

Integrated Report 2023



STANLEY ELECTRIC CO., LTD.

2-9-13 Nakameguro, Meguro-ku, Tokyo 153-8636, Japan

TEL 03-6866-2222

<https://www.stanley.co.jp/e/>



STANLEY ELECTRIC CO., LTD.

Integrated Report 2023 Concept

The “Integrated Report 2023” comprises five chapters—“Introduction,” “Value Creation,” “Strategy,” “Governance,” and “Data Section”—and outlines details with a focus on content that stakeholders are keenly interested in, including our response to changes occurring throughout the social environment and commitment to reform, in line with the VIII Three-year Medium-term Management Plan (VIII MTP).

“Value Creation” covers messages from management and explores the Stanley Group's value creation processes, while the environment, society and governance sections outline our approach to tackling climate change, basic policy underpinning human capital, measures to enhance corporate governance, and other aspects related to sustainability.

Editorial Policy

We issue this report in order to give an understanding of our initiatives to increase our corporate value over the medium to long term to all of our stakeholders, including shareholders and investors.

When editing this report, we consulted a variety of guidelines, including the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC), and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation formulated by the Japanese Ministry of Economy, Trade and Industry (METI). The information in this report includes points of particular importance out of the basic values of the Stanley Group, milestones of the 100-year history since our founding, medium- to long-term value creation, and sustainability initiatives, with a focus on the information regarding enhancement of our corporate value. Please see our website for additional information that could not be included in this report. Stanley Website: <https://www.stanley.co.jp/e/index.php>

Guidelines Consulted

- IIRC, “International Integrated Reporting Framework”
- METI, “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation”
- Japanese Standards Association (comp.), “ISO 26000:2010 Guidance on social responsibility”
- Ministry of the Environment, “Environmental Reporting Guidelines 2018”
- Global Reporting Initiative (GRI), “Sustainability Reporting Guidelines Standard”

Period Covered

FY2022 (April 1, 2022 to March 31, 2023)
* This report also includes some activities from outside this period.

Publication Information

Published October 2023

Scope

This report covers the entire Stanley Group, including Stanley Electric Co., Ltd. and its Group companies.

Cautionary Note

Any statements in this report that are not historical fact are the Company's expectations for the future that are based on management's future outlooks and plans. Please note that these expectations for the future include elements of risk and uncertainty and the expectations and forward-looking statements in this report may differ significantly from actual performance.

Contents

1	Introduction Outlines the Stanley Group's Vision, main products and history.	3 STANLEY GROUP VISION 5 Main Products by Segment 7 At a Glance 9 A Century of Stanley
2	Value Creation Outlines the aspirations of management and the story of our value creation.	11 Message from the President 15 Story of Value Creation 15 Process for Creating Value 17 The Stanley Group's Strengths and Business Model 19 Materiality (Priority Issues) 21 Sustainability
3	Strategy Outlines details on management strategies for sustainable growth, with a focus on the mid-term management plan.	23 Value Creation Strategy 23 VIII Three-year Medium-term Management Plan (VIII MTP) 25 Business Strategies 29 Materiality Initiatives 31 Research & Development 33 Financial Strategy —Message from Director In Charge of Accounting and Finance— 37 Environment 45 Society
4	Governance Outlines the governance measures that form the foundation that supports value creation.	57 Roundtable Discussion with Outside Directors 61 List of Directors and Skills Matrix 63 Corporate Governance 68 Compliance 69 Risk Management
5	Data Section Outlines chronological financial data and core company information.	71 Key Financial Data for Eleven-Year Period 73 Stock Information and Corporate Overview 74 Global Network

STANLEY GROUP VISION

Stanley Spirit

Outshining Light

Light has infinite possibilities that can bring many benefits to humankind.

You may think it impossible to challenge light and win at its own game of shining.

