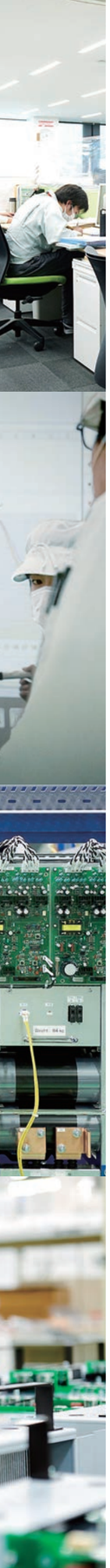

SANSHA ELECTRIC MFG. CO., LTD.

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SANSHA ELECTRIC MFG. CO., LTD.　SanRex REPORT 2021

SanRex

SanRex REPORT 2021

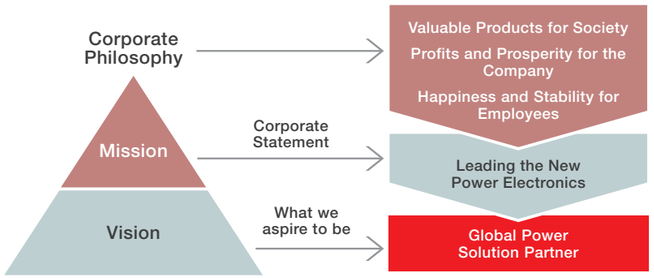
SANSHA ELECTRIC MFG. CO., LTD.

Bringing a Brighter Future Through Power Electronics

The Sansha Electric Manufacturing Group leads today's power electronics industry as a developer of power semiconductors for power supply control and conversion and as a specialist in a broad array of industrial power supplies for various industries, from high to low electric power.

In a society that is being urged to massively increase energy efficiency and shift to low-carbon energy to reduce greenhouse gas emissions, the Group provides quality technologies as one as a unique partner helping resolve social issues.

The Sansha Electric Manufacturing Group's Philosophy, Mission and Vision



Electricity supports the future of the Earth. We will efficiently and freely change our sector to help create a clean energy society.

We will make a continuous effort to create products that are sought by society and contribute to the development of society by providing products of better quality. This is a part of the Sansha Electric Manufacturing Group's philosophy. Since before the adoption of the sustainable development goals (SDGs), we have worked to resolve social problems through our business. Commenced in April 2021, the CG23 Medium-Term Management Plan adopted selected eight SDGs from the 17 that are particularly closely linked with our business activities. We believe that the implementation of our philosophy, which is to seek to achieve the SDGs, will lead to the growth of our Group.

Related SDGs

SUSTAINABLE DEVELOPMENT GOALS

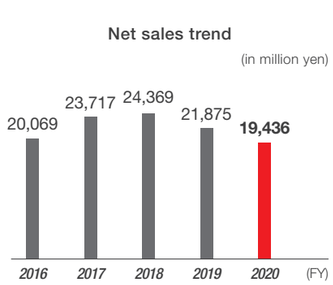
Origin of the company name

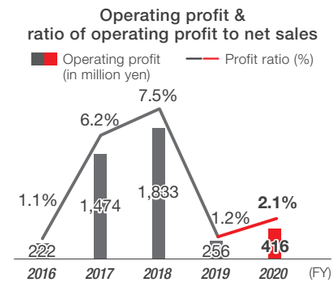
Sansha is a combination of two Japanese words: "san" meaning three, and "sha," which is party. Our business was founded by three parties: the party who was to operate the business, the party who owned technologies and participated in the business, and the party who offered capital. The business was named Sansha Denki Seisakusho, embodying our ambition to first develop into one of the top three companies in Japan and then into one of the top three companies in the world.
At that time, it was common to put founders' surnames into company names. However, our top priority was to express our strong determination through the term we coined, "Sansha."

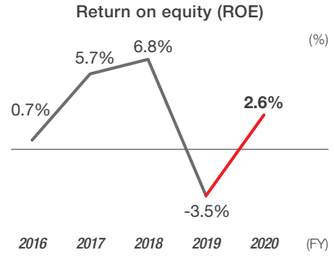
SanRex is a registered trademark of Sansha Electric Manufacturing Co., Ltd.

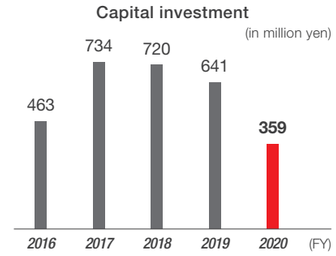
The SanRex trademark is the combination of Sansha Electric Manufacturing's "San" and "Rec" from rectifier. The Sansha Electric Manufacturing Group will capitalize on the electric power conversion technologies cultivated through the development of rectifiers and endeavor to build a prosperous society.
The color red used for SanRex logotype gives the logo an active look that viewers associate with energy. It represents the enthusiasm and energy of the individual employees that work to realize the philosophy of the Sansha Electric Manufacturing Group.

Our Performance







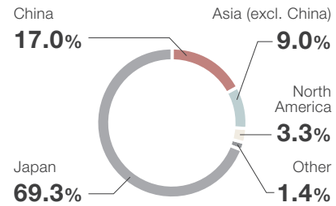


Basic Information

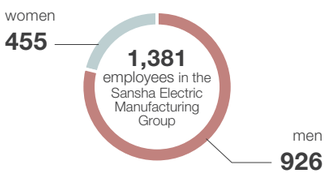
Established in
1933

Developing a power supply for a movie projector that stabilizes the image on the movie theater screen

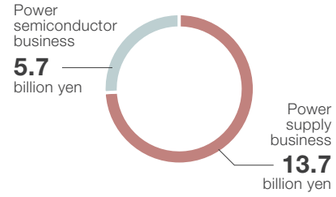
Share of sales by region
(as of fiscal year ended March 31, 2021)



Staff composition
(as of the end of March 2021)



Sales share by segment
(as of fiscal year ended March 31, 2021)



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The Sansha Electric Manufacturing Group's history of growth

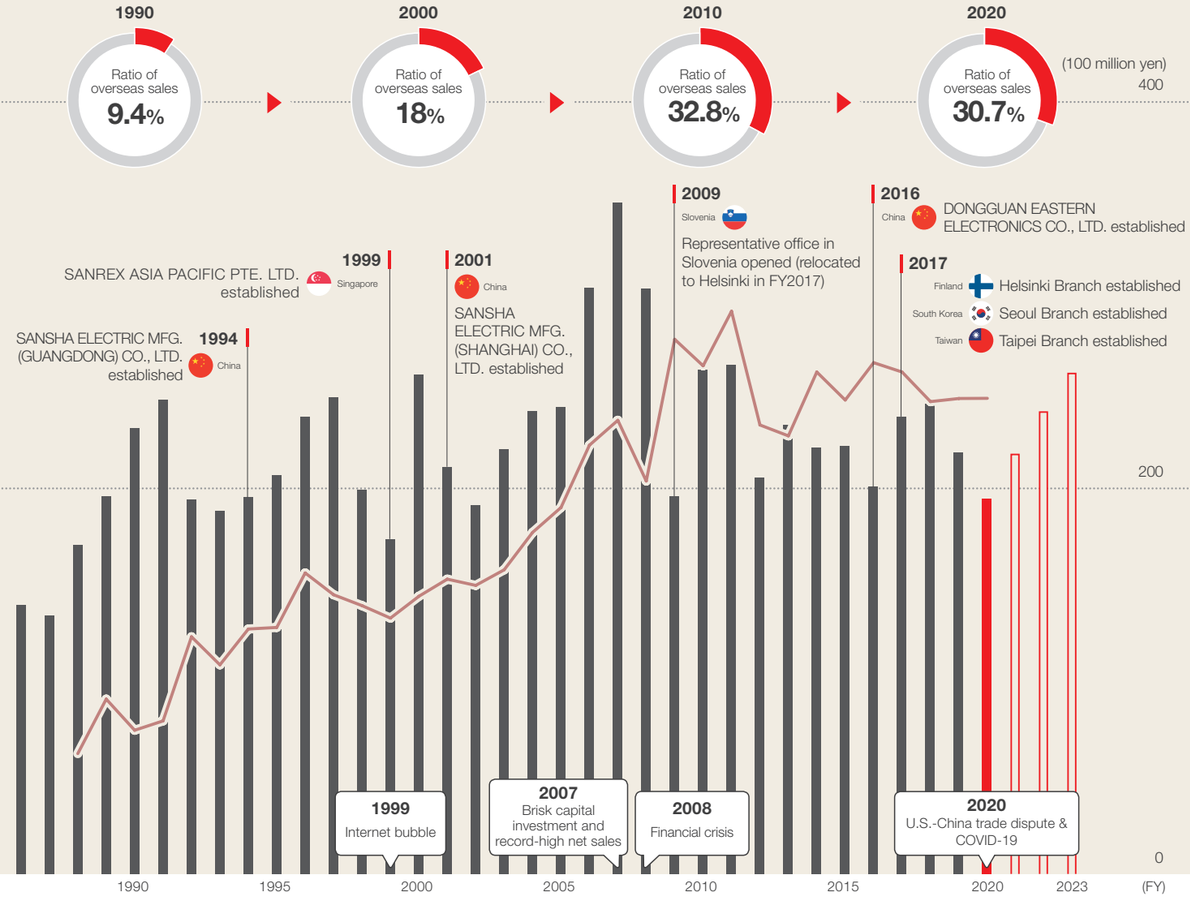
Since its founding in 1933, the Sansha Electric Manufacturing Group has been contributing to the development of society through the creation of products that society needs.

**Nearly four decades have passed since we launched our first overseas bases in the United States and in Hong Kong in 1983.
The Group will continue to operate with an international mindset.**

Kunio Shikata,
Honorary Chairman

Representative Director, President and Chairman of the Board from 1986 to 2021

No matter the changes of the era, the most significant social responsibility that the Sansha Electric Manufacturing Group has as a manufacturer is to conduct manufacturing that is valuable to society. Based on the idea that continued corporate growth is achieved by ensuring, through manufacturing, customer satisfaction and profit generation, the Group will aim to develop and to build positive relationships with all stakeholders.



1933 ≫ 1970

Establishing the technological foundation that continues from the foundation of the Group to the present

Business History

- **1933** Sansha Electric Manufacturing founded
- **1948** Sansha Electric Manufacturing Co., Ltd. established
- **1953** Tokyo District Office (currently Tokyo Branch) established
- **1960** Headquarters Plant completed in Osaka
- **1970** Fukuoka Representative Office (currently Kyushu Sales Office) established

Yukio Shikata, founding president Representative Director and President from the Group's foundation to 1972

Product Development

- **1933** Develops a choke coil auto transformer, a predecessor to projector power supplies
- **1937** Develops a tungar rectifier for light projectors

Tungar rectifiers for light projectors

- **1963** Develops and announces our first power semiconductor and thyristor
- **1964** Develops an inverter uninterruptible power supply and an electric power regulator for electric furnaces
- **1968** Develops a diffusion type of triac and thyristor
- **1970** Develops a rectifier for plating

1971 ≫ 1990

Increasing bases and specialization in the development of power semiconductors

Business History

- **1982** Shiga Plant completed in Shiga Prefecture for the production of power supplies
- **1985** Okayama Plant completed in Okayama Prefecture for the production of power semiconductors

Masao Shikata, second president Representative Director and President from 1972 to 1986

Product Development

- **1971** Develops an insulated triac that is the first in Japan
- **1980** Develops a thyristor module and a power transistor for high speed switching
- **1982** Develops a power transistor module
- **1988** Develops a power MOSFET module

Insulated triac

Thyristor module

1991 ≫ 2010

Developing a system for increased globalization

Business History

- **1994** Shiga Plant obtains ISO 9001 certification
- **1996** Okayama Plant obtains ISO 9001 certification
- **1997** Achieves listing on the second section of the Osaka Stock Exchange
- **2001** Power Supply System Manufacturing Division obtains ISO 14001 certification
- **2002** Semiconductor Manufacturing Division obtains ISO 14001 certification

Product Development

- **1991** Develops a planner type transistor module
- **1993** Develops a solar power conditioner
- **2002** Develops a lamp power supply for digital cinema projector
- **2007** Develops an IGBT chip for inverter for industrial use

Solar power conditioner

Lamp power supply for digital cinema projector

2011 ≫ 2020

Towards a new age

Business History

- **2016** SANSHA SOLUTION SERVICE CO., LTD. established in Osaka
- **2016** SANSHA ELECTRIC EASTERN CO., LTD. (currently SUWA SANSHA ELECTRIC CO., LTD.) established in Nagano Prefecture to commence small power supply business
- **2018** Chubu Sales Office established in Nagoya
- **2018** Hokuriku Office established in Ishikawa Prefecture

Product Development

- **2014** Develops a photovoltaic power generation evaluation system for the National Institute of Advanced Industrial Science and Technology's Fukushima Renewable Energy Institute
- **2015** Jointly develops a compact SiC power module with Panasonic Corporation
- **2016** Participates in the virtual power plant (VPP) construction demonstration project
- **2017** Develops a fuel cell power conditioner (20 kW)
- **2019** Develops a 1500 V string compatible diode module for photovoltaic power generation
- **2020** Develops a power supply for storage battery tests

SiC power module

1500 V string compatible diode module for photovoltaic power generation

Power supply for storage battery tests

Products of the Sansha Electric Manufacturing Group That Support Society

Our Group handles electricity that is higher amperage and higher voltage than the electricity used for everyday home electric appliances.
This is the electricity essential to the industrial sector.
Our Group's products incorporate technologies for freely transforming and efficiently converting electricity.
Below, we showcase some of our products used across broad areas.

Power semiconductors

Are devices that strictly control the electric current flow and the voltage level, including transformation from an alternating current into a direct current. They are indispensable to increasing efficiency of electric power and to energy conservation.

Power supplies

Refer to systems for supplying the electric power necessary for the operation of machinery and equipment for industrial purposes. Using power semiconductors, they efficiently supply stable electric power for a wide variety of applications, including everything from high to low electric power.

What does "freely transforming electricity" mean?

The electricity generated by power plants and other facilities cannot be used as it is. It must be transformed.
There are roughly four different ways of transforming electricity.
1. Converting direct current electricity to alternating current.
2. Converting alternating current electricity to direct current.
3. Changing the frequency of alternative current electricity.
4. Changing the voltage of direct current or alternating current electricity.

The Sansha Electric Manufacturing Group uses technologies based on the methods for these conversions to transform and control electricity in the manner that is best suited to the purpose of use of the power supply to support society in many different areas.

What does "efficiently converting electricity" mean?

There is always a loss of electricity every time a power conversion occurs in the process from power generation at a power plant, through transmission lines and power supply circuits to the final operation of electric appliances by consumers.
To reduce this power loss, we are working to develop high performance power devices.

