

Environmental Management

Basic Approach

Aiming the sustainable development of society and business, the Group provides products considered necessary by society with our business base in manufacturing. We also have enacted our Basic Environmental Philosophy, Environmental Proclamation and Environmental Policies, and is pursuing measures to protect the global environment.

Basic Environmental Philosophy

Stanley Group strives to “create new values in harmony with the environment” through all our corporate activities by reducing environmental impacts to a bare minimum, so that we can pass on the immeasurably rich blessings of our earth and its ecosystem to the next generation in a healthy state.

Environmental Proclamation

We, Stanley, strive to become an earth-friendly corporation by practicing the “non-use, non-emission and non-disposing” of environmentally harmful substances.

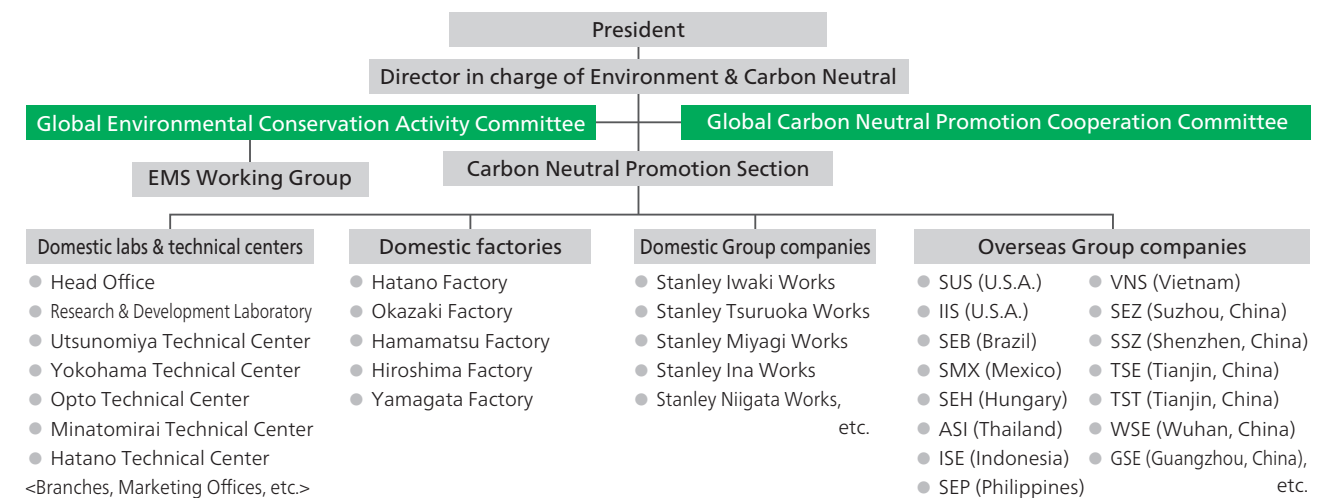
Environmental policies

In our corporate activities, which primarily consist of our businesses for automotive devices, components, and applied electronics products, Stanley Group will follow our Basic Environmental Philosophy, with each member of our company aware of his or her roles and responsibilities regarding our efforts for environmental protection.

1. Throughout the lifecycle of our business operations, products and services, we set environmental targets and promote environmental protection that includes preventing contamination, mitigating climate change, and making use of sustainable resources globally.
2. In addition to observing the environmental laws and regulations of each country and region, as well as other environmental agreements we conclude with other parties, when necessary, we undertake management by setting voluntary standards of our own on the basis of those regulations and agreements.
3. We make continuous improvements to our environmental management systems in order to improve environmental performance.
4. We communicate our Basic Environmental Philosophy and Environmental Policies to all employees and all the persons working for Stanley Group, and we also gain the understanding and cooperation of our suppliers through environmental education and PR activities.
5. We make our Basic Environmental Philosophy and Environmental Policies accessible to the general public, and we disclose the progress of our environmental conservation activities upon request from external parties in order to increase communication with the local community.
6. We actively participate in the environmental conservation activities of the local communities in collaboration with governmental agencies or other local or affiliated organizations.

Environmental Management Structure

We are building an Environmental Management Structure that is overseen by the Director in charge of Environment and Carbon Neutral under the ultimate authority of the President. We have also established a Carbon Neutral Promotion Section as an environmental management promotion body to provide a system for management. Moreover, our Global Environmental Conservation Activity Committee and Global Carbon Neutral Promotion Cooperation Committee are in charge of addressing Group-wide environmental issues through the combined efforts of our domestic and overseas Group companies.



Global Environmental Conservation Activity Committee

To promote Group-wide environmental management, this Committee is chaired by the Director in charge of Environmental Management, and includes the Executive General Managers, the presidents of affiliated companies, and Executive Officers and Operating Officers of major related functions as members. This committee analyzes risks and opportunities, formulates and implements environmental strategies, verifies environmental performance, and commends environmental activities by employees, while deliberating and deciding overall environmental policy, and implementing Environmental Policies.

Global Carbon Neutral Promotion Cooperation Committee

This Committee is chaired by the Director in charge of Carbon Neutral, and includes the Executive Officers and Operating Officers of major related functions, and department heads as members. The Committee evaluates and manages the progress of our action plan for achieving carbon neutrality, updates our strategies to reflect CO₂ emissions reductions and industry and customer trends, formulates investment plans, and links these to activities through the Global Environmental Conservation Activity Committee.

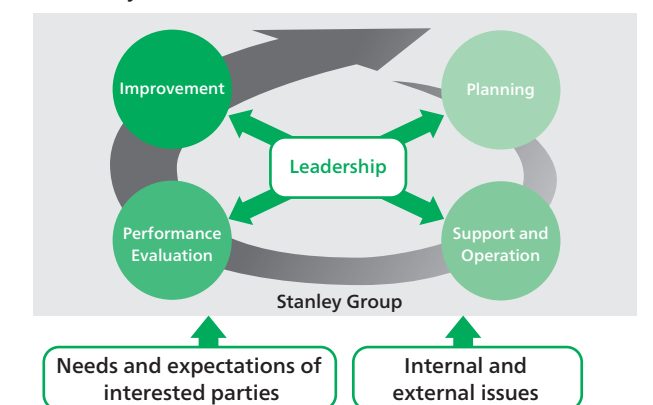
Environmental Management System (EMS)

To promote environmental management, the Group has established an Environmental Management System (EMS) based on the ISO 14001 international standards.

We maintain ISO 14001 certification at each of our global production sites by undergoing regular inspections every year, and renewal inspections once every three years by a third-party certification body. Moreover, our Group has obtained integrated certification for our head office and all plants, laboratories, branches, sales offices, and affiliated companies in Japan.

Going forward, we will continue working Group-wide to protect the environment based on our Environmental Policies, as we aim for the sustainable development of both our company and society.

● PDCA cycle for EMS



Initiatives on climate change

The Stanley Group actively engages in environmental protection so that we can pass on the immeasurably rich blessings of our earth and its ecosystem to the next generation in a healthy state. To achieve sustainable growth, we position harmonizing value creation with the environment as one of the material issues (materiality), and view decarbonization as a particularly urgent issue. In FY2021, we set carbon neutrality targets of 50% less CO₂ emissions from our business activities by FY2030 (compared to FY 2019), and achieving carbon neutrality by FY2050.

And in June 2023, our Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Then, our Group disclosed the impacts of risks and opportunities related to climate change on our business activities and earnings, as well as our countermeasures against them, according to the recommendations of the TCFD.

<https://www.stanley.co.jp/e/sustainability/environment/tcfid.html>

Governance

The Management Meeting deliberates and give approval to basic policies and measures for promoting sustainability through our primary committees, meetings, and related departments. The details are then reported to the Board of Directors as appropriate.