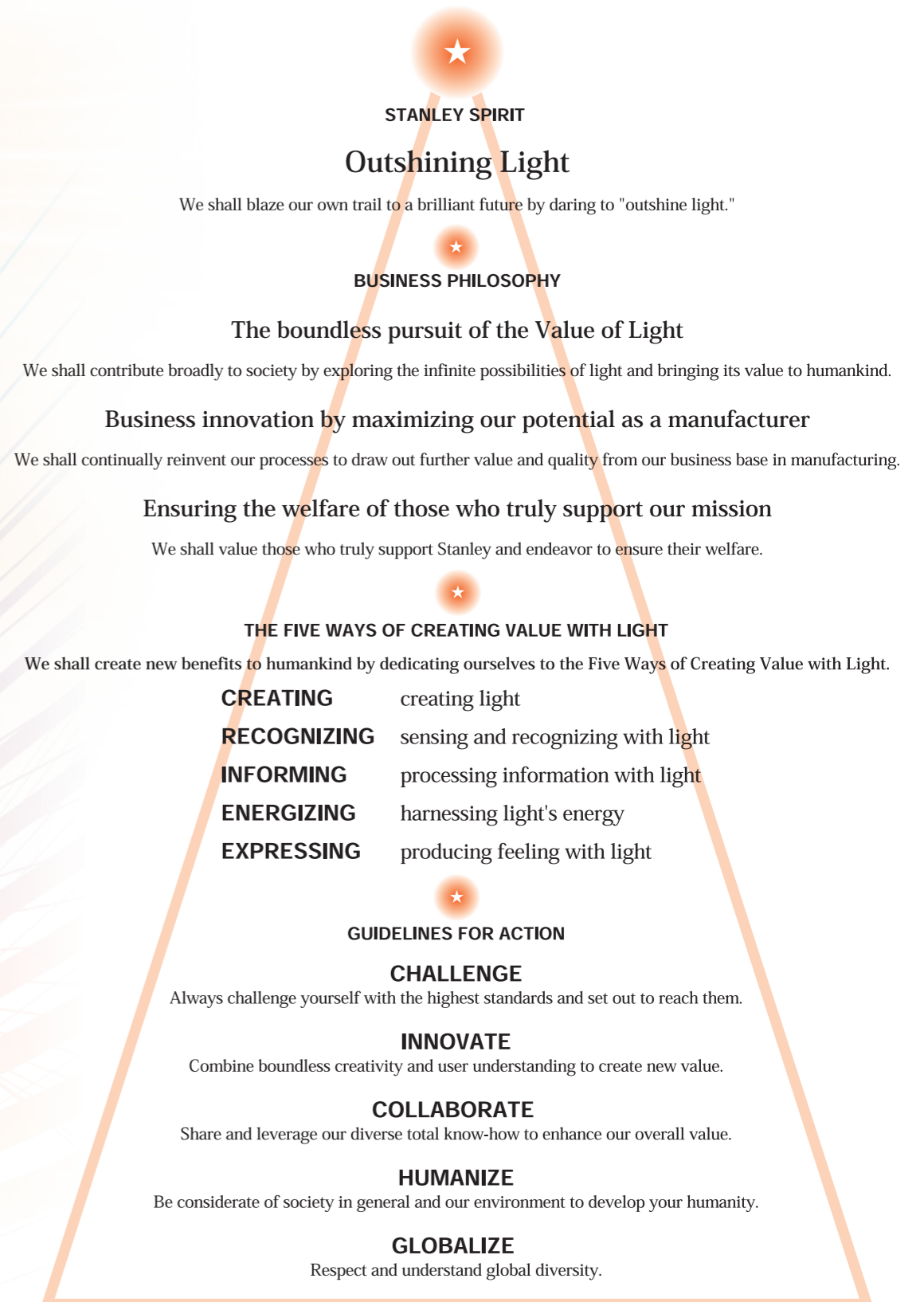
Daring to "outshine light" is the attitude of one who knows no fear, but it is precisely this kind of resolve and spirit that we all need to have as we blaze our own trail to the future.

It is a fundamental belief, where you give things a try before you say that they can't be done.

Without this posture, we will not be able to survive the challenges these turbulent times call for.

The goal of outshining light shall be the spirit required of all Stanley people for us to prevail in this new century.