Energy & the environment

High efficiency power semiconductors and power supplies for the domain of renewable energy and new energy, including solar photovoltaic power generation and hydrogen energy/Power supplies for testing storage batteries, fuel cells and other technology/ Development of power supplies for plasma ash melting, seawater electrolysis and other tasks from the perspective of environmental conservation

Infrastructure

Power semiconductors and power supplies ensuring the long-term, stable operation of social infrastructure supporting people's lives, including electric, gas and water utilities, rail transportation and physical distribution/Development of uninterruptible power supplies and other tools indispensable to business continuity plans (BCP) in the event of a disaster

Information & communication

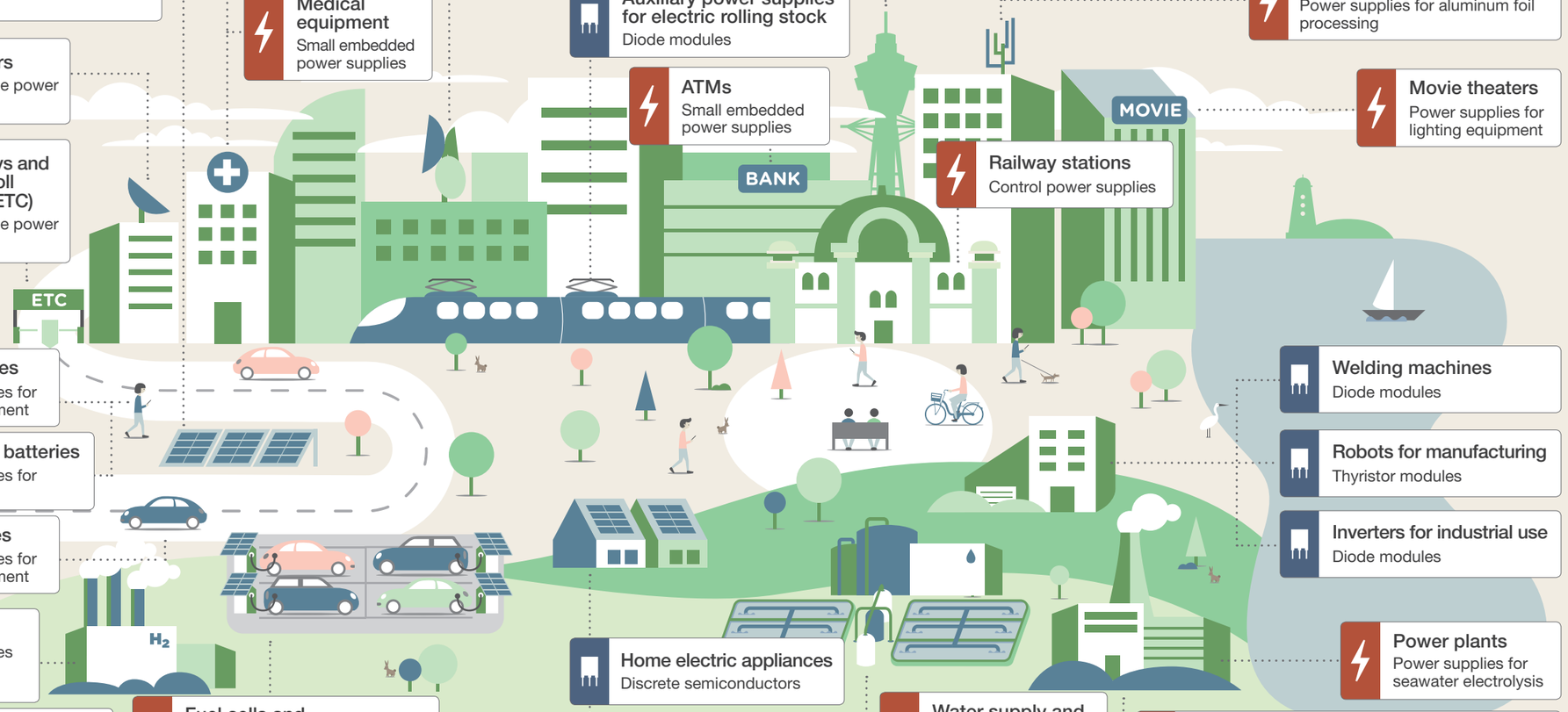
Power supplies for surface treatments such as plating play significant roles in creating the cases, connectors and printed circuit boards for smartphones, power semiconductors for the manufacturing robots in smartphone assembly plants and uninterruptible power supplies in data centers which are equipped with and operate internet servers and data communication devices.

General industries

Power supplies for the manufacturing of copper foil used as materials for the anodes of lithium ion batteries, power supplies for surface treatments necessary in the automobile coating process and power supplies for welding, which is a leading process in metal processing, are examples of how our products have been adopted in extensive industrial domains.

Lifestyles, medical care and entertainment

Power semiconductors incorporated into home electric appliances and elevators for commercial use/Small embedded power supplies for medical equipment, automatic teller machines (ATMs) and other devices/ Power supplies for lighting equipment are actively used in movie theaters while power supplies for dimmers tailored to the specifications of individual facilities are used in TV studios, halls, stadiums and other facilities.

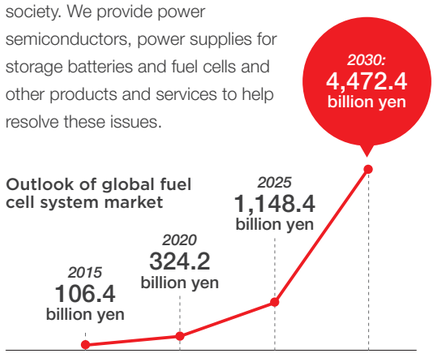


Four unique features of the Sansha Electric MFG

1 Business operation in domains that contribute to a sustainable society

Since its foundation in 1933, the Sansha Electric Manufacturing Group has been conducting its corporate activities in accordance with its management principle, "Valuable Products for Society." Today, the international community faces climate change and many other social and environmental issues and businesses are urged to take actions toward the creation of a sustainable society. We provide power semiconductors, power supplies for storage batteries and fuel cells and other products and services to help resolve these issues.

Outlook of global fuel cell system market



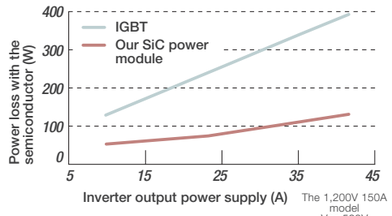
Source: Fuji Keizai Co., Ltd.: *2019 Future Outlook of Fuel Cell-Related Technologies and Markets*

Examples of products that help to realize a sustainable society

Fuel cell power conditioner

Feature — It includes a silicon carbide (SiC) module we developed to achieve conversion efficiency of 97.5% or better, one of the highest in the industry.

Power loss comparison with a 20-kW three-phase power conditioner semiconductor



SiC power module

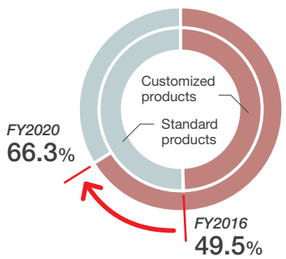
Feature
- Employing a transfer mold[1] package that is small and has excellent long-term reliability
- Providing enhanced long-term reliability,[2] lower loss and greater compactness

1 A method of molding thermosetting resins in which materials are heated and softened before being pressed into a metal mold
2 Power cycle resistance that is around three times greater than our conventional models

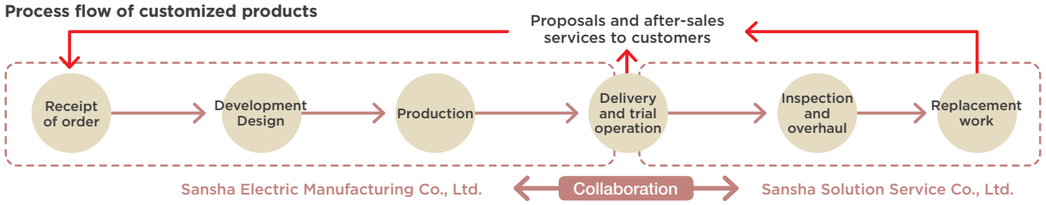
2 Integrated production and one-stop services including after-sales services

Our power semiconductors supporting high voltage and current are manufactured in an integrated production system including wafer processing and package assembly. Power supply devices, circuit boards and other components are manufactured in an integrated production system that includes development, design and manufacturing.
The Sansha Electric Manufacturing Group develops, designs and manufactures both power semiconductors and power supplies. This has made us very familiar with how power semiconductors are used in power supplies. That allows us to create proposals that are highly efficient, safe, and best suited to the specific environment the customer will use them in, including peripheral circuits.
We believe that maintenance is a vital part of ensuring the safety of power supplies. We are ready to provide one-stop support including efficient installation, operation, maintenance and replacement.

Trend in share of sales of customized power supplies that can only realized with one-stop services



Process flow of customized products



3 A large market share because of our advanced technologies and services

In the semiconductor thyristor and diode module market that we target, our Group has the third largest share of the global market.[1] The power device market is expected to grow to a size that is 1.46 times the 2019 level by 2030.[2] In the Japanese market of plating rectifier and other power supplies for surface treatment, we hold the largest market share.[3]
Our power supplies for surface treatment continue to be chosen by customers. First, they have superior output stability from startup. Second, we are always ready to provide wide-ranging support to customers, including delivery, after-sales services and equipment replacement.

1 Source: Omdia, *Annual Power Semiconductor Reports - 2019*
2 Source: Fuji Keizai Co., Ltd., *2020 Current State and Future Outlook of Next-Generation Power Devices & Power Electronics-Related Markets*
3 Estimated by Sansha Electric Manufacturing Co., Ltd. on the basis of the Japan Surface Finishing Suppliers Association: *FY2019 Dynamic Statistics of Power Supply Sales*

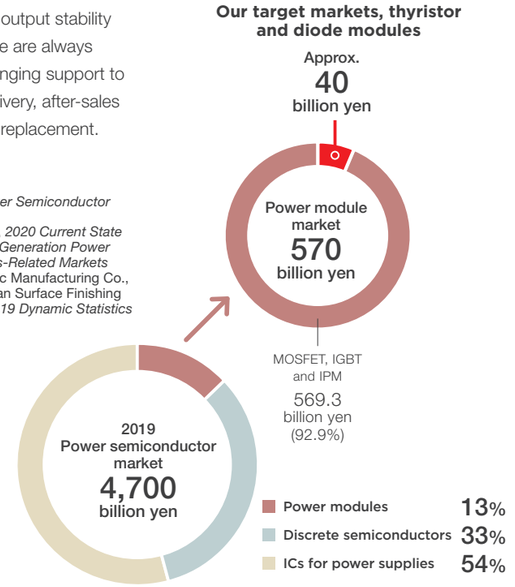
Power supplies for surface treatment

Largest share
of the Japanese market

Thyristor and diode module semiconductors

Third largest share
of the global market

Our target markets, thyristor and diode modules

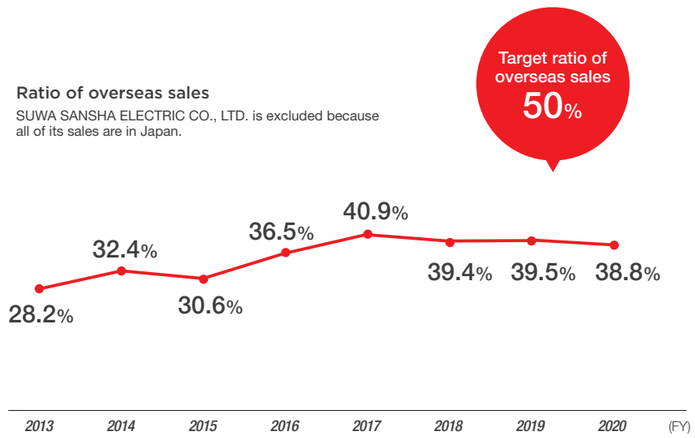


Source: Omdia, *Annual Power Semiconductor Reports - 2019*

4 Growth potential in overseas markets

In 1983, we established a subsidiary, SANREX CORPORATION, in the U.S. state of New York. We then opened sales bases in Singapore in 1999 and in Shanghai, China in 2001 to expand our overseas sales operations. In 1994, we opened a base manufacturing power supplies in Guangdong Province in China to push ahead with local production for local consumption in China. To continue our overseas expansion, we set up branches in Helsinki, Finland, Seoul, South Korea and Taipei, Taiwan in 2017. We are planning to expand our business globally with the medium- to long-term target of increasing the ratio of overseas sales from around 40% to 50% or more.

Ratio of overseas sales
SUWA SANSHA ELECTRIC CO., LTD. is excluded because all of its sales are in Japan.



A Global Power Solution Partner Through Innovation and Growth

Hajimu Yoshimura,
Representative Director & President

We are on a growth track.

Throughout fiscal year 2020, circumstances were adverse because the impact of the COVID-19 pandemic was greater than expected at the beginning of the fiscal year. However, there were signs of recovery in the second half. I think that we have had a good start in fiscal year 2021.

Our business with China was the trigger for the rally. China sales contribute around 17% of our total net sales. In the third quarter, economic activity became brisk in China, and this was followed by an increase in inquiries from Japanese customers. In the United States, the economy is now recovering. However, the situation remained difficult during fiscal year 2020, due to the restrictions on business activities because of the pandemic.

I imagine that the COVID-19 pandemic will continue to impact the world for some time and that our business will be affected in different ways. When I take a look at the circumstances surrounding our business from medium- and long-term perspectives, there are many domains where the situation is advantageous. The world is addressing the Sustainable Development Goals (SDGs) that are to be achieved by 2030. The Japanese government is aiming to establish a carbon-free society by 2050. There is a global trend towards renewable energy. Demand is still high for factory automation, which is very compatible with our products. Essentially, we have a significant track record in the energy and environmental sectors. I believe that we are working in growth areas.

Our direction and the issues we face became clear in this three-year period.

The fiscal year under review was the final year of the three-year medium-term management plan (2018-2020). The U.S.-China trade dispute had the greatest impact during this three-year period. In the first summer of the three-year plan, China began to change. In the second year of the plan, we began to deviate from our management plan. And in the third year, we faced the COVID-19 pandemic. The Chinese economy impacted all of our customers in Japan, and the situation subsequently deteriorated throughout Asia. The business environment that the plan had been based on drastically changed. In that period, I realized more strongly than ever that we had to develop new competitive products to achieve continued growth even in harsh business circumstances. This will be defined as a major issue to be tackled in the next medium-term management plan.

However, we accomplished some things that will lead to future growth and made progress in some areas during the three-year period. One example is our approach to the domain of power supplies such as fuel cells, hydrogen energy and other new energy. We have already received orders and inquiries. Originally, solar power conditioners were a major contributor to our solar power business. They have now led to the business of power conditioners for fuel cells and storage batteries.

Apart from that, we have received inquiries from the automobile industry regarding power supplies for the evaluation of fuel cells and storage batteries amid a major shift of the industry from gasoline-powered vehicles to electric ones. Power supplies for evaluation require experience, expertise and advanced technological capabilities. Since our competitive advantage can be exerted in this area, I hope that it will develop in the future.

Our business performance was disappointing, but in this three-year period, it was good that we were able to clarify the direction we should pursue and the issues we face.

Aiming for innovation and growth in the new medium-term management plan

In April 2021, we began to execute our new medium-term management plan, CG 23. CG 23 features two basic policies, contributing to the resolution of social issues and innovating to ensure sustainable growth. The plan is based on new energy and environmental contribution. These are the issues that must be addressed not only in Japan but around the world.

In addition, we have determined four elements of the ideal we aspire to.

The first one is that we will have world-leading power electronics technologies. The second is that, using our unique power electronics technologies, we will thoroughly identify customers' problems and resolve them. The third is that we will have a global perspective. And finally, we will earn trust and develop can unrivaled reputation for quality and sincerity. And we have integrated these four elements into a single slogan, *Global Power Solution Partner*.

We will strive to achieve the quantifiable targets that we have set, net sales of 26.0 billion yen and operating profit of 1.9 billion yen. When calculated, the average annual growth rate becomes 10%, it is challenging under the current

conditions. In view of the business environment, including the progress society is making on decarbonization and the evolution of power electronics, this target must be met. In addition, the technologies that we possess are fairly high for the size of our business. I am convinced that we can compete with world-leading companies in terms of technology. The SDGs are to be achieved by 2030, and society aims to be carbon-free by 2050, which means that initiatives for decarbonation and power electronics will continue after the three years, our plan period. Therefore, during this three years, we will aggressively pursue product/technology development foreseeing further ahead beyond the plan period.

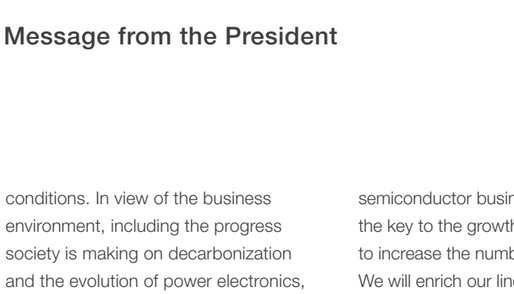
Let me move on to our business strategy in the new medium-term management plan.