Concerning climate change issues, we have established the Global Carbon Neutral Promotion Committee and Global Environmental Conservation Activity Committee directly under the Management Meeting with the aim of becoming a competitive company through promoting and achieving carbon neutrality. Both Committees share initiatives with each site, work to resolve issues, monitor trends in the policies, laws, and regulations of each country, and promote company-wide initiatives.

Risk management

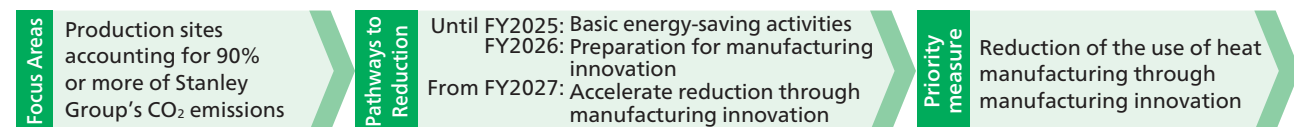
Our Group considers events that will have an unfavorable impact on our business and operations if they materialize to be risks. These include natural disasters caused by climate change. In recent years, natural disasters have impacted our business sites and those of our business partners both in Japan and overseas. Inherent risks such as supply shortages of raw materials and parts could adversely affect our business performance and financial position.

We consider the risks posed by climate change using the analytical processes of the Risk Management Committee. And if regular monitoring reveals that the urgency or probability of occurrence is high, we manage them using the same processes as other risks.

Efforts to achieve carbon neutrality

To achieve our goal of a 50% reduction in CO₂ emissions in our own business activities by FY2030 (compared to FY2019), we are focusing on reducing emissions at our production sites, which account for more than 90% of the Group's CO₂ emissions. One measure in particular that we are focused on is reducing the use of heat in manufacturing through manufacturing innovation. We aim to achieve our targets by further accelerating reductions through manufacturing innovation from FY2027 onwards.

And, to reach our goal of achieving carbon neutrality by FY2050, we will put 50% of our R&D efforts into development towards carbon neutrality, and will further apply new technologies from 2030 onward.



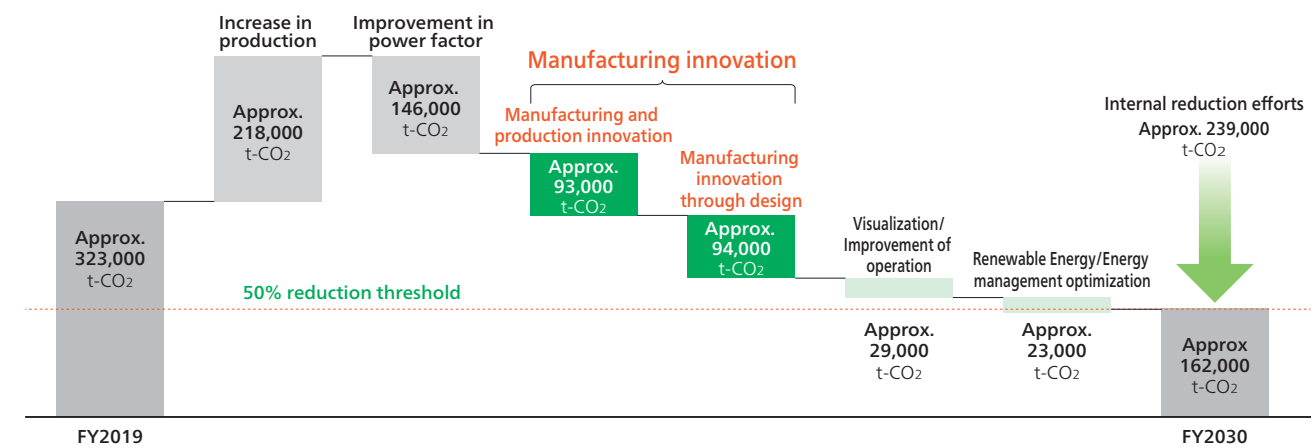
Related Materiality

Materiality	Major initiatives	Target
Creating new value in harmony with the environment	Initiatives on climate change	CO ₂ emissions ●FY2030: 50% reduction in our own business activities (compared to FY2019) ●FY2050: Achieve carbon neutrality

Plan to Reduce CO₂ Emissions by 50% by FY2030

Our Group's production sites will implement manufacturing innovation that reduce the use of heat in manufacturing without relying too heavily on renewable energy. Manufacturing innovation consists of the two primary pillars of "manufacturing and production innovation," which achieves reductions through new production methods and alternative technologies, and "manufacturing innovation through design," which achieves reductions by revising the way manufacturing is carried out from the design stage. We also plan to reduce approximately 239,000 tons of CO₂ through improvements in daily operations.

Composition of CO₂ emissions reduction measures for FY2030



Manufacturing innovation for "reduction the use of heat in manufacturing" throughout automotive lamp production processes

Production process of headlamps

Issue: Generation of heat

Resin drying → Molding → Cleaning/drying → Surface treating → Painting/drying → Assembly

[Manufacturing and production innovation]

- Shift to single lines for molding through to surface treatment

Eliminating the movement of items between processes reduces the possibility of foreign matter contamination, thus reducing the need for cleaning. This reduces the need for heat energy required for drying with warm air after cleaning.

[Manufacturing innovation through design]

- Paintless**

Changing to a sputtering method that does not use paint can eliminate the need for heat energy required for high-temperature drying to remove the solvents contained in paint. Sputtering technologies are being developed that deliver the the same functionality as a substitute for paint.

- Surface treatment process-less**

Technology is being developed for molding with an embedded sheet material providing the equivalent functionality as paint films. Establishing this technology eliminates the actual need for surface treatment processes, reducing heat energy significantly.

Environmental impact of our business activities

The Group is implementing activities to address various environmental issues including global warming. To promote those activities continuously and effectively, we quantitatively determine the impact caused by our business on the environment and the outcomes of the activities to evaluate them.

The results for FY2022 are shown in the following table.

Percentages indicate percent increase or decrease compared to the previous year

		INPUT		Business Processes		OUTPUT			
Domestic	Raw Material	Resin materials	21,195t	2.9%	R&D and design Procurement Manufacturing Collection and recycling Sales	Greenhouse Gases	CO ₂	67,017t-CO ₂	2.3%
		Coating materials	146t	-12.6%		Impact on the Atmospheric Environment	NOx	0.1t	-90.9%
		Glass	90t	-5.3%		SOx	0.0t	-100.0%	
	Energy	Electricity	141,095,000 kWh	-1.2%		Impact on Water Environments	BOD	2.0t	-31.0%
		Solar power	980,000 kWh	2.0%		COD	0.7t	0.0%	
		Kerosene	0.2kℓ	0.0%		*The total amount generated is the total amount of waste and valuable materials			
		Light oil	6kℓ	20.0%		Waste	Total amount generated	4,210t	-1.1%
	Water	Heavy oil	0kℓ	-100.0%		Amount recycled	4,132t	-1.3%	
		LPG	215t	-15.0%		Amount of landfill	4t	33.3%	
		City gas	941,000 Nm ³	6.0%		*Targets chemicals subject to notification under the PRTR Law			
Chemical Substances	Water supply	65,000 m ³	-5.8%	Chemical Substances	Amount emitted	12.0t	1.7%		
	Groundwater	177,000 m ³	-5.3%	Amount transferred	12.4t	-2.4%			
	Others cistern water	44,000 m ³	0.0%						
Overseas	Vehicle Fuel	Gasoline	214kℓ	-1.4%	R&D and design Procurement Manufacturing Collection and recycling Sales	Greenhouse Gases	CO ₂	236,909t-CO ₂	-1.0%
		Electricity	382,569,000 kWh	-0.3%		Waste	Total amount generated	12,761t	0.3%
	Energy	Solar power	529,000 kWh	23.0%		*The total amount generated is the total amount of waste and valuable materials			
		Kerosene	0kℓ	-					
		Light oil	212kℓ	0.0%					
		Heavy oil	0kℓ	-					
	Water	LPG	183t	-7.1%					
		Natural gas	2,643,000 Nm ³	-11.5%					
		City gas	55,000 Nm ³	-52.2%					
		Amount of water consumption	933,000 m ³	-5.5%					
Vehicle Fuel	Gasoline	380kℓ	-5.6%						

Starting from this report, the scope of calculation for affiliated companies has changed to consolidated subsidiaries (production sites)

Results of Environmental Activities carried out in FY2022

The Group's major targets for FY2022 and their achievement status are listed below.