STANLEY GROUP VISION



Main Products by Segment

Automotive Equipment Business

Automobile

Headlamps



Honda "ACCORD"



TOYOTA "RAV4"



MAZDA "CX-60"



DAIHATSU "TANTO FUNCROSS"

Front combination lamp

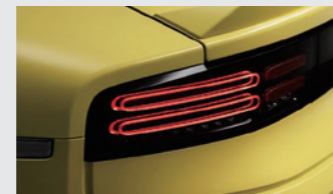


PORSCHE "911 Turbo Models"

Rear combination lamps



MAZDA "CX-60"



NISSAN "FAIRLADY Z" / "NISSAN Z"



SUZUKI "S-CROSS"

Motorcycle

Headlamps



Honda "Gold Wing Tour"



KAWASAKI "Z1000"

Taillamps



YAMAHA "XMAX"



SUZUKI "GSX-R150"

Accessory & Device

Ambient light



Bicolor LED fog lamp



Electronic Components Business

Ultraviolet

UV-C LED / UV cold cathode lamps (UV-CCL)



Water purifier (water disinfection)

Visible light

High power LED



Vehicle exterior

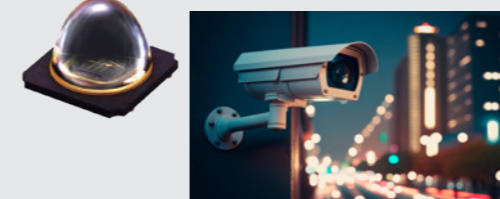
White color LED / Single color LED



Vehicle interior

Infrared

IR LED



Surveillance camera

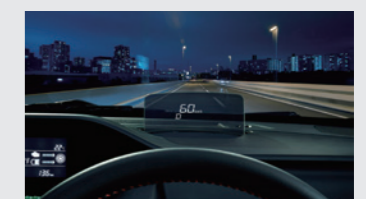
IR VCSEL



DMS (Driver Monitoring System)

Liquid Crystal Display (LCD)

Head up display



Applied Electronic Products Business

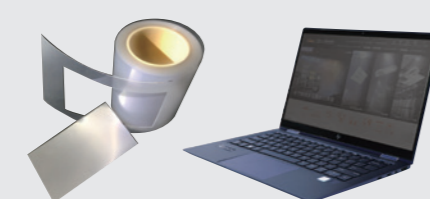
Applied Electronics

Operating panel



Photo courtesy of Konica Minolta, Inc.

Backlight unit for LCD



Light guide film Backlight unit with privacy feature

LED Lighting

Landscape lighting



Niagara Falls (Canada, USA)