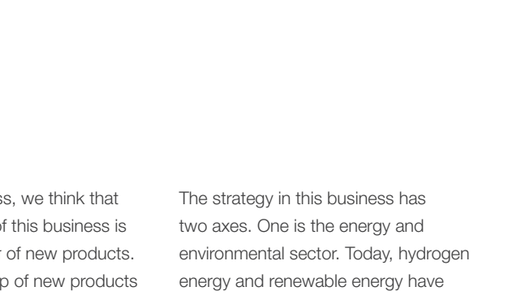
First, looking at the power semiconductor business, we think that the key to the growth of this business is to increase the number of new products. We will enrich our lineup of new products with, for example, products that are highly efficient, highly reliable, and that have high voltage resistance, in a bid to boost sales.

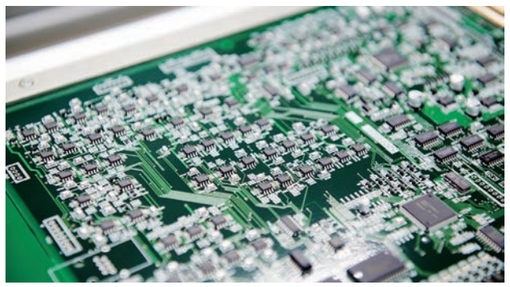
We will particularly focus on technologies such as the transfer mold technology which is integrally molding semiconductor chips, one of our core technologies and on the silicon carbide (SiC) technology, which is said to be the next semiconductor after silicon.

In addition, we will endeavor to convert power semiconductor plants into smart factories. Principal manufacturing processes will be automated to dramatically increase production capacity and improve quality. We will construct a system with shorter production lead times to supply products in a timely manner.

Next, the power supply business. The strategy in this business has two axes. One is the energy and environmental sector. Today, hydrogen energy and renewable energy have significant momentum. This is a key domain for our growth. The shift to renewable energy and the popularization of hydrogen energy are global needs and agendas toward decarbonization. We will take full-scale actions to address this demand. The other is fundamental areas, such as power supplies for surface treatment. This area is where our company has been strong and hold the largest market share in Japan. We will improve our technologies with a view toward continued growth. I think it is important that we expand and shift the scope of our business from selling power supplies as unit sales to solution proposals, including the service team of our subsidiary, Sansha Solution Service Co., Ltd.







Four elements of a

Global Power Solution Partner

We will have world-leading level of technologies related to power electronics.

Capitalizing on technologies for power electronics, we will thoroughly identify customers' problems and resolve them.

We will have a global perspective. We will operate our business on a wholly global scale.

We will earn the unrivaled trust of society for our quality and sincerity.

Tackling challenging issues to refine our corporate culture of solving issues with technologies

Our Group's greatest competitive advantage is the synergy between our power semiconductor business and our power supply business. For example, customers of our power supplies use welding machines and manufacturing robots in their factories. Welding machines and inverters of manufacturing robots both incorporate power semiconductors. We can share the views of customers in our two different segments within our company. That allows us to provide finely tuned services. Our Group is relatively small. That means that we can take flexible action. We can answer various inquiries from customers and offer services closely tailored to their needs. That is a major advantage for our customers and for us as well.

Another competitive advantage we possess is our technological capabilities. The name Sansha has long been associated with technology. We tend to feel fulfilled as engineers when working on challenging issues and to be united in working on them. This corporate culture gives us a great advantage. During our long history, a large number of customers have contacted us precisely because they faced difficulties. I was originally an engineer. Those of us on the management team will continue to nurture the spirit of our in-house engineers, as we seek to harness our technological capability as an asset.

Realizing the SDGs enables us to fulfill our management principles.

The new medium-term management plan defines six management materiality items. These are significant issues for continuous growth in step with the development of society. We have been engaging as a business in the new energy and environmental sectors since before the SDGs began to attract attention. In addition, our new medium-term management plan positions these sectors as axes of our growth. We have a duty to work with a commitment to the SDGs. They are global common development goals.

Actions against climate change, environmental concerns and other social issues can be broadly divided into two. The first is the contribution through our business. And the second is the contribution on the part of a CO_2 emitter through the shift to smart factories.

With respect to contribution through business, our power supplies have a particularly large impact on the new energy and environmental sectors. At energy facilities dealing with high power, the enhanced conservation efficiency of

Management Materialities

1 Contributing to a carbon-free society and environmental conservation

2 Constructing robust infrastructure and contributing to industrial development

3 Offering safety, security and new value to improve services

4 Strengthening manufacturing

5 Reducing the environmental impact of production activities

6 Promoting diversity and the active participation of human resources

power supplies we offer will considerably reduce power consumption. The pursuit of higher efficiency will be an endless challenge that we will continue to tackle. We will never retreat from our stance of continuously producing valuable products needed by society. That is linked with our Group's raison d'être. Our management principle is expressed in the following phrases: "Valuable Products for Society," "Profits and Prosperity for the Company," "Happiness and Stability for Employees." Every morning, I myself recite these phrases before starting work. They are the basis for our activities. I understand that realizing the SDGs will lead to the realization of our management principles.

We will work harder than ever before to develop personnel and to foster our corporate culture.

We have identified the promotion of diversity and the active participation of human resources as one of management's materiality items. Since I became president, I have been aspiring to make this company a team of people who think and run on their own. To do this, we will invest actively in our people to further accelerate their development and foster our culture.

In the meantime, diversity is vital to global expansion. In particular, I feel we lag behind in terms of promoting women to managerial positions. I will make a difference in this respect while I am president.

We will dispense with stereotypes and carry out major reforms in recruitment, development and appointment from scratch. Actually, we have female sales staff. They earn high marks from customers.

Another key point is an open corporate culture. I find our internal communication already active but I think we can make it even better. When I was in my previous position, I worked for a time in Boston in the United States. As you know, they call each other by their first names there. At the time, I was vice president, but it did not matter. There was nothing like the hierarchy we have in Japan. Their discussions were open and active. I hope to introduce a flexible and open culture like this to our Group.

Ready to sense market changes

COVID-19 poses an uncertain risk. Naturally, the new medium-term management plan is based on the business environment that is foreseeable at present. Depending on circumstances, it may have to be revised. Given the current progress of vaccinations, particularly in developed countries, we anticipate that the pandemic will eventually come to an end. The speed with which this will happen will vary significantly depending on the progress of vaccinations.

Another uncertainty is the risk that the market situation changes considerably with the emergence of an alternative means or technology.

In my previous position, I was in charge of the lighting department. When I was responsible for the LED business, I saw conventional incandescent lamps and halogen lamps disappear as they were replaced with LED lamps. It is possible that something that is performing well at present to suddenly be replaced with something else.

We must always remain keenly aware of this. And the way to overcome this risk is to conduct active research and development activities and to anticipate needs. It is very important to always be prepared to sense something new and to put it into research and development. Our business dates back to more than 80 years ago, when our founder created a power supply for projectors. At that time, power supplies were unstable and that is why the power supply business started. Today, digital projection is the mainstream in movie theaters. We must not forget that we owe what we are now to our commitment to discovering needs, doing research and overcoming major changes. And we must remain keenly aware that something similar could happen again and create new products.

mentioned at the beginning, the global shift to new energy and renewable energy is to our advantage. We will be aware that we are already in an environment for growth, and we will provide useful products that are needed by society to achieve sustained growth and boost our corporate value.

Hajimu Yoshimura,
Representative Director & President

Attaining sustained growth to increase corporate value

Finally, I will speak about returns to shareholders. We have a basic stance of consistently offering stable dividends. We aim to maintain a payout ratio of roughly 30%. On the basis of this thinking, we have set the annual dividend for the fiscal year at 15 yen per share.

The Sansha Electric Manufacturing Group will seek new growth under its new medium-term management plan. As

Corporate Philosophy

Valuable Products for Society

Make a continuous effort to create products that are sought by society and contribute to the development of society by providing products of better quality

Profits and Prosperity for the Company

Always endeavor to raise awareness, aim for prosperity, secure profits and fulfill social responsibility for the Company

Happiness and Stability for Employees

Always look to the future in high spirits and ensure happiness and a stable life for employees through trust and cooperation

Sansha Electric MFG's value creation process

Changes in the external environment

Rise of renewable energy and new energy

Strengthening resilience and the ability to adapt to natural disasters and developing business continuity plans (BCP)

Technological innovation

Preventing environmental pollution

Work style reforms

Others

INPUT

Different kinds of capital that form the foundation for business activities

FY2020

Financial capital

Stable creation of cash flows and secure and sound financial standing

- Consolidated net assets: 19.3 billion yen
- Equity ratio: 77.8%
- Cash and cash equivalents: 5.8 billion yen

Human capital

Endeavoring to provide a working environment that allows individual workers to achieve personal development by capitalizing on their personality and strengths

- Number of employees (consolidated): 1,381

Intellectual capital

Technologies in the domain of power electronics that support society

- R&D expenses: 1.2 billion yen
- Numbers of patents and utility model rights owned: Japan 157, Overseas 194

Manufacturing capital

An integrated production structure ranging from wafer processing to package assembling for power semiconductors and from the development and design of circuit boards and other components to the manufacturing of them for power supplies

- Number of plants: Japan 3, Overseas (in China) 2
- Capital investment (average in the past five years): 580 million yen

Natural capital*1

Intensive environmental conservation activities for continuous procurement

- Power consumption: 14,113 MWh
- Water consumption: 140,000m³

Social Capital

Coexistence with local communities

P34-35

Management materiality

01 Contributing to a carbon-free society and environmental conservation

02 Constructing a robust infrastructure and contributing to industrial development

03 Improving services by offering safety, security and new value

04 Strengthening manufacturing

05 Reducing the environmental impact of production activities

06 Promoting diversity and the active participation of human resources

P17-18

BUSINESS MODEL

Corporate activities

Risk management

Cycle of strategies

Decision-making

Cycle of value chain

Research and development

Manufacturing

Core competence

- Development of products contributing to a sustainable society
- Integrated production and after-sales services
- High market share based on advanced technologies and services
- Overseas growth potential

Sales

After-sales services

P07-08

Judgment on situation

Implementation

Monitoring

Corporate governance

P23-30

OUTPUT

Power semiconductor business

P19-20

Power supply business

P21-22

OUTCOME

Social value created

Related SDG Goals

FY2020

Economic value

Consolidated net sales	19,400 million yen
Consolidated operating income	400 million yen
Return on equity (ROE)	2.6%
Operating cash flow	1,700 million yen
Annual dividend per share	15 yen
New products* sales	1,400 million yen (non-consolidated)

* Products which have been on the market three years or less since the sales approval are deemed to be new products.

Active participation of human resources

Ratio of overseas employees	37.4%
Ratio of females in leading and managerial positions	6.7%*1
Ration of paid leave taken	72.3%*1

Products with improved power conversion efficiency

(e.g. Power supplies for copper foil)

Reduction in CO_2 emissions	345.3 tons CO_2 per year (from conventional models)

* Based on emissions from products sold in FY2020 calculated on the assumption that they are operated for 22 hours a day, 350 days a year
* CO_2 emission factor announced by Japan's Ministry of the Environment: 0.47 kg CO_2

Reduction in environmental impact

Annual CO_2 reduction	1,094 tons CO_2*2
Industrial waste reduction	62 tons*2

*1 Data covering Sansha Electric Manufacturing Co., Ltd. and Suwa Sansha Electric Co., Ltd.
*2 Data covering Sansha Electric Manufacturing Co., Ltd., Sansha Solution Service Co., Ltd. and Suwa Sansha Electric Co., Ltd.

CG23
Change to Growth 2023

In May 2021, we announced our new medium-term management plan, CG23.
The following outlines the plan and features the growth strategies for the individual business segments.

The Sansha Electric Manufacturing Group will take actions towards continuous growth and development together with society.

During the new medium-term management plan, we will work from a global perspective to contribute to the resolution of social issues including the realization of a carbon-free society, developing products using power conversion and control technologies. As we work to become a Global Power Solution Partner, we will conduct these efforts in accordance with our Group's management principle, "Valuable Products for Society."
We will carry out priority measures to transform the foundation of our business and provide safe and secure products and services.

Financial targets

	FY2020 result	FY2021 plan	FY2022 plan	FY2023 plan
Net sales	19,430 million yen	21,800 million yen	24,000 million yen	26,000 million yen
Operating profit	410 million yen	800 million yen	1,300 million yen	1,900 million yen
Ordinary profit	440 million yen	800 million yen	1,300 million yen	1,900 million yen
Profit attributable to owners of parent	490 million yen	550 million yen	900 million yen	1,300 million yen
Earnings per share	35.42 yen	39.15 yen	64.07 yen	92.54 yen
Return on equity (ROE)	2.6 %	2.8 %	4.4 %	6.1 %

Basic policy for the realization for CG23

Contribution to the resolution of social issues

Innovation for continuous growth

Basic policy regarding capital measures

Our Group endeavors to increase its corporate value through the expansion of business and the increase of earning power. We will carry out the medium-term management plan to achieve this. Measures required to increasing earning power include, first, product development and sales promotion matched to customers' needs, second, continuous efforts to increase production efficiency and reduce costs, and third, a change of mindset and actions to eliminate waste and seek additional value. Capital measures are meant to support these activities. For these measures, our basic policy is to maintain a sufficient level of shareholders' equity to ensure stable management amid changes in business environment and efficiently use and manage the invested capital. In addition, we will basically pay stable dividends from the perspective of valuing our shareholders. In parallel, we have established a flexible shareholder return policy to achieve optimal capital allocation based on medium- and long-term perspectives. We will aim to raise return on equity (ROE) to a level exceeding capital cost (8.4% based on WACC calculation for the past three years).

Management material issues

The Sansha Electric Manufacturing Group has determined the material issues that are the key issues to be tackled for continuous growth in line with social development. With reference to the Sustainable Development Goals (SDGs), the Global Reporting Initiative (GRI), the Responsible Business Alliance (RBA) Code of Conduct* and major trends, we have determined these material issues in view of their impact on shareholders and on our Group. Each time a new medium-term management plan is formulated, we will revise them in consideration of changes in business circumstances and society.

*The RBA Code of Conduct is guidance formulated for electronics industry and electronic equipment-related industry supply chains.