We express the amount of CO₂ emissions, waste generated, and water used in basic units, and evaluate whether the invested resources are utilized effectively by checking our results against our reduction targets.

Item	Target	Results
Initiatives for environmental laws and regulations	Comply with laws and regulations related to the business activities	Continue complying with laws and regulations related to the environment
Design for environment	Offer products designed for the environment that will contribute to the earth's environment (continuously)	100% implementation of Designs for the Environment Checklists Provide training for design-related departments
Prevention of global warming (CO ₂ reductions)	Domestic	Basic added value units for the amount of CO ₂ emitted: 98.4t-CO ₂ /.1 billion yen or less (3% or more reduction compared to FY2019)
	Overseas	Basic added value units for the amount of CO ₂ emitted: 233.4t-CO ₂ /.1 billion yen or less (3% or more reduction compared to FY2019)
	Domestic	Distribution region - Basic net sales units for the amount of CO ₂ emitted: 2.13t-CO ₂ /.1 billion yen or less (3% or more reduction compared to FY2019)
Resource recycling (waste reduction) (water use reduction)	Domestic	Basic added value units for the amount of waste generated: 1.45t/.1 billion yen or less (1% or more reduction compared to FY2021)
	Overseas	Basic added value units for the amount of waste generated: 2.37t/.1 billion yen or less (1% or more reduction compared to FY2021)
	Domestic	Achieve zero emissions landfill disposal rate (landfill disposal rate of 0.5% or less)
Pollution Prevention/Product Environment	Domestic	Basic added value units for the amount of water consumption: 430m ³ /.1 billion yen or less (1% or more reduction compared to FY2021)
	Overseas	Basic added value units for the amount of water consumption: 960m ³ /.1 billion yen or less (1% or more reduction compared to FY2021)
	Domestic	Basic added value units for the amount of chemical substances used: 0.510t/.1 billion yen or less (1% or more reduction compared to FY2021)
Initiatives for biodiversity	Contribute to regional ecosystem conservation activities	Institute social contribution activities and volunteer activities

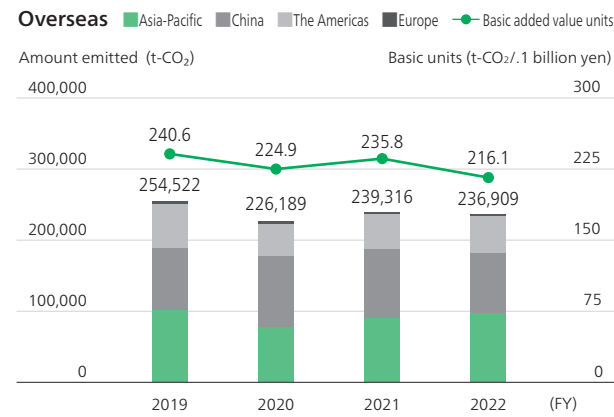
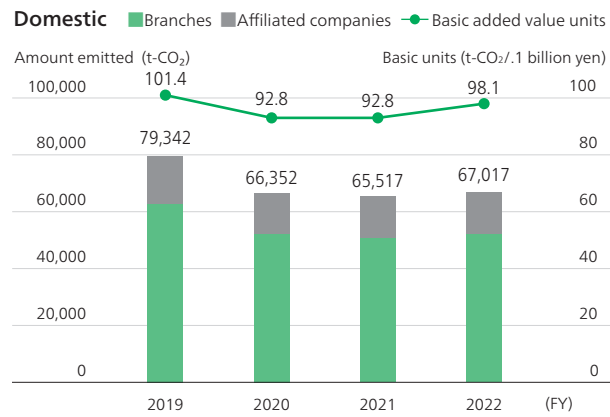
Scope of aggregation for environmental data Domestic: Stanley Electric Co., Ltd. and Group companies (8 companies)
Overseas: Manufacturing Group companies (15 companies)

Related Materiality

Materiality	Major initiatives	Target
Creating new value in harmony with the environment	Promotion of environmental conservation activities	Amount of waste generated ● FY2023: Set targets for reducing the amount of plastic waste generated and improving recycling rate
		Amount of water consumption ● FY2023: Set targets through water risk re-evaluation

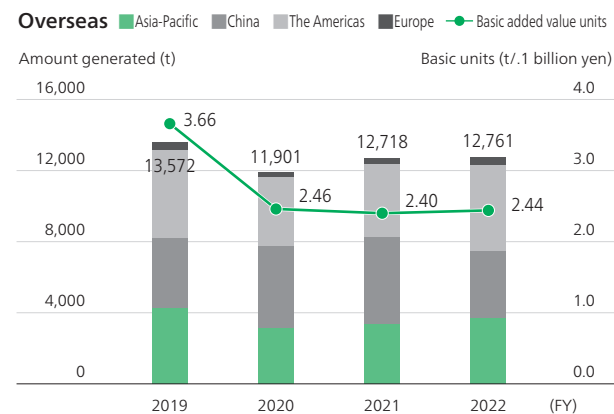
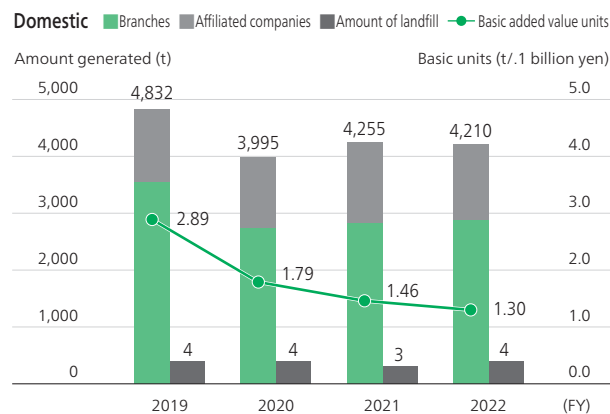
Environmental data over time

Changes in CO₂ Emissions and Basic Units



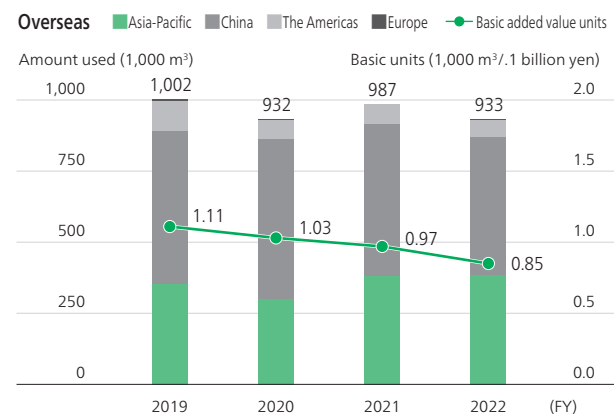
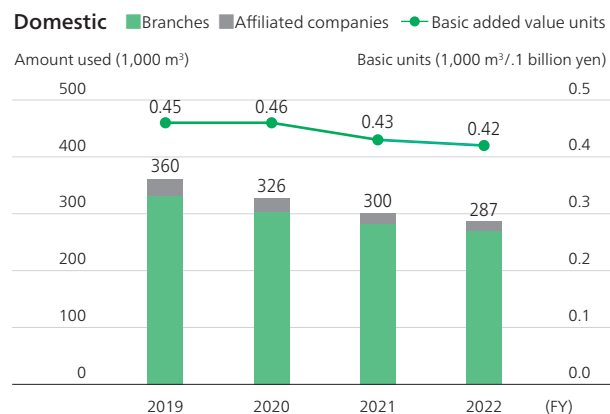
Starting from this report, the CO₂ emissions coefficient for electricity has been revised based on the market, and the scope of calculation for affiliated companies has changed to consolidated subsidiaries (production sites)