Car Electronics

Heater control panel



UV Disinfection products

Water disinfection



UV-C LED water disinfection equipment

Disinfection of raw water



Disinfection of raw water

Air disinfection



UV-C air disinfecter

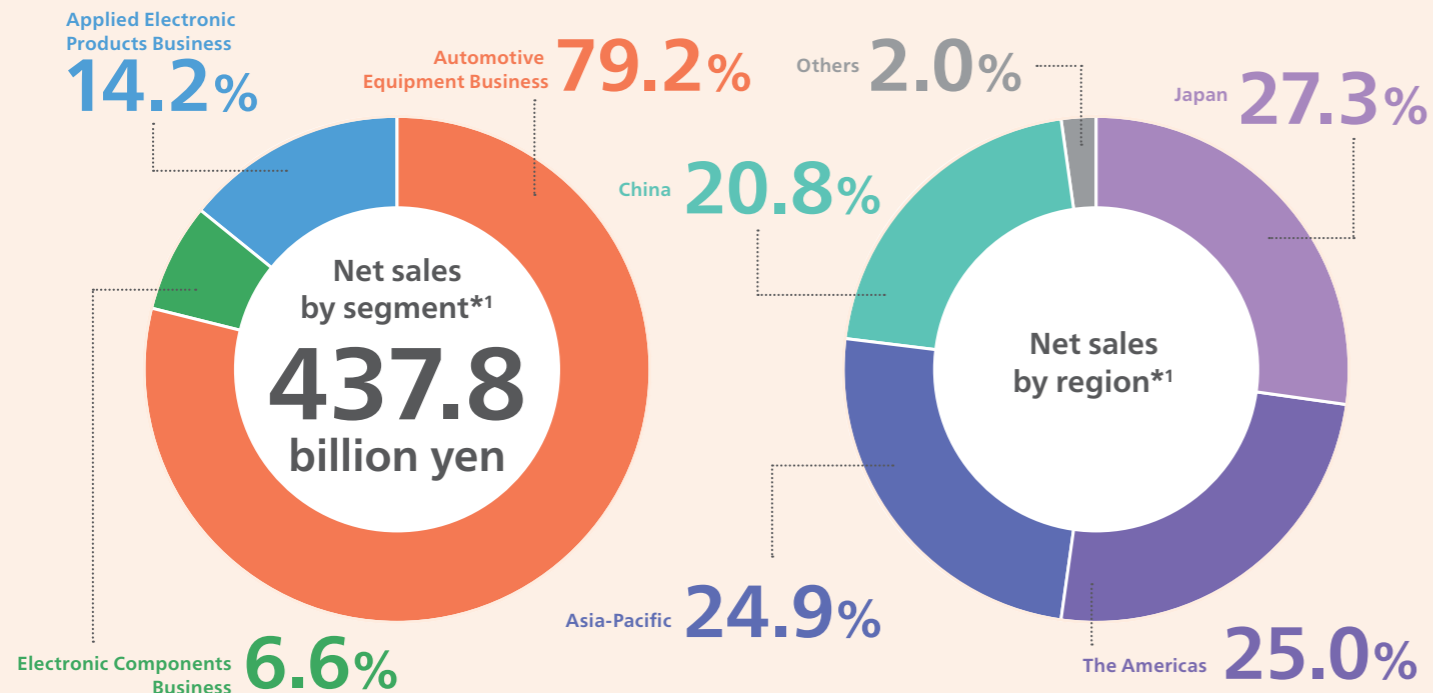
Surface disinfection



UV disinfecter

At a Glance

Net sales composition

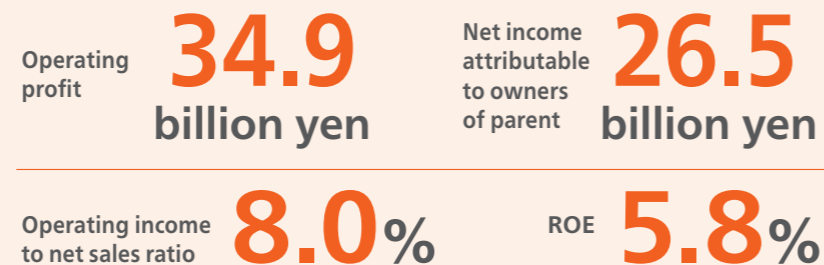


*1 Net sales to external customers

*2 In businesses other than the three above, net sales include projects for promoting employment of people with disabilities, financial and management services provided for the Group, etc.



Profitability & Efficiency



Financial Strength

Credit rating **A+** (R&I)