Previous medium-term management plan 2018/4/1 → 2021/3/31

Four tasks

- Global expansion
- Expansion into new business domains
- Cultivation in existing business domains
- Strengthening of business foundations

Tasks in the power semiconductor business

- Contribution to a shift to smaller, higher efficiency industrial equipment
- Increase of activity in growing industrial sectors such as servos, inverters for industrial use, and welding machines
- Investment in higher quality, greater yields and automation

Tasks in the power supply business

- Increase of efforts for products related to new energy and electric vehicles
- Strengthening of the solution business

Achievements

- Development of power conditioners for the evaluation of fuel cells
- Expansion of sales of uninterruptible power supplies (UPS)
- Expansion of the semiconductor transfer mold product lineup
- Increase of business bases: Chubu Sales Office and the Hokuriku Office opened

Failures and reasons

Failure to fulfill performance targets

- Economic slowdown triggered by the U.S.-China trade dispute
- Decrease in customers' capital investment due to COVID-19

Lack of development of new products that are cost competitive

	Risks	Opportunities	Strategy	Related SDG Goals
1 Contribution to a carbon-free society and environmental conservation	・Delay in shift to renewable energy and new energy ・Cost competition following market expansion (entry of overseas manufacturers into markets)	・Moves towards the reduction of CO_2 emissions to realize a low-carbon society ・Hopes laid on renewable energy and energy conservation to help slow climate change ・Market expectations after the introduction of power generation using hydrogen	> P20 > P22	
2 Construction of robust infrastructure and contribution to industrial development	・Natural disasters ・Destabilization of international finance	・Introduction of equipment as a BCP measure following increased awareness of disaster control ・Economic development and population growth in emerging countries ・Increased contribution of Japanese companies' overseas business ・Popularization of 5G	> P22	
3 Providing safety, security and new value to improve services	・Product incidents and failures ・Intensifying international competition ・Cyberattacks	・Advancement of AI and IoT technologies ・Progress in communications infrastructure ・Shift to new work styles (autonomous/automated operations or operation with fewer personnel) due to the shrinkage of the working population	> P22 > P36	
4 Strengthening of manufacturing	・Increasing uncertainty around the world ・Decrease of skilled engineers	・Digital technology innovation ・Government moves to protect domestic businesses	> P20	
5 Reduction of the environmental impact of production activities	・Increased cost of response actions ・Outflow of chemical substances ・Water pollution	・Increased strictness of environmental regulations	> P31~35	
6 Promotion of diversity and personnel in action	・Intensifying competition for workforce due to Japan's shrinking working population ・Outflow of competent human resources	・Higher labor productivity following work style reforms ・Innovation	> P37·38	

CG23
Change to Growth 2023

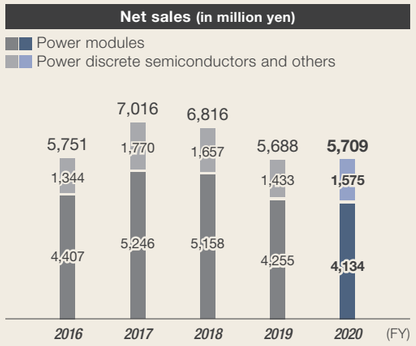
Power semiconductor business

Manufacturing base

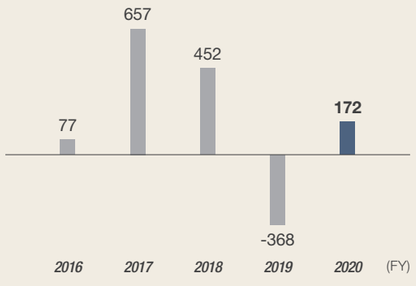
- **Okayama Plant at Nagi-cho, Okayama Prefecture**
  Integrated production from wafer processing to package assembly

The Sansha Electric Manufacturing Group does not develop or manufacture integrated circuit semiconductors such as memory or microcomputers. Instead, it develops power semiconductors. These are used in diverse power supplies for the conversion of high voltages or currents between direct current and alternating current, for controlling the current and voltage levels and for other purposes. Our power semiconductors play significant roles in customers' diverse production facilities as well as in power supplies and many other power supply products.

Net sales (in million yen)



Segment profit (in million yen)



This segment is characterized by the significant contribution of overseas operations, especially Chinese operations. While demand began to slow in the second half of FY2017, sales also declined in FY2019 and FY2020, amid the U.S.-China trade dispute and the COVID-19 pandemic. This caused profit to slide. The segment produced a loss in FY2019. However, we worked to increase profitability by, for instance, improving production efficiency. Profit figures for FY2020 were positive.

Strengths and Features

1 Independently developed power semiconductors with high voltage resistance, high current and low power loss characteristics

We develop and manufacture planar power semiconductors and also semiconductors based on our original mesa technology to achieve high voltage resistance and low loss.

2 Packaging technologies for high reliability

Our original packaging technologies suited for power semiconductors gain high marks for their long-term reliability.

3 Synergy with the power supply business

Since our foundation we have been developing and manufacturing power supplies. Therefore, we are familiar with how power semiconductors are used in power supplies. This enables us to propose solutions that best suit customers' operating environments and applications.

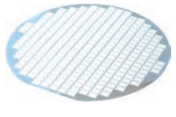
Segments

Power modules

Used mainly in a wide range of industrial machinery and business facilities, including commercial air conditioners, auxiliary power supplies for rail rolling stock and solar (PV) power generation systems

Power discrete semiconductors

Mainly used in household appliances



Other

Chips (or small piece of silicon substrate with electric characteristics, such as diodes and thyristors)

Business strategy

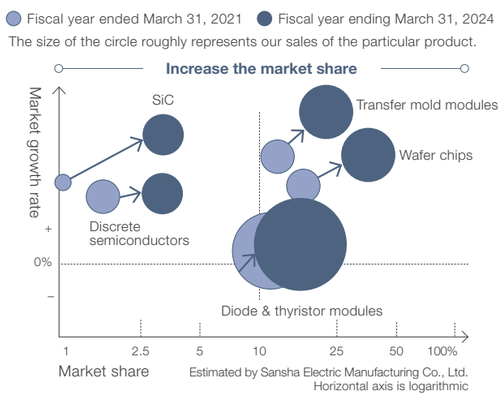
Seek higher levels of current, voltage resistance, efficiency and reliability to increase market share.

Broaden the product lineup based on the concept of high current, voltage resistance, efficiency and reliability.

Sansha Electric Manufacturing Co., Ltd. embarked on a power semiconductor business as it developed an alloy junction thyristor in 1963. We have since been developing, manufacturing and selling a large number of general-purpose modules and customized modules to meet customer needs.
During the medium-term management plan, we will be enriching the product lineup based on a concept of low leakage current, low loss and low environmental impact that will help reduce CO_2 emissions in addition to the high voltage resistance that characterizes the mesa technology, a compilation of the technologies we have cultivated.
For SiC power modules, we will expand the product line in the high reliability large-sized transfer mold* package as a feature of our products and strive to expand sales by promoting them in new applications.

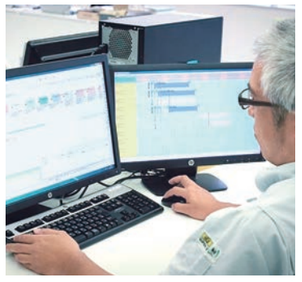
*A method of molding thermosetting resins in which materials are heated and softened before being pressed into a metal mold

Product portfolio strategy

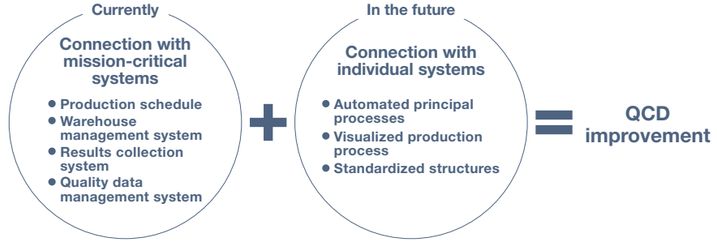


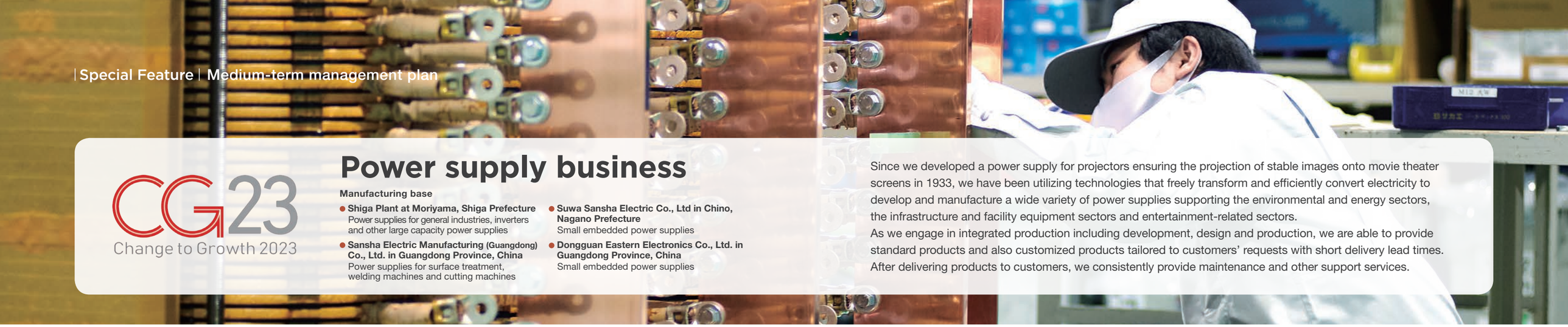
Aiming to establish smart factories

We introduce automated equipment to principal processes to increase production efficiency and to eliminate process defects due to unevenness. The development and design departments will work to standardize structures and components and to streamline the design process. In addition, we will strengthen the connection between process data and the central semiconductor management system to visualize the production process and implement the centralized management of the system for raw material procurement and inventory management. This will enable us to constantly improve quality, cost and delivery times (QCD) in an effort to realize the policy behind the Okayama Plant's production activities, which is to employ original technologies for the timely delivery of unique products that respond to customers' requests when they are needed.



Production process management





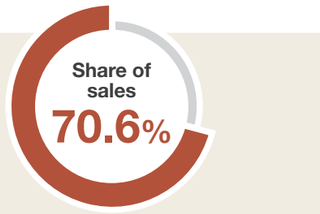
CG23
Change to Growth 2023

Power supply business

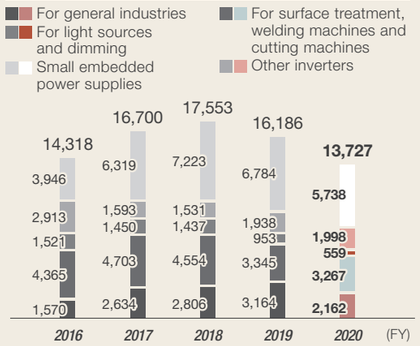
Manufacturing base

- **Shiga Plant at Moriyama, Shiga Prefecture**
  Power supplies for general industries, inverters and other large capacity power supplies
- **Sansha Electric Manufacturing (Guangdong) Co., Ltd. in Guangdong Province, China**
  Power supplies for surface treatment, welding machines and cutting machines
- **Suwa Sansha Electric Co., Ltd in Chino, Nagano Prefecture**
  Small embedded power supplies
- **Dongguan Eastern Electronics Co., Ltd. in Guangdong Province, China**
  Small embedded power supplies

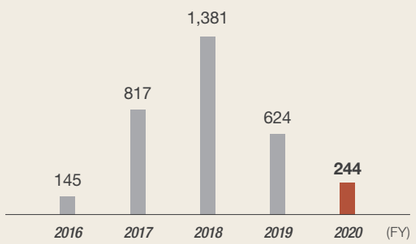
Since we developed a power supply for projectors ensuring the projection of stable images onto movie theater screens in 1933, we have been utilizing technologies that freely transform and efficiently convert electricity to develop and manufacture a wide variety of power supplies supporting the environmental and energy sectors, the infrastructure and facility equipment sectors and entertainment-related sectors.
As we engage in integrated production including development, design and production, we are able to provide standard products and also customized products tailored to customers' requests with short delivery lead times. After delivering products to customers, we consistently provide maintenance and other support services.



Net sales (in million yen)



Segment profit (in million yen)



This segment saw sales and profit drop hugely for FY2020. In the previous fiscal year, capital investment began to be restrained due to the U.S.-China trade dispute. In and after the final part of the fiscal year, COVID-19 temporarily affected overseas production and led to the further postponement of large-scale and other investments in the market. Even in these circumstances, investments in communication and new energy began to rally earlier than in other domains, and there was an increase in orders received.

Strengths and Features

1 High-efficiency power conversion technology

We excel in technology for the quick, high precision conversion of electricity while keeping power loss to a low level. We lead the industry in the development of power conditioners for fuel cells equipped with our silicon carbide (SiC) modules, power supplies for hydrogen generation and other new high-efficiency products.

2 Wide range of development from small custom-made to large industrial power supplies

We are ready to design and develop unique power supplies, ranging from small customized power supplies to large industrial power supplies, in accordance with customers' specifications.

Segments

For general industries
Large capacity power supplies for industrial use that are used in the production facilities of large steel, chemical, electrical machinery and other manufacturing plants

Power supplies for surface treatment
Surface treatment includes plating, coating and aluminum anodization. Our power supplies for surface treatment have the largest share of the Japanese market, and are used to manufacture smartphones, electronic components, printed circuit boards, automobiles and other products.

For light sources and dimming
Power supplies for light sources are used in theme parks, projection mapping, movie theaters, studios, schools and elsewhere, and power supplies for the dimming includes those for controlling power for light source lamp, for stage lighting in theaters, halls, TV studios and hotels. In recent years, we have been dealing in power supplies for lasers as well.

Other inverters
Uninterruptible power supplies (UPS), power conditioners (PCS) for solar (PV) power generation, fuel cells and other storage batteries related to new energy are delivered chiefly to power plants, data centers and large factories.

Small embedded power supplies
Small capacity power supplies are incorporated into financial institutions' automatic teller machines (ATMs), medical equipment, communication equipment and printers.

Business strategy

Enlarge the hydrogen energy and new energy sector and strengthen fundamental sectors

Enlarge the hydrogen and new energy and environmental sectors

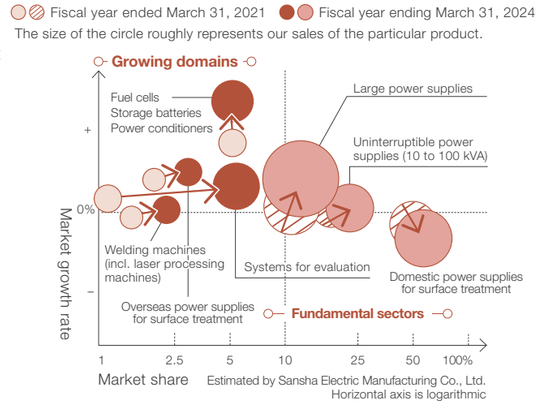
The active utilization of hydrogen and new energy is anticipated for the realization of a carbon-free society. Sansha Electric Manufacturing Co., Ltd. has long been developing and manufacturing power conditioners for solar (PV) power generation systems and delivering them to a large number of customers. During the medium-term management plan that starts in FY2021, we will use the technologies cultivated for solar power conditioners to accelerate the development of power conditioners for fuel cells and storage batteries.
Technology for using storage batteries to store and adjust the supply of electricity is indispensable in the use of renewable energy as a main power source. Efforts to develop and practically apply these technologies are being made. Sansha Electric Manufacturing Co., Ltd. will develop and provide power supplies for the testing and evaluation of storage batteries and fuel cells.


Power supplies for storage battery testing

Strengthen fundamental sectors

Our power supplies for surface treatment have the largest share of the Japanese market.* In anticipation of demand for equipment for printed circuit boards, electronic components and aluminum anodization following the growth in the 5G-ready smartphone market and in the electric vehicle (EV) market, we will develop new products with higher power conversion efficiency and increase sales efforts. Regarding power supplies for copper foil which is used as anode material for lithium-ion batteries, we will work to provide models that have greater efficiency than conventional power supplies. Uninterruptible power supplies (UPS) are used in data centers and infrastructure facilities where no instantaneous voltage reduction or power outage is permissible. We will respond to the extensive need for UPSs based on the idea that these facilities must be prepared for power failures or other problems that are becoming more frequent due to natural disasters, irrespective of business type, scale or region. Over the past decade, the domestic market has been stable and there have been no major changes. We will enrich our maintenance and other services with a view toward achieving our target of increasing our market share for models with the capacity range of 10 to 110 kVA.

Product portfolio strategy

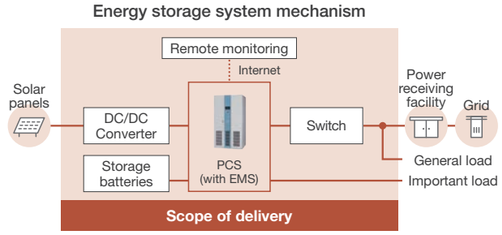


*Estimated by Sansha Electric Manufacturing Co., Ltd. on the basis of the Japan Plating Suppliers Association's *FY2019 Dynamic Statistics of Power Supply Sales*

Shifting from selling standalone power supplies to proposals of solutions

In 2012, the feed-in tariff (FIT) scheme came into effect, under which the electricity generated from sunlight, wind power and other renewable sources of energy were to be purchased by electricity utilities. After a massive decrease in the FIT purchase rate, there is a shift towards the consumption of the electricity produced instead of its sale. In view of this, demand for storage batteries is expected to rise steadily. Sansha Electric Manufacturing Co., Ltd. proposes not only standalone power conditioners for storage batteries but systems that include storage battery control and network functions. Sansha Solution Service Co., Ltd., one of our subsidiaries, has constructed a maintenance support structure to build closer relationships with customers.