Changes in the Amount of Total Waste Generated and Basic Units



Starting from this report, the scope of calculation for affiliated companies has changed to consolidated subsidiaries (production sites)

Changes in Water Consumption and Basic Units



Starting from this report, the scope of calculation for affiliated companies has changed to consolidated subsidiaries (production sites)

Topics

[Initiatives to Reduce CO₂ Emissions]

Reducing CO₂ Emissions through Heat Dissipation Measures for Molding Machines

—PT. Indonesia Stanley Electric (ISE)—

The Stanley Group is engaged in activities to reduce the use of heat in our production processes as a way to reduce CO₂ emissions.

At ISE, the heater portion of the injection molding machine had been exposed, but we covered this with an insulating jacket to prevent heat dissipation. This not only decreased the amount of excess electricity that had been continuously used to keep the heater at a constant temperature, but also reduced the load on the air conditioning equipment to suppress the rise in room temperature caused by heat dissipation from the equipment. This in-turn reduced electricity consumption by air conditioning equipment.

These improvements allowed us to achieve a reduction in CO₂ emissions of more than 240 t-CO₂ per year.



Before improvements



After improvements

[Initiatives to Reduce Waste]

Eliminating individual product packaging to reduce the amount of waste for customers

—Vietnam Stanley Electric Co., Ltd. (VNS)—

We believe that reducing plastic packaging materials not only reduces the environmental impact of our customers, but helps address the problem of oceanic plastics that has been gaining attention in recent years.

At VNS, products were shipped packed in individual air cushions to prevent damage, but these air cushions became plastic waste for customers.

Therefore, we eliminated individual packaging with air cushions by attaching air cushions to the inside of the boxes used for shipping, and applying scratch-preventing cushion material to the partitions between each product. After use, the air cushions and scratch-preventing cushion material are both reused, allowing us to reduce plastic waste by 1.3 tons per year.



Before improvements



After improvements

[Initiatives to Reduce Water Consumption]

Filtering and Reusing Plant Wastewater to Reduce Water Intake

—Asian Stanley International Co., Ltd. (ASI)—

In recent years droughts have led to water shortage problems around the world, and water shortages have become one of the risks faced in Thailand as well.

Up until now, plant wastewater recycling at ASI had been limited to reuse for some daily purposes such as in toilets. However, introducing a filtration water purification system that utilizes reverse osmosis membranes to improve the quality of plant wastewater has made it possible to reuse the water in the production process. As a result, we have been able to reduce water intake by 50,000 m³ per year.



Reverse osmosis membrane filtration water purification system

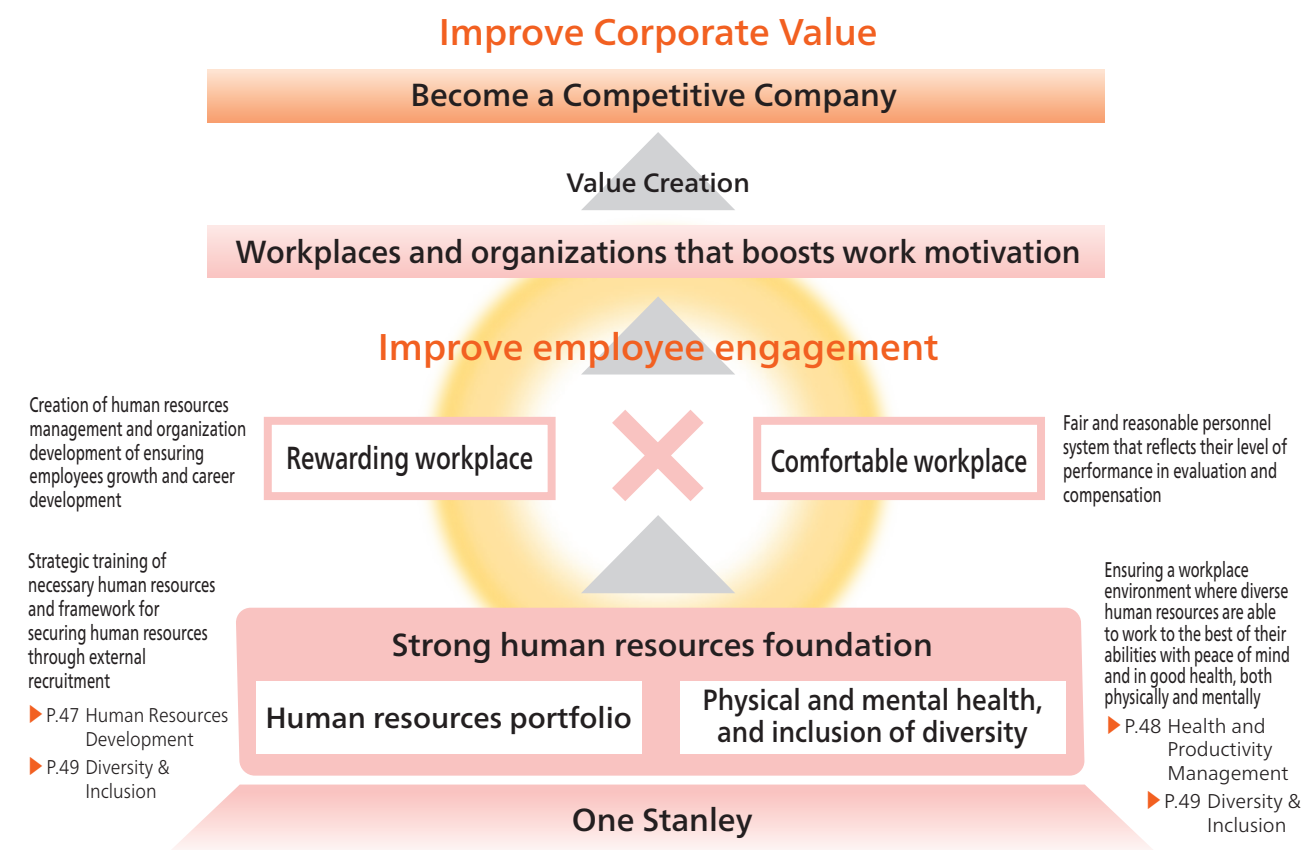
Human Resources strategy

Strategic Policy

To become a competitive company, we are promoting human capital management that will lead to the creation of new value by actively investing in our personnel and encouraging them to improve and demonstrate their abilities.

We will work to optimize our human resources portfolio by strategically recruiting and training the personnel needed to implement our management strategy. At the same time, we will maintain an environment in which diverse personnel can work with confidence, healthy in both body and mind, and will build a solid foundation for human resources. Based on this, we will develop personnel systems and roll out personnel management measures that improve rewarding workplace and comfortable workplace. And we will promote organizational development that supports employee growth and enables them to fully demonstrate their abilities. Through such measures, we aim to increase employee engagement and create workplaces and organizations that boosts work motivation*, become a competitive company, and increase our corporate value.