Capital adequacy ratio **75.6%**

Shareholder Returns

Consolidated payout ratio **30.8%** Total return ratio **68.5%**

Cash dividends per share **50 yen**

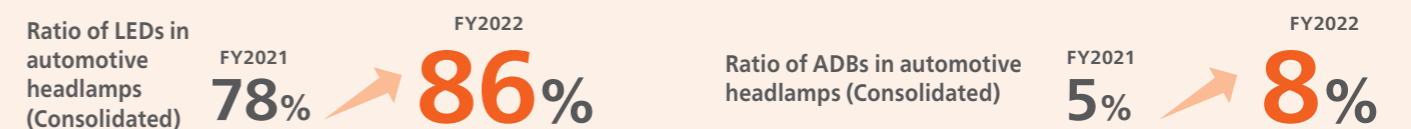
Global Network



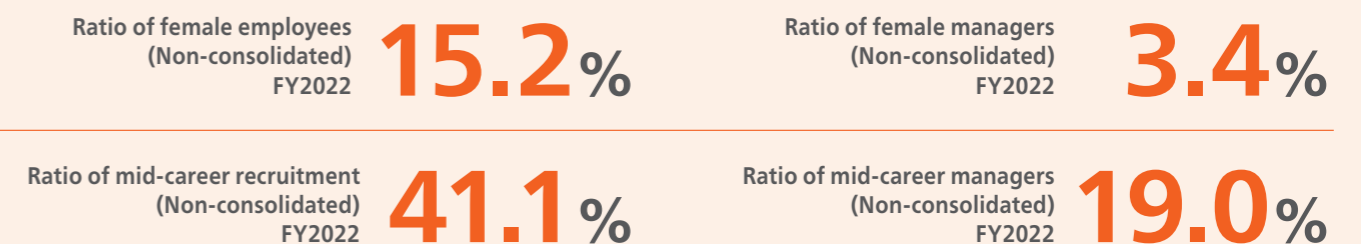
Research & Development



Development of High Value-added Products



Diversity & Inclusion



A Century of Stanley

The Stanley Group traces its history to 1920, with the foundation of its predecessor company Kitano Shokai. At that time, it was rare for a company to handle automobile light bulbs, and the business fields expanded to include optoelectronics and automotive equipment products. The 100 years of the Company's history is a history of continuously pursuing various special qualities of light, resulting in the creation of many valuable products.

Founder's Thoughts

"I want to be the No. 1 in Japan as soon as possible. The epoch of electricity is coming soon." Founder Takaharu Kitano decided to open his own store with special light bulbs, mainly automobile light bulbs. He said, "When you set your mind on something, it should be big and high. It should not be small and low. If it is small and low, you will be content with small achievements. If it is big and high, you will naturally be committed to realize a great achievement. In all things, the desire for the top leads to the middle, and the desire for the middle leads to the bottom. Therefore, always keep in mind that you should be the best in the world." This mindset and spirit is the secret of success.



Founder: Takaharu Kitano (1945)

Origin of the Company Name

The Company was named after the late nineteenth-century explorer Sir Henry Morton Stanley, who was renowned for the courage and action that he so abundantly demonstrated during his expeditions in Africa.



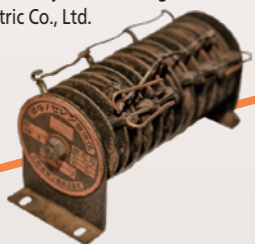
The explorer Henry Morton Stanley, after whom the Company was named

- 1973 Opened Hiroshima Factory
- 1979 Established Stanley Electric U.S. Co., Inc. in the United States (currently a consolidated subsidiary)
- 1980 Established Thai Stanley Electric Public Co., Ltd. in Thailand (currently a corporate affiliate) Sponsored the First Stanley Ladies Pro Golf Tournament
- 1984 Concluded a technical assistance agreement for automotive lamps with Lumax Industries Ltd. in India
- 1987 Established Asian Stanley International Co., Ltd. in Thailand (currently a consolidated subsidiary)

1920 Kitano Shokai was founded and began manufacturing and distribution of special light bulbs mainly for automotive bulbs

1933 Reorganized into a joint-stock company with capital of 500,000 yen and changed name to Stanley Electric Co., Ltd.

Started manufacturing of selenium rectifier (1940)



1920



Stanley's first automotive light bulb (1921)

Shield beam, with completely sealed metal back
The product that established the Stanley brand within the automotive industry (1957)



1945

- 1945 Relunched Kitano Denki Kogyo Co., Ltd.
- 1960 Opened Hamamatsu Plant and Hatano Factory
- 1962 Listed on the First Section of the Tokyo Stock Exchange
- 1967 Established Stanley Iwaki Works
- 1969 Established Research & Development Laboratory

Subminiature lamp
Low voltage, low current and long life used in a broad array of applications (1968)



1946~1970

Rapid Growth after Recovery

After WW2, the Company was successfully rebuilt with household electric heaters, and in 1947, the Company's traditional light bulb products were revived. The metal-back sealed beam headlamps that the Company launched in 1957 quickly gained popularity in the automotive market, becoming one of its most exemplary products. Efforts were made to strengthen and accelerate its R&D, manufacturing and sales system.