Energy storage system mechanism



PCS: Power conditioner
EMS: Energy management system

Directors · Audit & Supervisory Board Member

Skill matrix

		Independence	Specific knowledge that we expect						Overseas posting experience
			Corporate management	Management Strategy	Knowledge about the Company's business	Production technology, research and development	Finance, accounting and tax practice finance	Legal affairs	
Directors	Hajimu Yoshimura		●	●	●	●			●
	Masaki Fujiwara		●	●	●		●		●
	Hiroshi Zumoto			●	●	●			
	Akira Uno	●	●				●		
	Koichi Ina	●	●			●			
Audit & Supervisory Board Members	Ichiro Kitano				●	●			●
	Kazuhiro Egawa	●	●					●	
	Eriko Nashioka	●	●				●		

Directors (as of June 25, 2021)

1 Representative Director & President

Hajimu Yoshimura

Serving as director for 6 years
Owning 19,300 shares of our stock

Has rich experience and extensive knowledge cultivated as a business manager in the Panasonic Group, and also possesses abundant knowledge of global management as he once served as vice president of an overseas subsidiary in the same group. Since assuming his position as our company's Representative Director & President in 2018, he has been using his experience and advanced knowledge as a business manager and strong leadership to carry out the growth strategy and managerial reforms with a vision of being a Global Power Solution Partner.

2 Director and Senior Managing Operating Officer

Masaki Fujiwara

Serving as director for 7 years
Owning 13,400 shares of our stock

Has rich experience and broad knowledge based on his service in various positions mainly the areas of management and accounting in the Panasonic Group. He also served as a director at an overseas subsidiary of the Panasonic Group, where he acquired good knowledge about global management. Since appointed to his present post in June 2014, he has been in charge of the administrative department and the corporate planning department. He is also a Nomination and Compensation Committee member.

Status of important concurrent holding of positions
- Outside Audit & Supervisory Board Member, Kubota Corporation

3 Director and Managing Operating Officer

Hiroshi Zumoto

Serving as director for n/a
Owning 6,000 shares of our stock

Joined us in 1982 and engaged in productivity improvement and the strengthening of the production system as a person responsible for production technologies. He was appointed as Operating Officer in charge of the Semiconductor Manufacturing Division in April 2012, and as COO of Semiconductor Business in April 2020 to take charge of development, manufacturing and sales operations for the promotion of business. He became a Director in June 2021.

Status of important concurrent holding of positions
- Chairman of the Board, Sansha Electric MFG (Shanghai) Co., Ltd.

4 Independent Outside Director

Akira Uno

Serving as director for 7 years
Owning 10,200 shares of our stock

Has advanced knowledge of financial affairs due to his work experience at a financial institution. Since appointed to his present position in June 2014, he has been contributing to the improvement of the effectiveness of the decision-making and supervisory functions of our Board of Directors from a perspective independent from our management team. He also chairs our Nomination and Compensation Committee.

Status of important concurrent holding of positions
- Outside Director, Hashimoto Sogyo Holdings Ltd.
- Specially Appointed Professor, Graduate School of Economics, Kyoto University (Ph.D. in economics)
- Senior Executive Fellow, DMG Mori Co., Ltd.

5 Independent Outside Director

Koichi Ina

Serving as director for 2 years
Owning 15,800 shares of our stock

Holds a good deal of experience and knowledge after working in the management team of a leading automobile manufacturer in Japan. He also possesses advanced knowledge of production technology and research and development since he worked as an engineer in factory management. Since being appointed to his present position in June 2019, he has been leveraging the knowledge above to help improve the effectiveness of the decision-making and supervisory functions of our Board of Directors from a perspective independent from our management team. He is also a Nomination and Compensation Committee member.

Status of important concurrent holding of positions
- Outside Director, Kubota Corporation
- Chairman, Central Japan Industries Association

Audit & Supervisory Board Members (as of June 25, 2021)

6 Full-Time Audit & Supervisory Board Member

Ichiro Kitano

Serving as an Audit & Supervisory Board Member for 5 years
Owning 4,700 shares of our stock

Joined us in 1982. 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 in our company. Since being appointed to his present position 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.

Status of important concurrent holding of positions
- Audit & Supervisory Board Member, Sansha Solution Service Co., Ltd.
- Audit & Supervisory Board Member, Suwa Sansha Electric Co., Ltd.

7 Independent Outside Audit & Supervisory Board Member

Kazuhiro Egawa

Serving as an Audit & Supervisory Board Member for 1 year
Owning 100 shares of our stock

Possesses advanced knowledge of corporate legal affairs cultivated through long experience as a lawyer and appropriately advises the Board of Directors from an expert viewpoint. He also has a perspective on business administration nurtured through his rich experience serving as a corporate operating officer.

Status of important concurrent holding of positions
- Head of Eiwa Law Office
- Outside Director (Audit and Supervisory Committee Member), SK-Electronics Co., Ltd.

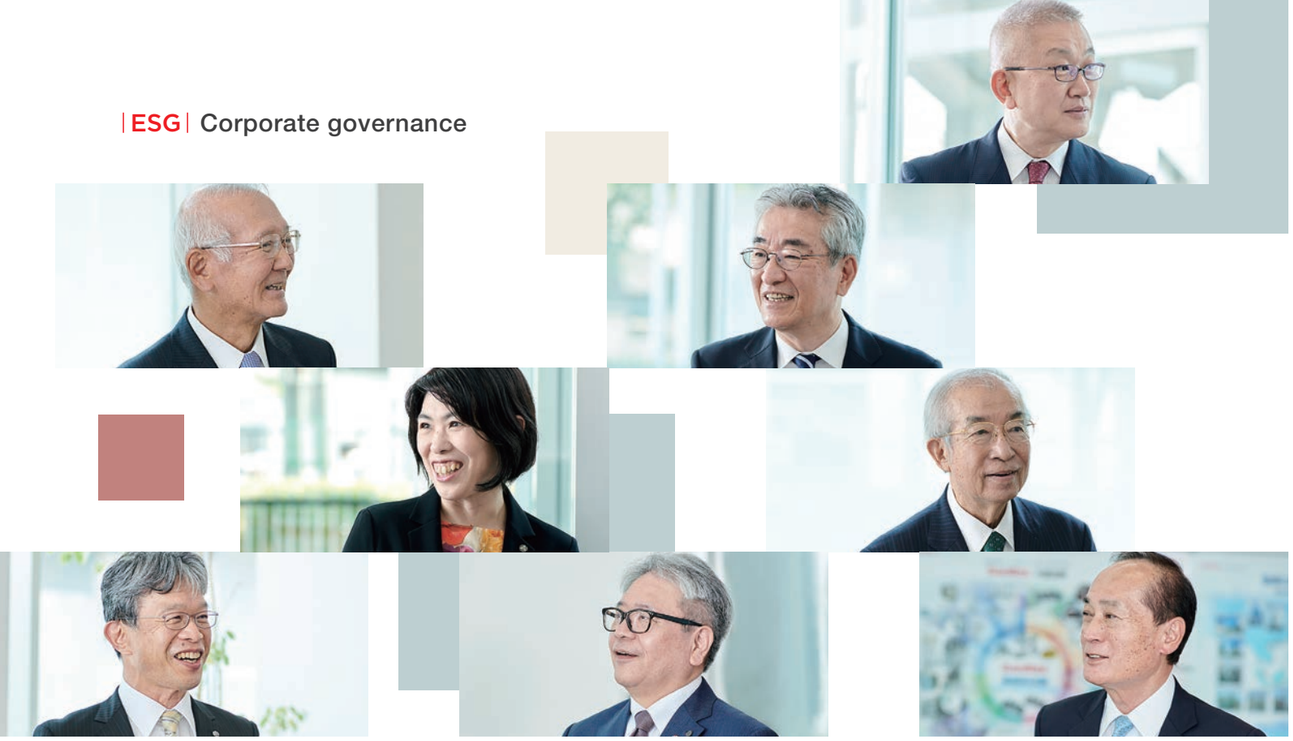
8 Independent Outside Audit & Supervisory Board Member

Eriko Nashioka

Serving as an Audit & Supervisory Board Member for 1 year
Owning 0 shares of our stock

Has great experience and advanced knowledge as a certified public accountant and 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.

Status of important concurrent holding of positions
- Representative Director, Institute for Environmental Management Accounting
- Head of Nashioka Accounting Office
- Lecturer (commissioned), Faculty of Commerce, Doshisha University



Corporate governance

Basic stance on corporate governance

Our stance on corporate governance is based on our management principles. We believe that our top priority is the ensuring of the effectiveness of our corporate governance through the creation of a highly transparent and efficient management system that meets the needs of society in consideration of the shareholders' interests.

Actions for improving corporate governance

1984
- Corporate Planning Conference established

2006
- Operating Officer system introduced

2007
- Officer retirement benefit system abolished
- A whistleblowing contact established within the internal audit department

2011
- Directors' term of office shortened to one year

2014
- Outside Directors introduced

2016
- Assessment of the effectiveness of the Board of Directors begun

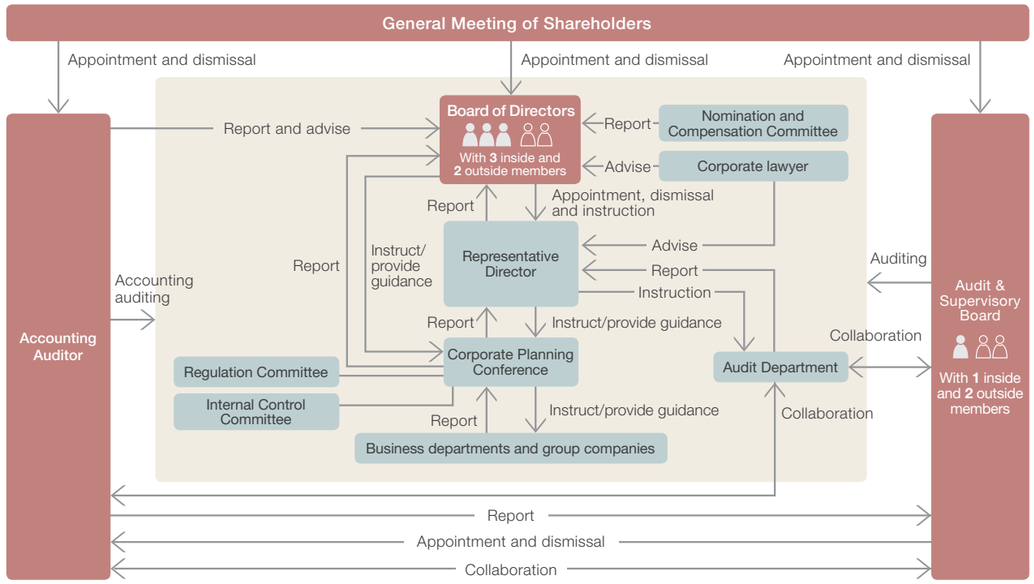
2017
- Risk Management Committee (currently Internal Control Committee) established

2018
- Standards for assessment by outside accounting auditors formulated

2019
- Nomination and Compensation Committee established

2020
- Outside officers elected to ensure that at least one third of officers are outside officers
- Female Outside Audit & Supervisory Board Member elected
- Additional whistleblowing contact established within the Audit & Supervisory Board

Corporate governance system chart



Grounds for choosing the current corporate governance system

Our business targets niche and highly technical markets based on power electronics technologies. Our basic principle is to appoint Directors who are insiders with advanced knowledge and experience in relevant areas. However, we also elect Outside Directors to ensure the stability of our business foundations and the transparency of management, and we ask them to advise us appropriately from an independent perspective, including regarding the decision-making of the Board of Directors.

From the perspective of monitoring the management of the company, we have established a system to increase the independence of the outside Audit & Supervisory Board members to ensure the fair and objective monitoring of corporate social responsibility.

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.

The committee is composed as follows.

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.

Current committee members

Chairman

Akira Uno, Independent Outside Director

Members

Koichi Ina, Independent Outside Director

Hajimu Yoshimura, Representative Director & President

Masaki Fujiwara, Director

Deliberations of the committee

The committee had four meetings in FY2020. Every meeting was attended by all its members to discuss policies on the nomination of Directors and Audit & Supervisory Board Members, matters regarding their appointment and dismissal, a policy regarding the determination of Directors' remuneration, a system for their remuneration and details about remuneration and other matters regarding individual Directors.

Date of meeting	Nomination	Remuneration for officers
April 23, 2020	Proposal regarding Appointment by the General Meeting of Shareholders	Performance-based remuneration for Directors and remuneration for individual Directors
August 26, 2020	Criteria for Appointment and dismissal of officers	—
December 23, 2020	Prospective officers	Basic policy, amounts of remuneration for officers, structure of remuneration for officers and different systems
January 29, 2021	Personnel affairs related to officers for FY2021	—

Criteria for Appointment and dismissal of Directors and Audit & Supervisory Board Members

Appointment criteria

1. Eligible individuals must be of excellent character, have excellent insight and business sense, and be familiar with various management issues.
2. Eligible individuals must be capable of analyzing and making decisions from a companywide perspective and in an objective manner.
3. Eligible individuals must be able to actively state their own views from a companywide perspective.
4. Eligible individuals must be able to spare the time and energy required to properly fulfill their duties and roles as Directors and Audit & Supervisory Board Members.
5. Eligible individuals must meet the statutory requirements for Directors and Audit & Supervisory Board Members.
6. Prospective Outside Directors and Audit & Supervisory Board Members must fulfill our criteria for independence.
7. The appointment of any specific prospective Director must allow the Board of Directors to maintain diversity in terms of experience and expertise, to efficiently and effectively fulfill its functions and ensure its well-balanced supervision of the business of the entire company.
8. The appointment of any specific prospective Audit & Supervisory Board Member must ensure a balance in terms of knowledge, experience and expertise. At least one of the Audit & Supervisory Board Members must have significant knowledge of financial affairs and accounting.

Procedures for appointment

1. The decision to hold an appointment of the prospective Directors and Audit & Supervisory Board Members is determined by the Board of Directors in accordance with their appointment criteria after the deliberation of the Nomination and Compensation Committee. The decision to hold an appointment of prospective Audit & Supervisory Board Members is referred to the Board of Directors after the deliberation and approval of the Audit & Supervisory Board.
2. Resolutions on the appointment of the prospective Directors and Audit & Supervisory Board Members nominated for these posts by the Board of Directors are made by the General Meeting of Shareholders.

Criteria for dismissal

1. A person is found to have committed any serious violation of any law, ordinance or the Articles of Incorporation.
2. A person is confirmed to have severely deviated from the criteria for appointment.
3. A person has caused remarkable damage to the corporate value by failing to perform their duties.
4. Any other event has occurred in which it is considered difficult for a person to properly perform their duties.

Procedures for dismissal

1. Dismissal of a Director or an Audit & Supervisory Board Member is determined by the Board of Directors after the deliberation of the Nomination and Compensation Committee in light of the criteria for the dismissal of Directors and Audit & Supervisory Board Members. The decision on the dismissal of Audit & Supervisory Board Members is referred to the Board of Directors after the deliberation and approval of the Audit & Supervisory Board.
2. Resolutions on the dismissal of a Director or an Audit & Supervisory Board Member are made by the General Meeting of Shareholders following a resolution of the Board of Directors. (In accordance with the provisions of the Companies Act, an ordinary resolution of the General Meeting of Shareholders is required for dismissal of a Director and a special resolution is required for the dismissal of an Audit & Supervisory Board Member.)

Criteria for independence

An Outside Officer to whom none of the following conditions applies can be Independent Officer.