*The energy employees have to take initiatives to proactively engage in work



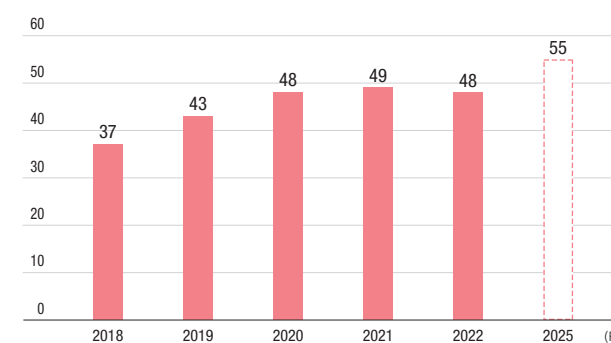
Indicators

We have established engagement scores as important indicators to show progress towards creating workplaces and organizations brimming with motivation for work, and aim to achieve this goal by implementing measures that lead to improved scores and by following a cycle for measuring effectiveness. In the same way, we will also set goals for implementing measures related to building a solid foundation for human resources, and work to verify the effectiveness of such measures.

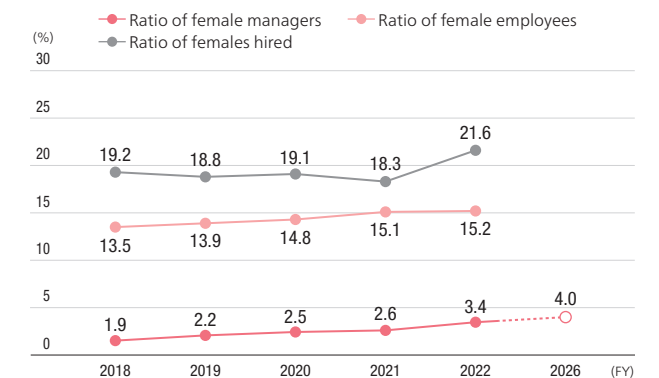
Related Materiality

Materiality	Major initiatives	Target
Individual welfare and growth	Improvement of employee engagement	Engagement score ● FY2025: Improve by 30% compared to FY2023 level
	Human resources development	Investment into education per person ● FY2025: Improve by 50% compared to FY2022 level
	Initiatives on employees' health and safety	Deviation from Health & Productivity Management Feedback Questionnaire ● FY2025: 55 (FY2022 result: 48)
		Number of serious industrial accidents ● Zero cases (FY2022 result: zero cases)
Promotion of diversity	Ratio of female managers ● FY2026: 4.0% (FY2022 result: 3.4%)	

● Change in Deviation from Health & Productivity Management Feedback Questionnaire



● Change in Ratio of Female Employees



One Stanley Initiatives

The basic principles of our human resources strategy are the same for Stanley employees around the world. We aim to enable employees around the world to play an active role by constructing a system that promotes employee growth regardless of attributes like nationality, and providing opportunities for them to demonstrate their abilities. This will allow us to provide new value to society from affiliated Group companies around the world, and make us a competitive company on a global scale.



Human resources development

Training Policy

We have developed an education system that consists of training specific to rank and job type, based on our human resources policy of "Establishing the culture that values human resources with a strong spirit of self-improvement and willingness to study."

Also, we are strategically and systematically fostering personnel who are highly specialized or serve in key positions for execution of management strategies, in accordance with the human resources strategy in our VIII MTP that began in FY2023. We will also provide educational opportunities and experiences that allow employees to grow and shape their career by matching the company's idea of ideal personnel with the career visions of employees.

Training System

Human Resource Development Plans

We aim to vitalize and enhance workplaces and organizations while improving each and every employee's abilities by providing opportunities to bridge the gap between their existing skills and experience and individual vision. Through consultation with superiors, we aim to match our expectations for the growth of each employee with their own career vision, and formulate Human Resource Development Plans to use as a basis for developing their abilities and shaping their career. In addition, we will strengthen our support for employee growth by broadening opportunities for self-directed education.

Skill development system

We will maximize the value of our personnel through measures aimed at improving their capabilities, such as training and job rotation. In addition to the conventional training based on rank and job specification, we will systematically develop personnel who will be responsible for improving our corporate value and sustainably growing our company. This includes training the next generation of management, and successors for key positions. Meanwhile, we will enhance our development of expert personnel in an effort to help them acquire and build up the skills and knowledge necessary for implementing our strategy.

Programs for ability development

Category	Objective	Example measures
Strategic Personnel Development	Providing strategic and systematic educational opportunities and experiences to candidates for positions which create value that has a significant impact on operations	<ul style="list-style-type: none"> Projects which create value Personnel development projects Selection and assessment of next-generation management candidates Systematic development of candidates successors to key positions (succession plan), etc.
Expert Personnel Development	Providing educational opportunities, including dispatch outside the company, in order to acquire the skills and knowledge needed for current and future business	<ul style="list-style-type: none"> Measures to disseminate skills and knowledge within the company by inviting experts (under consideration) Dispatch to external research institutions, study abroad, etc.
Class/position-specific Function/purpose-specific Training	Recognize roles by rank/position, acquire skills and knowledge necessary to fulfill roles, and acquire skills and knowledge necessary for function/objective	<ul style="list-style-type: none"> Training by rank/position, new employee training, new manager training Training by function/purpose, engineer training, quality/environmental training, etc.
Growth and Career Support	Measures to support growth and career development by providing self-directed educational opportunities and experience that considers career orientation	<ul style="list-style-type: none"> Job rotation system Encourage acquisition of public certifications Financial assistance for distance learning, etc.



Health and Productivity Management

Health and Productivity Management Enterprise

As we strive to become a company that grows sustainably, we have established the Health & productivity Management Promotion Council to promote health and productivity management so that employees can work with confidence, healthy in both body and mind, fully demonstrate their abilities, and improve performance.



In cooperation with our health insurance union and labor union, we formulate roadmaps, establish health management indicators, and implement measures and training that raise employee awareness of health and encourage health maintenance. As a result of these initiatives, in March 2023, we were certified as a "Certified Health & Productivity Management Outstanding Organization (large enterprise category)" by the Ministry of Economy, Trade and Industry for the third year in a row. Starting in FY2023, we will work to create an environment in which employees can continue to work healthy in both mind and body by inviting external experts and implementing measures that better meet the needs of our employees.

Measures to maintain and promote health

- The Health Management Promotion Supervisor appoints and trains persons in charge of health promotion at each site, and set up an internal contact point for health matters.
- As part of our employee training, we distribute notices to managers about health maintenance and preventing long working hours, and conduct healthcare training for new employees.
- As measures against smoking, we are implementing complete separation of smoking areas at each office. Furthermore, we provide the "Sotsuen Support Program" and tools to help quit smoking, free of charge.
- We provide specific guidance to prevent the aggravation of lifestyle-related diseases and enhance our guidance about insurance.

Framework for Promoting Health and Productivity Management



Work Style Reform

Aiming for a better work-life balance and enhanced productivity, we are driving "work style reform" efforts which include the following:

Addressing long working hours : We are ensuring at least eight hours' interval after work until the next work session, encouraging employees to use their annual leave, and offering consultation with occupational physicians to employees whose overtime hours have exceeded the benchmark.

Recharge leave system : This system grants employees five consecutive days of paid leave or a total of 20 days of paid leave, together with a subsidy of 50,000 yen or 200,000 yen, for every five years of service. It is designed to help employees revitalize their energy both mentally and physically, reflect on their work life at the Company, redesign their work plan into the future, or develop their own creativity.

Telework system : We officially introduced this system in April 2021. We have prepared and utilized an operation manual to ensure that employees can use the system correctly and effectively.

Kurumin certification : With leave systems for childcare and nursing care in place, we provide an environment where employees can work shorter hours or take leave to care for a sick family member. In 2020, we received the Kurumin certification from the Ministry of Health, Labour and Welfare.



Safety and Disaster Prevention

The Stanley Group is working together as one to improve areas at risk of occupational accidents and prevent actual occurrence through regular checkups by members of the Health and Safety Committee and by sharing examples of other offices, etc.

