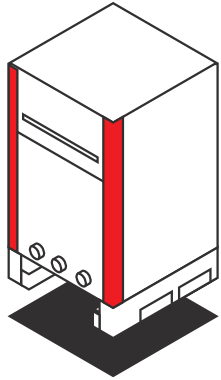


Advancing corporate governance

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.