1. The Officer engages or was engaged in our Group's execution of business at present or in the past.
2. The Officer engages or was engaged in the execution of the business of any of the Group's major business partners (any customer or supplier to whom the Group pays more than 1% of its annual consolidated net sales in the most recent fiscal year), its parent company or any of its important subsidiaries.
3. The Officer engages in the execution of the business of any financial institution or any other large creditor that is indispensable in our Group's procurement of funds and on which our Group is so dependent in a way that it is irreplaceable, or its parent company or any of its important subsidiaries.
4. The Officer is a consultant, accountant, tax accountant, lawyer or similar professional who receives from our Group any money or other asset worth more than ten million yen (on average for the past three years) in addition to the remuneration provided to them for their duties as officer.
5. The Officer belongs to the audit corporation conducting accounting audits for our Group or used to audit our Group.
6. The Officer is a major shareholder with an ownership ratio of 10% or more according to our most recent register of shareholders or engages in the execution of business of an organization or a group of organizations that is a major shareholder as defined above.
7. The Officer is a spouse or a relative within the second degree of kinship of any person to whom items 1 to 6 apply or any person engaging in the past three years in the execution of a business to which any of these items 2 to 5 apply.

Basic stance on the 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 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

Outline of evaluation and analysis process

Questionnaire survey
Conducted in December

→ **Analysis of responses to the survey**
February

→ **Discussions at the Board of Directors**
February

- 25 questions on the composition, roles, operations and culture of the Board of Directors
- 9 questions on corporate strategies and decision-making
- 9 questions on the internal control system
- 9 questions on advisory committees, successor plans and other matters

Outline of evaluation results and action plan

The Board of Directors evaluates its own overall effectiveness to increase its effectiveness and the corporate value of the Group. This evaluation includes the Directors and Audit & Supervisory Board Members. The self-evaluation and its findings for FY2020 are outlined on the right. In response to the findings on the right, the Board of Directors has confirmed that it will continue its endeavors to improve its effectiveness.

Method	Questionnaire survey 52 questions about the composition, roles, and operations of the Board of Directors, their determination of strategies and orientation, the internal control system and other matters
Date	From December 23, 2020 to February 25, 2021
Findings	● Regarding the enhancement of the information provided to outside officers, which was defined as a task for the previous fiscal year, cloud services ensuring information security were used to provide outside officers with quicker access to information and more time for consideration before discussion. ● For the fiscal year under review, we selected the issue of verifying that business resources were efficiently used.

Comment from Independent Outside Director

I hope for continued growth and increase in corporate value.

Our Board of Directors consists of inside Directors with expert knowledge in the area of power electronics and Outside Directors. Outside Directors capitalize on their experience as corporate managers and their skills in their respective areas of specialization to actively participate in the discussions and business reports of the Board of Directors and proposals on specific operational improvements and management tasks.
We ensure that Outside Directors are half or more of the Nomination and Compensation Committee, the establishment of which is arbitrary. It discusses personnel affairs concerning officers and the remuneration of officers to maintain objectiveness and transparency.
With a view towards sustainable corporate management in line with the medium- and long-term management plan, we execute business in accordance with specific action policies, including technical development, the acceleration of digital transformation (DX) and actions in the domains of renewable energy, new energy and other domains we are strong in.
As an Independent Outside Director, I believe that, with our mission of achieving carbon neutrality, our company's corporate value has the potential for infinite growth. To realize this corporate value, we hope to invest in new fields using our stable financial standing with an equity ratio of at least 70%.
We run a large number of group companies inside and outside Japan. To optimize corporate value, I think it is necessary to improve group governance.
From the standpoint of my knowledge in industry, government and academia, personnel are the most important part of sustainable corporate management. And I hope that we will develop skilled personnel through our efforts to recruit and develop personnel from the perspective of diversity.

Akira Uno,
Independent
Outside Director

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 Internal Control 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. Concerning quality issues in particular, the quality management departments established in individual divisions will carry out the cross-sectoral management of divisional quality assurance operations to resolve any issues quickly and precisely.

System diagram

Compliance

Basic stance

The Group endeavors to develop a corporate culture focused on compliance and construct a compliance promotion system to build a sound business foundation as a business entity trusted by society.

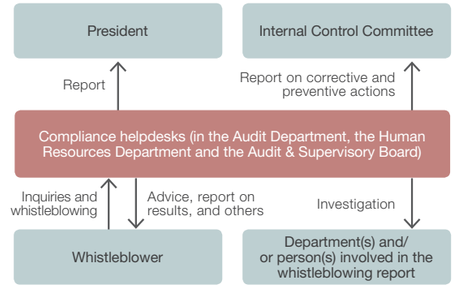
Compliance training

To increase awareness of compliance, the Group provides training and other education, including e-learning programs, on compliance in general and on laws and regulations related to business duties. Every November is determined to be a month for focusing on harassment prevention. We hold discussions in workplaces and otherwise encourage communication in workplaces to prevent harassment.

Whistleblowing system

The Group has set up compliance helpdesks (whistleblowing contacts) to be contacted regarding inquiries about compliance and for the reporting of any dishonest conduct. Upon the 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.

Whistleblowing process flow



The Environment

Towards the achievement of the SDGs

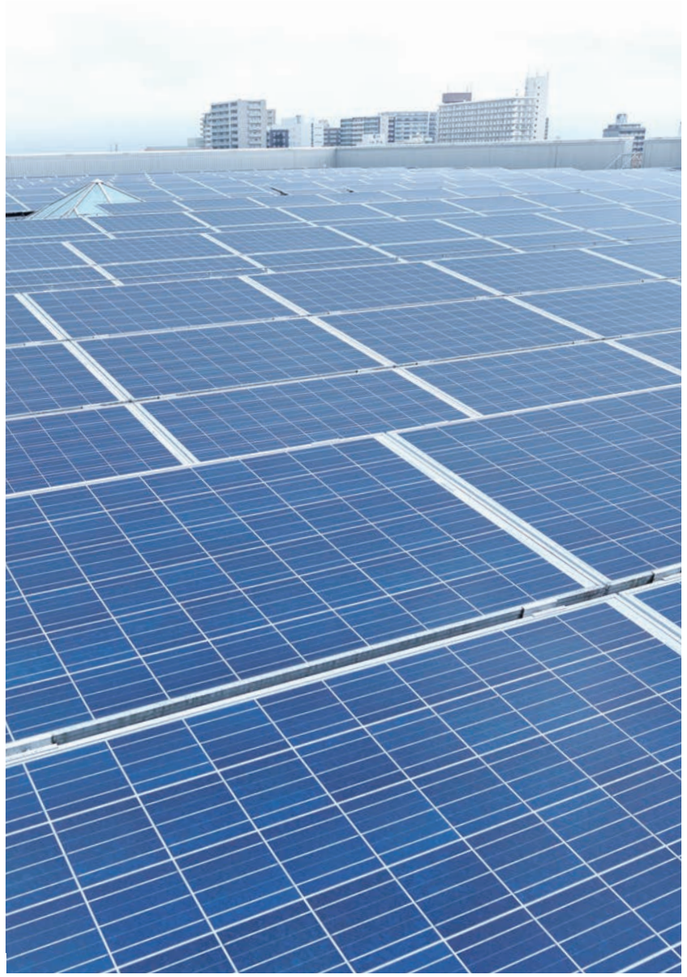
While the climate action of the international community accelerates, the Sansha Electric Manufacturing Group understands that the conservation of the global environment is a duty that must be fulfilled for the next generation. We believe the reduction of environmental impact through our business activities is one of our top priority issues. Working to reduce environmental impacts and considering biodiversity, we contribute to the realization of a sustainable society.

Solar (PV) power generation facilities

Waste reduction
Management of chemical substances
Prevention of water pollution

Reduction of energy consumption in business activities

Management of chemical substances
Prevention of water pollution



Solar panels installed on the roof of the Shiga Plant

Environmental Policy

1 | Observance of environmental laws and regulations
We will observe environmental laws and regulations and meet equivalent requirements.

2 | Prevention of global warming
We will work to conserve energy and reduce emissions of substances that cause global warming.

3 | Contribution to a recycling-oriented society
We will push ahead with the 3Rs, reduce, reuse and recycle, to realize a sustainable recycling-oriented society.

4 | Reduction of hazardous substances
We will work to reduce emissions of substances that adversely impact the environment and to prevent pollution.

5 | Reduction of the environmental impact of products
We will always strive to create environmentally-friendly product designs to provide products with little environmental impact throughout their life cycle.

6 | Consideration of biodiversity conservation
All our personnel will be aware of importance of conserving biodiversity and act in due consideration of it.

7 | Continuous improvement of the environmental management system
We will be aware of impact our business activities and products have on the environment and work to continuously improve our environmental management system.

Reduction of energy consumption

The Sansha Electric Manufacturing Group is accelerating its energy conservation in its production activities to reduce its energy consumption.

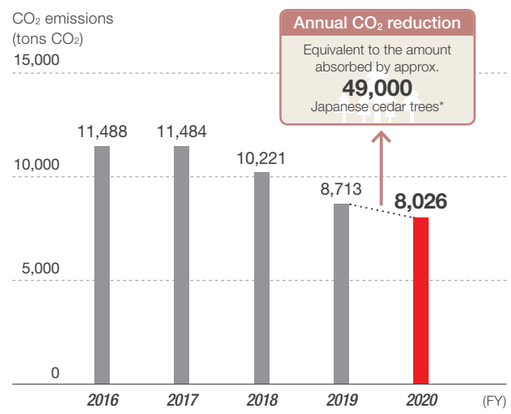
Past actions

We introduced LED lighting equipment. The Okayama Plant introduced an air conditioner for outdoor air treatment designed to use waste heat from production equipment's cooling water to preheat and reheat outdoor air and to use hot water instead of steam as the heat medium for heating and reheating. In addition, it is shifting heat sources from steam boilers to heat pump modular chillers to achieve a steam-free process. This has achieved significant results, and the Okayama Plant won an award from the Chugoku Bureau of Economy, Trade and Industry as an excellent energy management operator in FY2020.

Future actions

We will continue to press ahead with the visualization of energy in factories. We will understand energy in the production process to increase efficiency and reduce waste in energy consumption.

Trend in CO_2 emissions



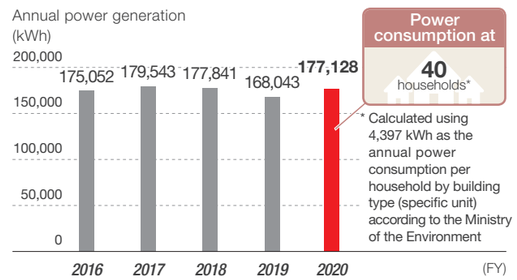
* Calculated by dividing the annual absorption amount by an approximate average of 14 kg per tree, according to the Ministry of the Environment and the Forestry Agency
Data includes Sansha Electric Manufacturing Co., Ltd. and Suwa Sansha Electric Co., Ltd.

Solar (PV) power generating facilities

The Shiga Plant installed 630 solar panels on its roof in April 2014 as part of its global environmental conservation efforts. It generates approximately 170,000 kWh of power per year using these panels and our power conditioner.

The monitor screen displays the current power generation.

Trend in solar (PV) power generation at the Shiga Plant



* Calculated using 4,397 kWh as the annual power consumption per household by building type (specific unit) according to the Ministry of the Environment

Waste reduction

Our plants in Japan are striving to minimize the waste generated by business activities and encouraging recycling to reduce the final volume of waste disposed of in landfills.

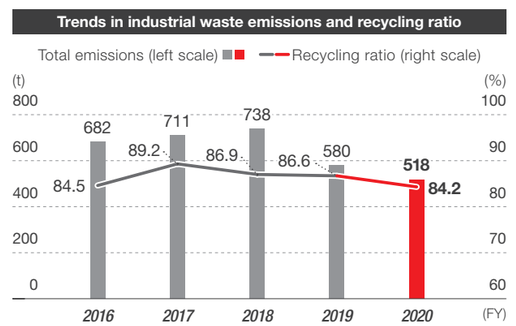
Past actions

We encourage recycling waste into valuable resources.

Future actions

We will reduce the waste itself produced by plants.
We will reuse chemicals through distillation or by using filtration and other technologies.

Trends in industrial waste emissions and recycling ratio

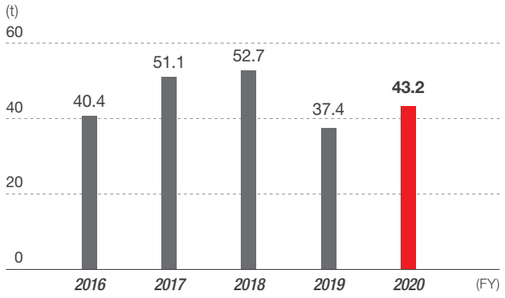


Management of chemical substances

Actions at Okayama Plant

The power semiconductor manufacturing process uses a huge amount of chemicals. The Okayama Plant does not only observe applicable laws and regulations but endeavors to increase productivity through the improvement of the manufacturing process and the yield to reduce chemical consumption and to treat wastewater to detoxify it.
Monitoring the status of emissions and the transfer of substances subject to the Pollutant Release and Transfer Register (PRTR)* under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management, the Okayama Plant strives to constantly reduce total emissions and the volume of PRTR substances transferred for environmental conservation purposes.

Trend in the volume of PRTR substances handled

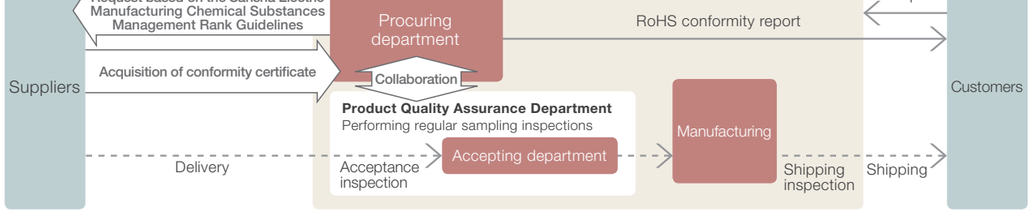


* A system under which the amounts of substances that may cause environmental pollution that are transferred and emitted are registered

Management of chemicals contained in products

In compliance with laws and regulations such as the European Union's Directive on Restriction of Hazardous Substances (RoHS) in Electrical and Electronic Equipment, the Sansha Electric Manufacturing Group has formulated the Sansha Electric Manufacturing Chemical Substances Management Rank Guidelines to require that suppliers rigidly manage the chemicals contained in products. In addition, to ensure the reliability of chemical substance data, we make sure that our procuring departments work with the Product Quality Assurance Department to develop a management structure.

Management Structure

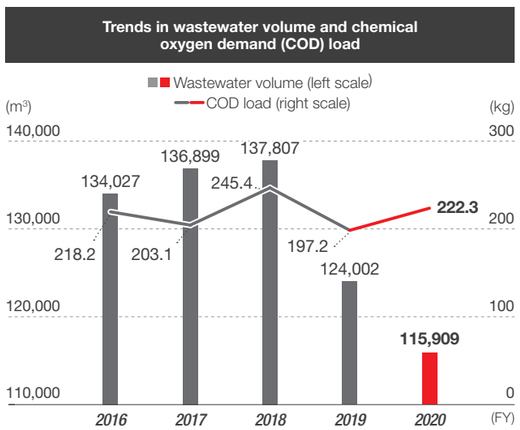


Prevention of water pollution

Our Okayama Plant engages in the manufacturing of power semiconductors. It runs wastewater treatment facilities to purify the wastewater from the manufacturing process and discharge treated wastewater that fulfills our standards which are more strict than specified in laws and regulations. It regularly inspects water quality and monitors wastewater quality.