We also conduct regular disaster prevention drills to ensure the safety of our employees. Meanwhile, the emergency contact network of all employees is regularly updated, establishing a system to quickly check safety in case of emergency.

Diversity and Inclusion

Action Plan to Promote Active Participation by Women

We formulate and implement action plans once every five years based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Women's Active Participation Promotion Act) that came into effect in April 2016.

FY2016 through FY2020

We have promoted "active recruitment," "providing opportunities to improve abilities," and "improving the working environment" as our basic policies. We engaged in recruitment activities with the goal of increasing the ratio of women among new hires to 20% or more. As a result, we have reached our current target ratio of women among new graduate hires.

FY2021 through FY2025

We have formulated an action plan with the goal of creating an employment environment where women can play an active role, by which all employees can work vigorously, and work and family can be balanced, using "the ratio of female workers in managerial positions" and "the rate of taking paid leave" as indicators.

In FY2022, we conducted an employee attitude survey and an e-learning session on health issues specific to women, among other projects. In FY2023 we implemented our Life Support System as a measure based on the feedback gathered. We will promote work-life balance for our employees, and create an environment where employees can work with peace of mind, by offering support for the burden of housework and childcare.

Goal ①: Increase the number of female managers 500% by FY2025, compared to FY2016
Major initiatives:

- Set up a team to promote the active participation of women (implemented in FY2021)
- Conduct an employee attitude survey (implemented in FY2022)
- Prepare a comfortable workplace environment for female managers

Goal ②: Increase the rate of paid leave acquisition to 73% or more
Major initiatives:

- Ensure the use of an annual leave plan sheet
- Conduct quarterly checks on the acquisition status of paid leave and encourage employees to take paid leave

Initiatives for Mid-career Recruitment

As part of our new initiatives for becoming a competitive company, we strategically hire human resources with various careers and are working to improve our technical capabilities and enhance our functions. Moreover, we conduct onboarding through training and other means so that mid-career hires can quickly reach their full potential.

● Mid-career Recruitment Ratio Based on the Act on Comprehensive Promotion of Labor Measures

	FY2020	FY2021	FY2022
Percentage of mid-career hires among full-time workers	16.2%	38.1%	41.1%

Date of announcement: October 31, 2023 (Non-consolidated)

Retirement Age Extension System

From the perspective of addressing the declining birthrate and aging population, as well as supporting diversity, we introduced a retirement age extension system in April 2021 so that senior employees can work more actively. In addition to raising the retirement age to 65, this system offers employees the choice of two work styles from age 60 onward. One course allows them to keep the same important roles and responsibilities as before, and the other allows them to emphasize their own lifestyle and work shorter hours for reasons other than childcare or nursing care.

System for the Employment of People with Disabilities

We actively hire people with disabilities to work at our two special-purpose subsidiaries. Here we are making continuous improvements to maintain a safe and sound working environment, as well as to provide a workplace where employees with disabilities can fully demonstrate their abilities and aptitude and work with a sense of fulfillment.

- STANLEY WELL Corp. (Hadano-shi, Kanagawa)
Description of business: Assembly of electronic components and packaging of automotive bulbs
- Matsuo Electric Co., Ltd. (Mihara-shi, Hiroshima)
Description of business: Automotive parts (lamp) assembly

Respecting Human Rights

The Stanley Group does not tolerate any discrimination based on race, ethnicity, faith, religion, color of skin, nationality (birthplace), age, gender, physical conditions, hobbies, educational backgrounds, social statuses, or family lineages, and strongly oppose to any act of discrimination by third parties.

Based on the belief that diverse values are important to respond to ever-changing business conditions and environments, we make efforts to build up an organizational group composed of diverse individual characteristics. We reflected these ideas in the Stanley Group's Code of Conduct, which is distributed to all employees. Furthermore, in addition to providing training for new hires, training for all employees is held once every year.

Stanley Group's Code of Conduct

1. Compliance with Laws and Social Norms

Compliance with Laws and so forth

I shall understand correctly all laws and regulations related to our business activities and shall sincerely comply with them. I shall comply with internal rules, including company regulations, and handle my business in a strict and appropriate manner.

Appropriate Decision Making, Recording, and Reporting

I shall make appropriate decisions in accordance with company regulations and properly carry out all recording and reporting that should be made by the company.

Prohibition of Private Profit-Making Activities and Effective Use of the Company's Assets

I shall strictly refrain from any activity in which I will gain private profit, and shall strive to use the company's assets effectively.

Continuation of Appropriate Relations with the Political and Administrative Agencies

I shall never offer illegal political donations, profits, or bribes.

Proper Response to Antisocial Entities

I shall not have any relations with any antisocial entities.

2. Establishing a Safe Working Environment

Establishing a Safe, Sound, and Better Working Environment for Employees

I shall endeavor to establish a safe and better working environment where employees are eager to work.

3. Business Activities That Contribute to Society

Creation of New Value through a Challenging Spirit, Unrestrained Thinking, and the Concentration of Mind and Power

I shall create new value which will contribute to society by understanding correctly the Guidelines for Action in the Stanley Group Vision and always practice them.

Gaining the Customer's Trust

I shall develop business activities in order to keep gaining the trust of all customers, including end users.

Fair Dealing

I shall engage in fair and sound dealings.

Appropriate Control of Information

I shall appropriately control confidential information in accordance with company regulations and so forth.

Obtaining Understanding and Support from Shareholders, Investors and so forth

I shall disclose correct information on an equitable and timely basis, and endeavor to obtain the understanding and support from shareholders, investors and so forth.

Respect for Intellectual Property

I shall respect the results of intellectual creative activities and endeavor to protect intellectual property and the rights accompanying thereto.

4. Consideration towards People and the Natural Environment

Respect for Human Rights

I shall view everyone in the world as equal, treat them with the courtesy as same "human", and respect their characters and personalities.

Consideration to the Natural Environment

I shall voluntarily and proactively contribute to the protection of the natural environment.

5. Communication and Symbiosis with Society

Appropriate Relationship with the International Community

As a member of a global company, I shall adhere to the rules of the international community, promote harmonious relations with different cultures and customs, and endeavor to contribute to the development of other countries.

Symbiosis with the Local Community and Contributions to Society

I shall endeavor to live symbiotically with the local community and contribute to society.

Supply Chain Management

Basic policy

The Group partners with suppliers on equal and fair relationships and is engaged in sincere transactions in compliance with relevant laws, regulations, and agreements. Specifically, we welcome both domestic and foreign partners with equal opportunities for transactions and select suppliers in accordance with fair and rational standards based on such items as quality, price, delivery, safety, and the environment. We also strive for mutual prosperity through transactions and under trust and cooperation, making efforts to maintain and strengthen long-term growth and competitive edge.

Enhance Awareness of Human Rights across the Supply Chain

Identifying the Current Status Using the CSR Check Sheet

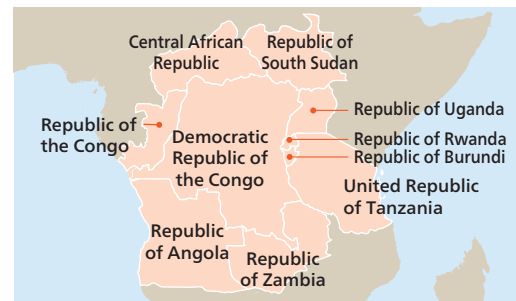
Every year, we distribute the CSR check sheets to suppliers and ask them to examine their own activities as part of strengthening CSR in the supply chain. In FY2022, we distributed the sheets to more than 1,300 suppliers globally, collected the results of their investigations, and confirmed that there were no problems in terms of respect for human rights, working conditions, working environment, etc. In addition, the examination results revealed that they had common issues such as "deployment of CSR initiatives to suppliers, which are our sub-suppliers" and "promotion of in-house education." We will continue to work to solve these issues in cooperation with our suppliers.