1970



High-brightness red LED
Success certified by the Research Development Corporation of Japan as the brightest in the world (1976)



Multi-reflector (MR) headlamp
World's first headlamp without ridges in the lens, increasing freedom in car design (1989)

1971~1990

Towards Becoming an Optoelectronics Enterprise

The Company successfully developed a continuous manufacturing technology of light-emitting diodes (LEDs) in 1976. We continually created innovative products around this time, like the multi-reflector (MR) headlamp, the world's first headlamp without ridges in the lens, and advanced significantly as an optoelectronics corporation uniting optics and electronics.

1990

- 1993 Acquired shares of Matsuo Electric Co., Ltd. and made it a special subsidiary for the purpose of employing people with disabilities
- 1995 Established SNAP, the basic principles of production control
- 1996 Established Vietnam Stanley Electric Co., Ltd. in Vietnam (currently a consolidated subsidiary)
- 1998 Internally and externally announced Environmental Declaration as part of environmental conservation activities



RAYBRIG Hyper-halogen bulb
The world's first high-efficiency bulb which achieved white light close to that of the sun (1993)

1991~1999

The Rebuilding of Management Foundation

We considered the significant drop in the Company's profits experienced in 1989 for the first time since being established as an emergency. We therefore initiated efforts to establish a solid management foundation under a new structure. New systems such as a profit management system, a new personnel system, and an information system were developed with the aim of strengthening the planning function of the Company. The Company started "SNAP" for production innovations.



The world's first LED rear lamp
Used on the Nissan Tino (2000)

2000

- 2000 Established Stanley Group Vision, launched Long-term Management Goals
- 2001 Established Stanley Electric Hungary Kft. in Hungary (currently a consolidated subsidiary)
- 2002 Established Guangzhou Stanley Electric Co., Ltd. (GSE) in China (currently a consolidated subsidiary)
- 2007 Lumax Industries Ltd. in India became an affiliate accounted for by the equity method
- 2009 Established Stanley Electric do Brasil Ltda. in Brazil (currently a consolidated subsidiary)



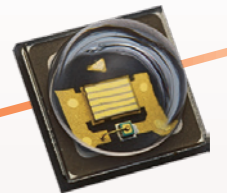
Xenon tube strobe
Used in the world's first mobile phone equipped with a xenon tube strobe (2004)

From 2000

Overcoming Many Challenges

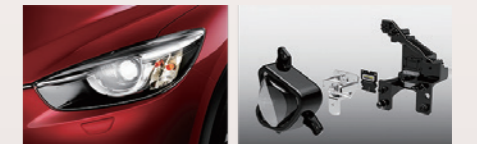
As Stanley Electric's corporate structure gradually became more solid thanks to SNAP, new product development, and investment with increased efficiency, the financial crisis as a result of the bankruptcy of the Lehman Brothers in 2008 resulted in a sudden worsening of the economy worldwide. The Great East Japan Earthquake in 2011 and flooding in Thailand—the Stanley Group worked hard and pulled through to overcome various disasters.

UV-C LED
Effective for inactivating COVID-19 (2020)



2013

- 2015 Established Governance Committee
- 2020 Made HexaTech, Inc., with technology to manufacture aluminum nitride, a subsidiary (currently a consolidated subsidiary)
Opened the Light Tunnel next to the Hatano Factory
- 2021 Concluded collaboration agreement with Mitsubishi Electric Corporation focusing on our automotive lamp system business
- 2022 Concluded capital and business alliance agreement with Honda Motor Co., Ltd.



ADBs (Adaptive Driving Beams)
Used on the Mazda CX-5 H/L for the first time (2015)



Privacy screen backlight
Surface light source to realize privacy mode on the HP Elite Book (2016)

From 2013

Challenges to Achieve Great Progress

In 2013, the Company head office relocated to Nakameguro, and began to exercise global control over the Group as a global company. Beginning with Daimler AG's proposal of CASE in 2016, other automotive manufacturers embarked on major reforms, and the Company also shifted from a lamp manufacturer into a lamp system manufacturer. The Company began to take on challenges to achieve great progress, with the aim of rebuilding and expanding our electronics business.