Wastewater treatment facilities at the Okayama Plant

Trends in wastewater volume and chemical oxygen demand (COD) load



Society

Towards the achievement of the SDGs

The Sansha Electric Manufacturing Group is convinced that it will earn the trust of society and increase its corporate value by conducting business activities in a highly transparent manner characterized by compliance, corporate ethics and attention to social norms while improving the soundness of management and properly fulfilling its accountability to society. We also believe that harmony and mutual prosperity with our business partners, local communities, employees and other stakeholders rooted in awareness for social responsibilities will help us earn the trust of society.
The Sansha Electric Manufacturing Group will actively take on roles in the resolution of issues faced by local communities through its business activities with a view toward the achievement of the Sustainable Development Goals (SDGs) and the realization of a sustainable society.

- 5 GENDER EQUALITY — **Ensuring equality and fairness in workplaces**
- 11 SUSTAINABLE CITIES AND COMMUNITIES — **Construction of resilient infrastructure**
- 7 AFFORDABLE AND CLEAN ENERGY — **Solar (PV) power generating facilities**
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **Manufacturing that puts quality first**
- 8 DECENT WORK AND ECONOMIC GROWTH — **Creation of fulfilling workplaces**
- 13 CLIMATE ACTION — **Reduction of energy consumption in business activities**

Contribution to local communities

The Sansha Electric Manufacturing Group will actively participate in social contribution activities with a view toward establishing a more fulfilling, human-friendly society.

Participation in the virtual power plant construction demonstration project

We take part in the Ministry of Economy, Trade and Industry's demonstration project for the construction of virtual power plants (VPP)* using consumers' energy resources. The goals of this demonstration project are, amid the progress of deregulation in the electric power market and electric power system reforms, to achieve unprecedented energy management towards the establishment of energy infrastructure aiding the efficient utilization of energy throughout society.

*A virtual power plant is a system in which small power generation and storage facilities in many households, offices and commercial buildings, factories and others are operated together like a single power plant, instead of constructing a large power plant, by integrating and remotely controlling them using IoT and other information technologies.

Power conditioner for the VPP demonstration installed in our Shiga Plant

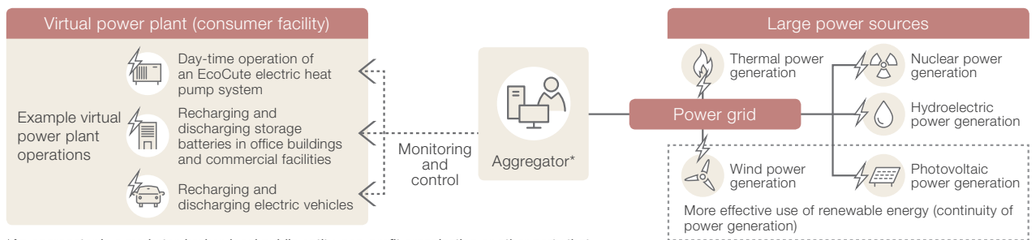
Power conditioner for the VPP demonstration installed in our former Osaka Plant

Recognized as a company taking on the Zero-Emissions Challenge by the Ministry of Economy, Trade and Industry

In recognition of our participation in this demonstration project, we have been selected as a company taking on the Zero-Emissions Challenge, which leverages innovation to pave the way toward the realization of a decarbonized society.

ZERO EMISSIONS CHALLENGE

Diagram of the virtual power plant construction demonstration project (image)



*An aggregator is a marketer, broker, local public entity, non-profit organization or other party that effectively balances consumers' power demand to successfully provide energy management services.

Participation in the industry-academia-government collaborative project for the creation of the SUWARIKA Brand

Since 2018, Suwa Sansha Electric Co., Ltd. has been part of the project creating the SUWARIKA Brand. This project is part of the Chino city government's general strategy for regional revitalization in Nagano Prefecture, addressing the shrinking, aging local population with its declining birth rate. Chiefly run by the Suwa University of Science, this project aims to create new demand and high value-added jobs and to accelerate the regeneration of industry in this industry-academia-government collaboration for the resolution of local issues and the development of workers leveraging state-of-the-art IoT and communication technologies and local resources including the rich natural environment and advanced manufacturing technologies.

Suwa Sansha Electric Co., Ltd. developed a general-purpose transmitter circuit board that complies with IoT wireless communication standards through the SUWARIKA Brand creation project.

A social issue faced by mountainous areas is flood damage, including the flooding of small rivers, damage of which is becoming more frequent every year. The general-purpose transmitter circuit board is used to monitor water levels for the accurate prediction of river water levels and the detection of abnormalities attributable to the flow of debris.

Monitoring the level of the river water, the water level gauge in the photo incorporates the general-purpose transmitter circuit board.

Technology and quality

The Sansha Electric Manufacturing Group's management principle is, "Make a continuous effort to create products that are sought by society and contribute to the development of society by providing products of better quality." We engage in manufacturing with quality-first as a guiding principle and foundation for our corporate activities.

Efforts to improve quality

Our Group's power semiconductors and power supplies are intended for use in industrial equipment. They play significant roles inside our customers' power supplies for production process equipment and backup power supplies that support infrastructure. This requires them to be high quality and very safe. Any trouble in the production process can lead to an adverse environmental impact due to the suspension of production or the wasting of materials. We will untiringly work to improve quality, keeping in mind that the provision of reliable, reassuring quality to customers is greatly connected to social contribution and the conservation of the global environment.

In addition, our Group will establish a system for the development of our employees to enable them to find the true causes of quality issues and take corrective measures as we develop quality awareness within the Group. We will also encourage them to pass the QC Kentei (Quality Management and Quality Control Examination) to strengthen their management of quality.

Quality Policy

1 | **Customer satisfaction and customer-first policy**
Establish customer satisfaction as the top priority and carefully respond to the demands of society.

2 | **Consistent structure**
Respond to customer requirements through an integrated system including everything from proposals and orders to development, manufacturing, and after-sales service.

3 | **Technical strengths for high quality**
Operate the power supply business and the semiconductor business in tandem to integrate semiconductor and power conversion technologies to achieve high quality through advanced technological strengths.

4 | **Companywide activities for quality improvement**
Work on quality improvement as a companywide concerted effort through a small-group activity basis, which is unique to our company.

5 | **Response to needs of the times**
Quickly respond to the needs of the times, including solutions to energy issues and for the conservation of the natural environment to serve causes through quality and the use of advanced technologies.

SanRex Producer System (S-PS) activities

The Sansha Electric Manufacturing Group actively conducts S-PS activities, which are aimed at improving individual workplaces. To carry out an operation consistently from beginning to end, in the S-PS activities, it is fundamental that small groups independently carry out and complete activities. We regularly provide opportunities for small groups to present the results of their activities. Groups with outstanding achievements are honored, inspiring to step up their activities.

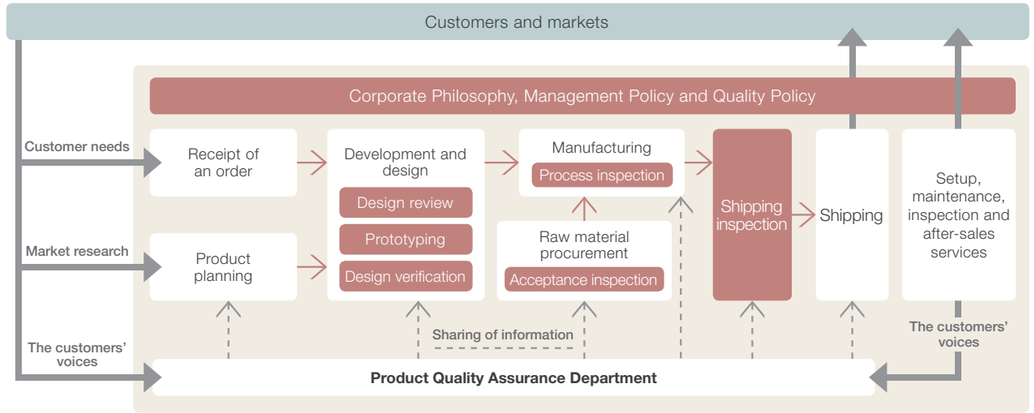
Written proposals on display

Meeting for the presentation of results

Quality assurance system

To ensure that a level of quality that satisfies customers is maintained, Sansha Electric Manufacturing Co., Ltd. has established procedures for its quality assurance activities at each stage of its operations, including product planning, development, design, delivery to customers and after-sales services. Through this, we are working to improve quality to provide customers with products that satisfy their needs and earn their trust.

Quality assurance system diagram



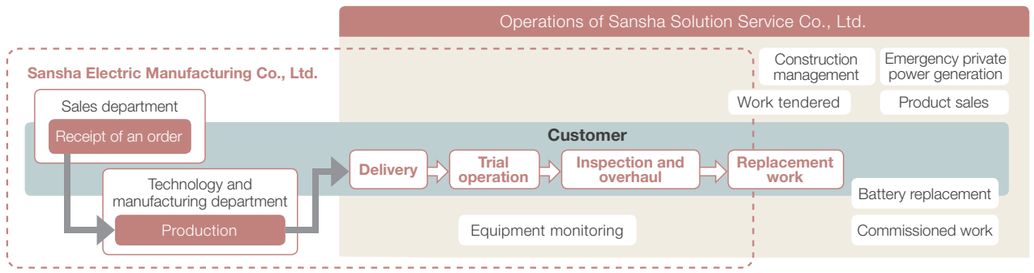
Power supply maintenance services

Sansha Solution Service Co., Ltd. provides maintenance and inspection services for power supplies. Headquartered in Osaka, it has service offices in Tokyo, Nagoya and Fukuoka. In collaboration with the Group's overseas sales companies, the Group provides customer support.

Sansha Solution Service Co., Ltd. provides extensive support services for power supply equipment to customers, including support for installation, setup, operations and maintenance. Among the issues faced by customers, large power supplies are likely to have an enormous impact on systems if they stop working. They need daily maintenance and inspection, and there is increasing demand for them.

The Sansha Electric Manufacturing Group engages in the development, manufacturing and sale of power supplies. It will also accelerate its development of comprehensive solutions including maintenance, inspection, repair and other support services.

Sansha Electric Manufacturing Group's comprehensive solution services



Personnel

The Sansha Electric Manufacturing Group's management principle includes the phrase, "Happiness and Stability for Employees." We believe that our staff's happiness is one of the most important parts of our business's foundation for growth and development.

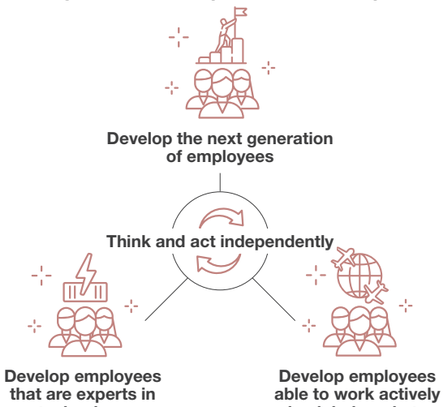
The Group will strive to develop an environment that helps every individual employee develop in light of their unique personalities and strengths and help them work to maximize their abilities and create corporate value.

Personnel development

Basic stance

A basic policy of the Sansha Electric Manufacturing Group is that employees' growth leads to corporate growth. An essential requirement for the Group's continuous growth is personnel who think and act independently. In an era where reform is required, we will continue working to develop personnel with broad perspectives and diverse experiences, being capable of directing our businesses in the future. In accordance with the mid-term management plan, we will improve our personnel development system, including our rank-specific development programs, to increase the abilities of our workforce. The personnel measures are focused on the development of future generations of employees, the development of individuals that are able to work actively in global markets, and the development of employees that are experts in technology. We continue to work to achieve the growth of our workforce to fulfill our mid-term management plan and support the sustainable increase of our corporate value.

Priority measures for personnel development



Personnel development system

	Rank-specific training and promotion training	Employees working actively in global markets	Employees that are experts in technology	Specific to factories or skills	Personnel management	Active participation of female employees	Supporting personal development	Training for all personnel
Management	Training for senior managers; Newly appointed Deputy General Managers; Newly appointed section managers; Personnel assessment	Language skill acquisition support program	Technology management	Rank-specific training in factories; Professional training at individual factories	Personnel management; Evaluation personnel	Promotion of active participation of female employees	Acquisition of public qualifications; Distance learning	Management principle; Ethics and compliance
Leaders	Personnel eligible for promotion; Initial-level leaders	Overseas trainee program; Overseas business experience program	Technical skills		Mentors for new employees			
Associates	Increasing motivation of young employees; Personnel in their third year of service; Follow-up; New employees		Basic technologies					

Promotion of diversity

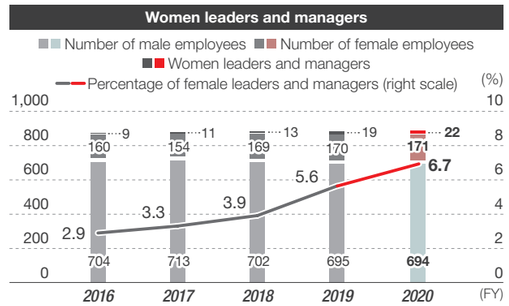
Basic stance

The Sansha Electric Manufacturing Group stipulates respect for human rights as a part of its code of conduct. We believe that respecting the human rights of all individuals involved in our business, including employees, is a vital part of operating our business globally. We will not discriminate against anyone or infringe on anyone's personal dignity due to their race, nationality, birth, religion, belief, gender, sexual orientation, age, disability or other characteristic. At our workplaces, we work to enable the development of our employees, the empowerment of women, the diversity of our workforce, and the achievement of healthy work-life balances.

Promotion of active participation of female employees

It is said that today we are experiencing an era of uncertainty, with social circumstances drastically changing. In this current situation, it is necessary that we ensure that our employees who have diverse values display their capabilities to the fullest degree. Based on the idea that the active participation of women is very important, we have been working on promoting their advancement in the workplace since FY2016. We are engaged in many different approaches that enable our women employees to develop, including actions to forge a culture encouraging all employees, irrespective of gender, to take on new challenges without being swayed by stereotypes, skill development training for women employees, the encouragement of a shift in thinking, including the mindset of their superiors and job rotation to enable women to work in broader fields. We have set the number and percentage of women leading within the Group as key performance indicators for our initiatives empowering women. We have set targets to ensure that we are constantly developing women leaders. In the future, we will take actions in view of promotion to female managers, including raising of career awareness and improvement in management skills.

Women leaders and managers



Data includes Sansha Electric Manufacturing Co., Ltd., Sansha Solution Service Co., Ltd. and Suwa Sansha Electric Co., Ltd.

External recognition

Certified as a Leading Company with Actively Participating Women in Osaka-shi

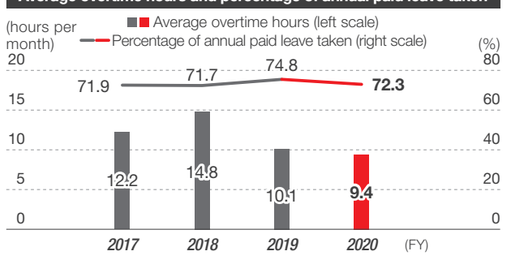
Certified by the Shiga Prefectural Government's program certifying companies that enable women to advance their careers

One of our employees was chosen as a role model by the Okayama Prefectural Government as a part of their Women in the Land of Sunshine project.

Work-life balance

We strive continuously to ensure that working hours are properly managed and to reduce the amount of overtime worked. We are improving the working environment to make sure that all employees, irrespective of gender, are able to establish a healthy work-life balance. For this, we have introduced several programs including an annual leave saving program that allows employees to take expired annual paid leave for medical treatment, childcare and volunteer activities, and a commemorative event leave program that encourages workers to take holidays for their children's birthdays and other events.
We will continue our efforts to create a worker-friendly working environment that enables employees to work with peace of mind and achieve a healthy work-life balance.

Average overtime hours and percentage of annual paid leave taken



Data includes Sansha Electric Manufacturing Co., Ltd., Sansha Solution Service Co., Ltd. and Suwa Sansha Electric Co., Ltd.