Items to be checked in the CSR check sheet

1. Safety and quality assurance
2. Human rights and labor
3. Environment
4. Compliance
5. Information disclosure
6. Risk management
7. Social contributions
8. Deployment of CSR initiatives internally or to suppliers

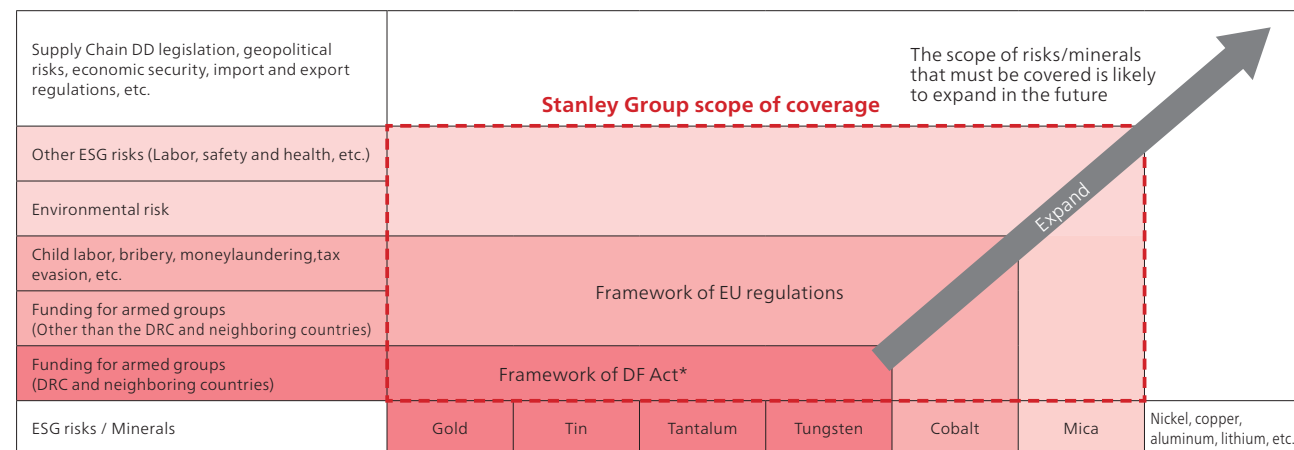
Confronting the Problem of Conflict Minerals

We are deeply concerned about the problems of human rights abuses and environmental damage by armed groups in the Democratic Republic of the Congo (DRC) and neighboring countries as well as the countries included in the latest CAHRAs list^{*1} published by the EU under the EU Conflict Minerals Regulation. Because these groups appear to be financed by dealings in conflict minerals^{*2}, we are taking measures to ensure supply chain transparency so as to avoid abetting these problems, and are promoting responsible procurement of minerals. In addition, to respond to the survey target list items in the recently accelerating "responsible minerals procurement" and related laws and regulations, the Group conducted surveys which included cobalt and mica in addition to 3TG^{*3} as conflict minerals starting from FY2022.



^{*1} 291 regions in 28 countries as of March 2023
^{*2} Gold, tin, tantalum, tungsten, and other minerals mined in the Democratic Republic of the Congo and surrounding countries (minerals that the U.S. Department of State deems to be sources of revenue)
^{*3} Tin, Tantalum, Tungsten, Gold

● Scope of coverage for our company based on "Responsible Mineral Procurement" From JEITA Responsible Mineral Procurement Survey Briefing 2023



* Dodd-Frank Act. Stipulated under Article 1502 (Conflict Minerals Provisions) of the US Financial Regulatory Reform Act

Initiatives for Stable Procurement

To maintain and strengthen a stable and uninterrupted procurement system, we ensure that all suppliers who provide parts use the Group's "fire and disaster prevention and response check sheet" to inspect their own measures, reflect the results in their own fire and disaster prevention and response activities, and strengthen their quality and structure. We also ask secondary suppliers, their suppliers, and sub-suppliers to carry out these activities in the same way. In FY2022, we asked about 100 suppliers in Japan to submit the results of inspection of their own measures to check their current status, and we provided information and advice for their further improvement.

As for raw materials procurement, we avoid risks by having multiple sources (diversification of suppliers) which we have been working on, and even during the lockdown period due to the COVID-19 pandemic, we globally maintained raw material supplies. In response to the continuous hike in resin raw material prices since 2021, we work on cost reduction through selection and concentration while maintaining the diversification of raw material procurement sources.

Initiatives for the Environment and Enhancing the Quality of Purchased Goods

As a manufacturer of important safety components, we regularly work together with our suppliers to improve quality under the motto, "Don't buy, make, or pass on defects," and hold a purchasing policy briefing, and other briefings at various locations to assist them in strengthening quality control.

President Kaizumi, Director in charge of Purchasing Tomeoka, and Executive General Manager of Purchasing Control Division Ota took the stage at the FY2023 Purchasing Policy Briefing to explain five priority measures on the theme of "Strengthening Procurement capabilities by Building Supply Chain Management." With regards to carbon neutrality in particular, we asked for cooperation on initiatives such as improving the efficiency of logistics and developing new materials and methods with the goal of reducing CO₂ emissions.

In addition, based on our Green Procurement Guidelines, we ask suppliers to maintain and improve their environmental management systems (EMS) and to manage and reduce the use and emission of environmental concern substances. We regularly conduct supplier surveys on the environment and enter transactions with companies that are registered as "eco partners."

FY2023 Purchasing Policy Theme Strengthening Procurement capabilities by Building Supply Chain Management

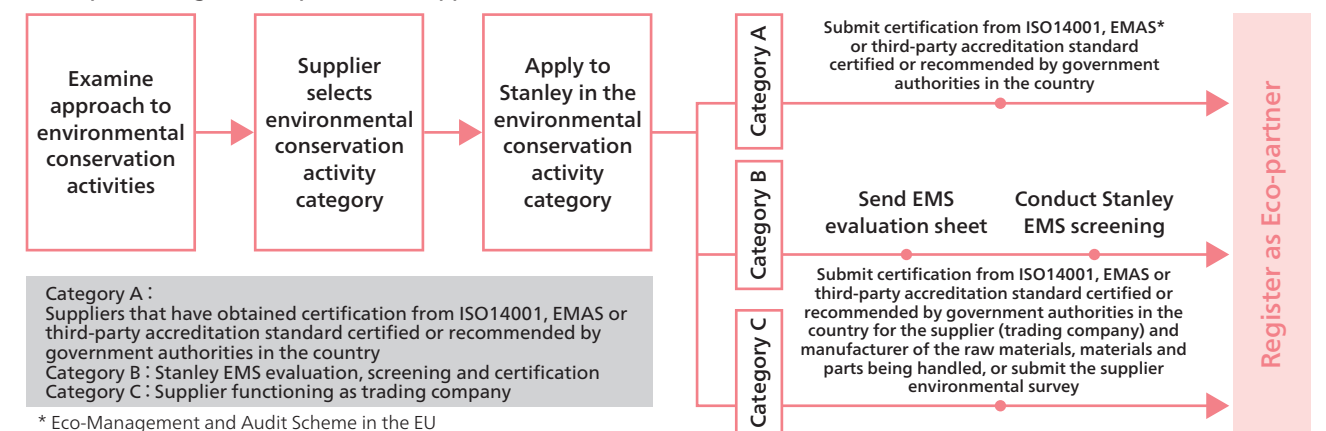
Priority measure

- Measures for fair price purchasing
- Improving purchasing quality
- Establishing stable supply
- Minimizing logistics
- Carbon Neutrality