Support for return from childcare leave

We ensure that employees wishing to resume working after childcare leave consult with their superiors to enable their smooth return to the workplace.
This is meant to remove anxiety about the return and facilitate their superiors' understanding of their work-life balance. Through this, we strive to create a working environment that enables employees to establish a healthy balance between childcare and their career.

Taking childcare leave

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees taking childcare leave	Total	8	7	12	5	19
	Male	0	0	0	1	4
	Female	8	7	12	4	15
Percentage of employees returning from childcare leave	Total	100.0%	100.0%	88.9%	91.7%	100.0%
	Male	0.0%	0.0%	0.0%	100.0%	100.0%
	Female	100.0%	100.0%	88.9%	90.9%	100.0%

Data includes Sansha Electric Manufacturing Co., Ltd., Sansha Solution Service Co., Ltd. and Suwa Sansha Electric Co., Ltd.

External recognition

Lively advanced Company Certification obtained from the Nagano Prefectural Government

Trends in major financial indicators in the past 11 years

	FY2010 77th business period	FY2011 78th business period	FY2012 79th business period	FY2013 80th business period	FY2014 81st business period	FY2015 82nd business period	FY2016 83rd business period	FY2017 84th business period	FY2018 85th business period	FY2019 86th business period	FY2020 87th business period
Fiscal year (million yen)											
Net sales	26,164	26,393	20,547	23,279	22,113	22,191	20,069	23,717	24,369	21,875	**19,436**
Japan	17,581	16,811	14,591	16,697	14,943	15,400	13,451	16,026	16,927	15,165	**13,462**
Overseas	8,582	9,581	5,956	6,582	7,169	6,790	6,618	7,691	7,442	6,709	**5,973**
Cost of sales	20,653	20,959	15,469	16,708	15,726	16,421	15,652	17,515	17,930	17,281	**15,027**
Gross profit	5,511	5,434	5,078	6,570	6,387	5,770	4,417	6,202	6,438	4,594	**4,408**
Selling, general and administrative expenses	3,539	3,528	3,452	4,078	4,085	3,893	4,194	4,727	4,605	4,337	**3,992**
Operating profit	1,971	1,905	1,536	2,492	2,301	1,876	222	1,474	1,833	256	**416**
Ordinary profit	1,871	1,858	1,616	2,582	2,289	1,801	217	1,480	1,804	243	**441**
Profit before income taxes	1,910	1,946	1,231	2,542	2,281	1,710	281	1,471	1,793	290	**612**
Profit attributable to owners of parent	1,789	1,295	910	1,651	1,506	1,172	126	1,065	1,339	(680)	**497**
Capital investment	353	693	708	3,040	1,011	407	463	734	720	641	**359**
Depreciation	908	846	846	872	1,056	970	955	977	955	1,030	**948**
Research and development expenses	779	763	594	664	688	703	511	904	1,305	1,204	**1,223**
Cash flows from operating activities	1,328	3,837	1,675	621	2,886	1,401	1,844	3,560	746	36	**1,729**
Cash flows from investing activities	(271)	78	(617)	(1,858)	(2,244)	(321)	(2,594)	(499)	(658)	(571)	**(355)**
Cash flows from financing activities	(249)	(1,510)	(960)	334	20	(1,484)	(94)	(1,135)	(961)	(659)	**(249)**
As of the end of fiscal year (million yen)											
Cash and cash equivalents	3,187	5,575	5,879	5,212	6,204	5,654	4,966	6,820	5,963	4,659	**5,870**
Interest-bearing debt	4,076	2,701	1,936	1,560	1,832	1,001	1,150	200	100	-	**-**
Total assets	25,498	24,260	23,633	27,602	28,007	26,169	25,725	27,817	28,532	24,051	**24,846**
Net assets	11,841	13,005	14,069	16,756	18,665	18,421	18,248	19,314	19,952	18,489	**19,336**
Per-share data (yen)											
Earnings per share	141.54	102.44	72.01	114.75	100.80	79.29	8.71	73.48	93.44	(48.22)	**35.42**
Net assets per share	936.42	1,028.54	1,112.74	1,121.30	1,249.11	1,271.07	1,259.14	1,332.69	1,410.77	1,316.15	**1,376.49**
Dividends per share	10.0	12.5	15.0	15.0	17.0	23.0	10.0	20.0	28.0	13.0	**15.0**
Financial indicators (%)											
Operating profit/net sales	7.5	7.2	7.5	10.7	10.4	8.5	1.1	6.2	7.5	1.2	**2.1**
Return On Assets (ROA)	7.5	5.2	3.8	6.4	5.4	4.3	0.5	4.0	4.8	(2.6)	**2.0**
Equity ratio	46.4	53.6	59.5	60.7	66.6	70.4	70.9	69.4	69.9	76.9	**77.8**
Return On Equity (ROE)	16.1	10.4	6.7	10.7	8.5	6.3	0.7	5.7	6.8	(3.5)	**2.6**
Dividend payout ratio	7.1	12.2	20.8	13.1	16.9	29.0	114.8	27.2	30.0	-	**42.3**
Ratio of dividends to net assets	1.1	1.2	1.3	1.3	1.4	1.8	0.8	1.5	2.0	1.0	**1.1**
Shares and share prices											
Total number of issued shares	12,650,000	12,650,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	14,950,000	**14,950,000**
Total number of treasury shares	4,714	5,851	6,046	6,541	7,099	457,099	457,099	457,099	807,120	902,122	**902,122**
Share price at the end of period (yen)	641	457	590	627	648	563	506	1,615	853	469	**817**
Price earnings ratio (PER)	4.53	4.46	8.19	5.46	6.43	7.10	58.09	21.98	9.13	-	**23.07**
Price book-value ratio (PBR)	0.68	0.44	0.53	0.56	0.52	0.44	0.40	1.21	0.60	0.36	**0.59**

Consolidated balance sheets

(million yen)

Assets	FY2019 86th business period	FY2020 87th business period
Total current assets	17,611	**18,594**
Non-current assets		
Property, plant and equipment	5,710	**5,282**
Intangible assets	282	**156**
Investments and other assets	446	**812**
Total non-current assets	6,440	**6,251**
Total assets	24,051	**24,846**

(million yen)

Liabilities and net assets	FY2019 86th business period	FY2020 87th business period
Current liabilities	4,889	**4,806**
Non-current liabilities	673	**703**
Total liabilities	5,562	**5,509**
Shareholders' equity	18,522	**18,879**
Accumulated other comprehensive income	(33)	**457**
Total net assets	18,489	**19,336**
Total liabilities and net assets	24,051	**24,846**

Consolidated statements of income

(million yen)

	FY2019 86th business period	FY2020 87th business period
Net sales	21,875	**19,436**
Cost of sales	17,281	**15,027**
Gross profit	4,594	**4,408**
Selling, general and administrative expenses	4,337	**3,992**
Operating profit	256	**416**
Ordinary profit	243	**441**
Profit before income taxes	290	**612**
Total income taxes	971	**115**
Profit (loss)	(680)	**497**
Profit (loss) attributable to owners of parent	(680)	**497**

Consolidated statements of comprehensive income

(million yen)

	FY2019 86th business period	FY2020 87th business period
Profit (loss)	(680)	**497**
Other comprehensive income	(361)	**490**
Comprehensive income	(1,042)	**988**
Comprehensive income attributable to owners of parent	(1,042)	**988**

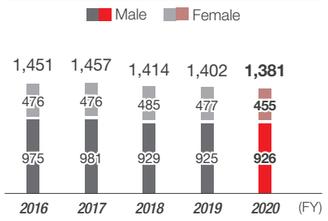
Consolidated statements of cash flows

(million yen)

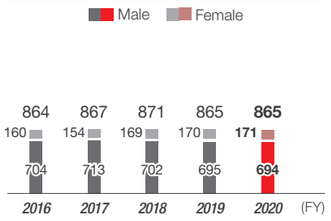
	FY2019 86th business period	FY2020 87th business period
Net cash provided by (used in) operating activities	36	**1,729**
Net cash provided by (used in) investing activities	(571)	**(355)**
Net cash provided by (used in) financing activities	(659)	**(249)**
Effect of exchange rate changes on cash and cash equivalents	(34)	**86**
Net increase (decrease) in cash and cash equivalents	(1,228)	**1,211**
Increase (decrease) in cash and cash equivalents resulting from accounting term alterations of subsidiaries	(74)	**-**
Cash and cash equivalents at beginning of period	5,963	**4,659**
Cash and cash equivalents at end of period	4,659	**5,870**

Non-financial data

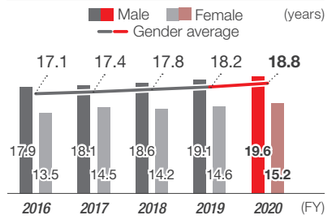
Number of employees (Consolidated)



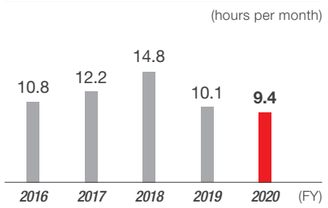
Number of employees in Japan



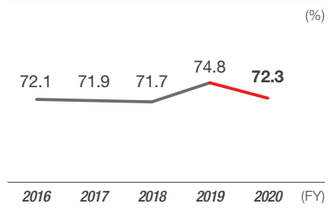
Average duration of service



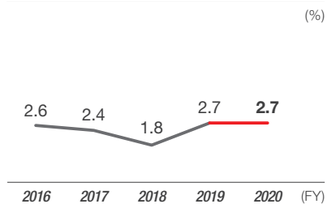
Average overtime hours



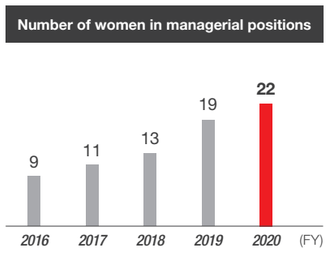
Percentage of annual paid leave taken



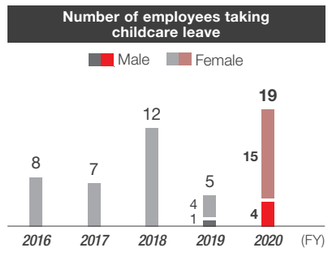
Percentage of employees with disabilities



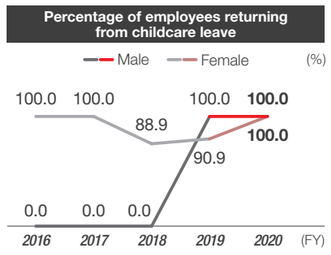
Number of women in managerial positions



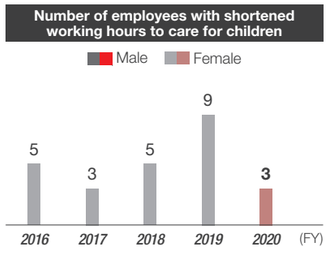
Number of employees taking childcare leave



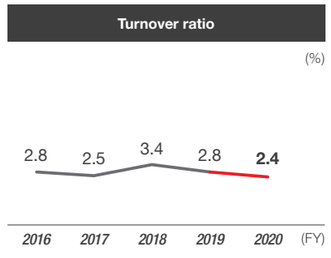
Percentage of employees returning from childcare leave



Number of employees with shortened working hours to care for children

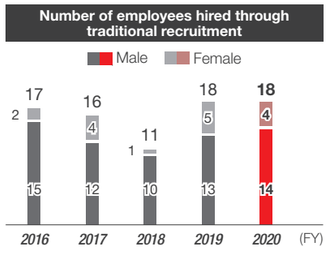


Turnover ratio

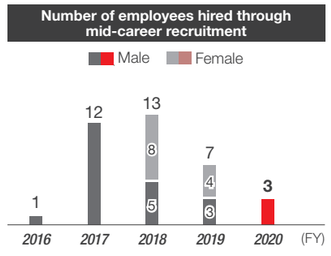


Number of occupational accidents with lost worktime

Number of employees hired through traditional recruitment



Number of employees hired through mid-career recruitment



Company outline (as of March 31, 2021)

Company name	Sansha Electric Manufacturing Co., Ltd.
Date of foundation	March 8, 1933
Data of incorporation	April 28, 1948
Headquarters location	3-1-56, Nishiawaji, Higashiyodogawa-ku, Osaka 533-0031, Japan
Capital	2.7 billion yen
Number of employees (consolidated)	1,381 (865 in Japan, 516 overseas)
Branches, sales offices and other offices	Tokyo, Aichi, Fukuoka, Ishikawa, Finland, South Korea and Taiwan
Plants and laboratories	Osaka, Shiga and Okayama

Consolidated subsidiaries

Japan	SANSHA SOLUTION SERVICE CO., LTD. (Osaka) SUWA SANSHA ELECTRIC CO., LTD. (Nagano Prefecture)
Overseas	SANREX CORPORATION (USA) SANREX ASIA PACIFIC PTE. LTD. (Singapore) SANREX LIMITED (Hong Kong) SANSHA ELECTRIC MFG. (SHANGHAI) CO., LTD. (China) SANSHA ELECTRIC MFG. (GUANGDONG) CO., LTD. (China) DONGGUAN EASTERN ELECTRONICS CO., LTD. (China)

Stock and Shareholder Data (as of March 31, 2021)

Stock exchange listing	Second Section, Tokyo Stock Exchange (Securities Code: 6882)
Administrator of shareholders' register	Sumitomo Mitsui Trust Bank, Ltd

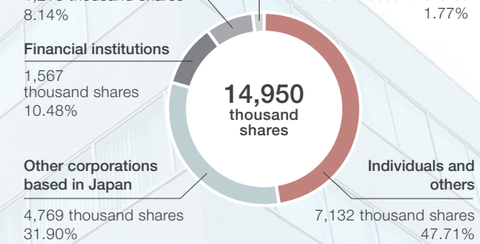
Major shareholders (ten largest shareholders)

Name	Number of shares held (unit: thousands)	Shareholding ratio (%)
Panasonic Corporation	3,364	23.95
Miyashiro Limited Liability Company	758	5.40
Employee Shareholding Association of Sansha Electric Manufacturing	382	2.72
The Master Trust Bank of Japan, Ltd. (trust account)	339	2.41
Kunio Shikata	330	2.35
Sumitomo Mitsui Trust Bank, Limited	326	2.32
CGML PB CLIENT ACCOUNT/COLLATERAL	325	2.32
The Senshu Ikeda Bank, Ltd.	314	2.24
Yukiya Morita	300	2.14
Sumitomo Mitsui Banking Corporation	280	1.99

(Notes)1. The number of shares held is rounded down to the nearest thousand.
2. We, Sansha Electric Manufacturing Co., Ltd., own 902 thousand treasury shares, but we excluded ourselves from the list of major shareholders.
3. The shareholding ratio is calculated disregarding treasury shares and rounding to two decimal places.

Number of shares issued	14,950,000
Number of shareholders	5,698

Distribution by type of shareholders



(Notes)1. The number of shares held is rounded down to the nearest thousand.
2. The figure for "individuals and others" includes 902 thousand treasury shares.
3. The shareholding ratio is rounded to two decimal places.

Editorial policy

The SanRex Report is edited for the purpose of reporting to its stakeholders, in an easy-to-understand manner, the Sansha Electric Manufacturing Group's efforts towards continuous growth and medium- and long-term value creation. For more detailed information and figures, please see our website.

https://www.sansha.co.jp/eng/ir/integrated.html

Scope of reporting	Sansha Electric Manufacturing Co., Ltd. and its eight consolidated subsidiaries However, the applicable scope of reporting is specified on a case-by-case basis if it differs from the above.
Period covered	Fiscal year 2020 (from April 1, 2020 to March 31, 2021)
Contact for inquiries	Public Relations Department Phone: +81-6-6321-0321 (switchboard number) sanrex-ir@sansha.co.jp
Disclaimer	This report contains plans, strategies and forward looking statements such as financial outlooks. They are based on the information available at the time of publication and on certain assumptions that are deemed reasonable. Please note that results may differ from these statements due to a variety of factors.