FY2023 Purchasing Policy Briefing

● Eco-partner registration process for suppliers



* Eco-Management and Audit Scheme in the EU

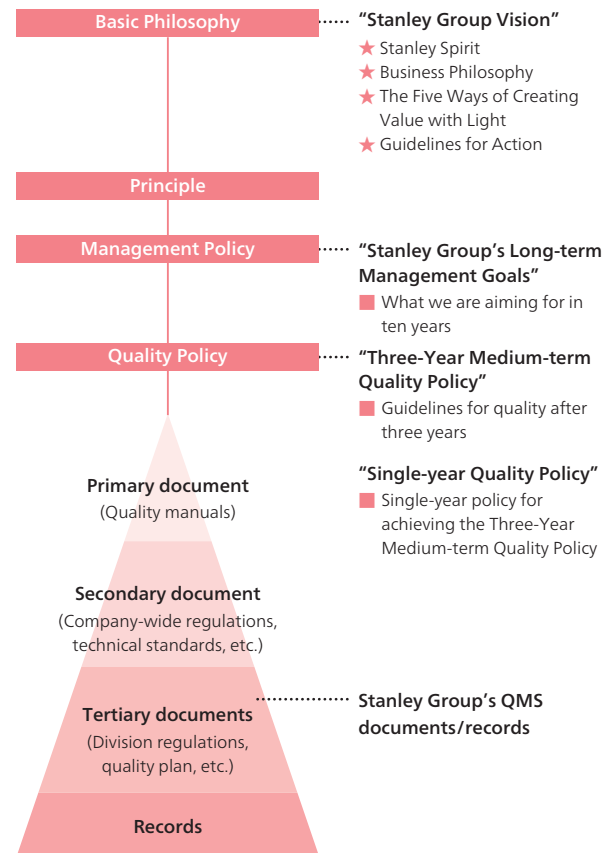
Quality

Quality Management Activities

Our automotive equipment products are important safety components whose failure may be life-threatening. We have established a system for quality management activities to ensure the safety and security of end users. We also formulated the "Principle" as second in importance only to our Basic Philosophy. It defines the basic principles that are top priority for our quality management on which all employees of the Group should base their decisions and actions. As described above, "Safety and Quality" is the most important and fundamental precept to the Group, which is given priority over our management policy. We offer education and training sessions to ensure this Principle is made known to not only new hires but all employees. The Principle is also recited every day in an attempt to ensure it permeates the entire Group.

Furthermore, each of our Group sites has obtained certification for both ISO 9001, the international standard for quality management systems, and IATF 16949, a specialized standard for the automotive parts industry. And we have constructed a management system that meets the strict requirements necessary for automotive components.

Our Group is also rolling out Quality Education (QE) circle activities, which are improvement activities for small groups, as part of our efforts related to quality. These activities are part of a bottom-up approach to improving quality, and are being implemented not only by members on the production line, but by all employees, including those involved in development, design, and head office functions. We have also established a Quality Learning Corner in our design offices as a place where employees can learn about quality problems, and make sure that past quality problems are not repeated. In the Quality Learning Corner, lessons learned from past problems with quality are consistently passed on the new generations, leading to improvements in the quality of new products.



STANLEY "Principle"

As a manufacturer of **important safety parts**, we focus on fundamentals in all our day-to-day operations to reliably supply **safe** products.
We are driven by the motto

Don't ● buy ● make ● pass on **defects**

Every day, we rise to the challenge of pursuing excellence in manufacturing.

Initial Manufacturing Management to Guarantee Product Safety

Our Group develops products with due consideration to safety and provides customers with such products.

We have in place processes to promote the design and/or development of new products in a systematical and organizational manner. To be more specific, we have organized an inter-divisional initial manufacturing management team in addition to function-specific departments in our business divisions and conduct a "critical verification" at each development phase to determine whether or not to move forward to the next phase based on the actual parts and facts at the actual site. This "critical verification" entails thorough control through verification by management and functional departments to ensure the quality necessary for providing safe and secure products.

Production innovation activities

Advancing to SNAP2

Objective

- Provide value (QCD) that satisfies customers
- Cost reduction reform by thoroughly eliminating waste: A Competitive Company that Generates Profits in Any Environment

Our Group production framework strives towards a "manufacturing structure in which products required by customers are manufactured in the quantity needed, exactly when they are needed," and is putting into practice its unique production innovation activity, "SNAP," throughout the Group. By thoroughly eliminating waste, the Group realizes shortened lead-times, lower costs, improved quality and satisfied deadlines, strengthening the trust and satisfaction of customers. In addition to thoroughly pursuing operational efficiency in related departments, we are promoting improvements in production engineering through in-house manufacturing of equipment and researching new materials.

Under our VIII MTP, we are building a new "SNAP2" to ensure "responsible profits." Its purpose is the same as the previous "SNAP," and we have added new activities for maximizing added value, which is the source of profits. As the automotive industry shifts to electric vehicles, we will need to implement cost reductions, without sanctuaries, if we want to provide good products priced to the market. Therefore, in addition to the elimination of waste in the production process by reducing expenses and personnel expenses, which have been at the core of our activities thus far, SNAP2 focuses on reducing material costs by reconsidering materials, promoting in-house production, and working together with suppliers on cost reduction activities. We carry out in-house production after determining how much added value can be secured through investment. So, we will approach it from the perspective of utilizing all of our global facilities, rather than on a plant-by-plant basis. This will increase facility utilization and improve production efficiency. Thus by adding new activities in this way, and advancing our production innovation activities to SNAP2, we will hone cost reduction into one of our Group's competitive strengths.

Initiatives for Expanding Our SNAP Program

SNAP Promotion Meeting

Production sites in Japan gather once a year, under the title of SNAP Promotion Meeting, to present examples of *Kaizen* through eliminating waste. Many employees, including those at overseas sites, participate in the program online. And we are working to invigorate our company-wide SNAP program by using it as a forum for mutual communication between employees at different sites, where they can share know-how, ask questions, and consult one another. We hope this will lead to cost reductions through One Stanley.



Presentation

Human resources development

We carry out personnel development on a global basis to expand the SNAP program to the entire company. We provide training targeting players (who perform work), trainers (who provide guidance), and professionals (experts) respectively. This training helps develop the ability to identify waste in the actual production site, and teaches *Kaizen* methods. Participants use what they have learned in training to help improve work efficiency in their own workplaces.



Player training

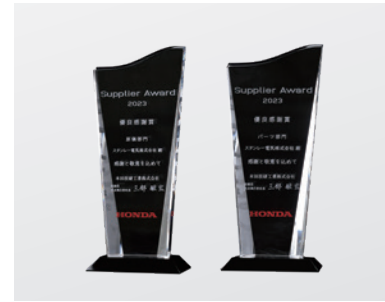
Communication with Stakeholders

External Awards and Recognitions

The Group endeavors to gain trust by quickly and accurately identifying society's needs, and continuously providing products with added value. Meanwhile, we proactively implement ESG initiatives. As a result, the following activities were recognized.

Awarded the Honda Cost Award and Parts Award

We were awarded the "Cost Award" and "Parts Award" for transactions in 2022 at the General Meeting of Suppliers held by Honda Motor Co., Ltd. The Cost Award was given in recognition of our promoting the front-loading of development (carrying out work processes that can be brought forward at an early stage), and improving production efficiency by introducing new surface treatment equipment. The Parts Award was given in recognition of activities such as adding target part numbers to Honda's ad-hoc ordering system, and cooperating with the change in information management systems.



Awarded Yamaha Global Contribution Award

We were awarded the highest-rank Global Contribution Award by Yamaha Motor Co., Ltd. in recognition of our stable supply of quality products to six sites around the world, and our significant contribution to strengthening the competitiveness of Yamaha products through a wide array of activities. This is our second time to receive the award, following the first award in 2018.



Awarded the Nissan Global Quality Award for Third Consecutive Year Awarded Global Innovation Award

We were awarded the Global Quality Award by Nissan Motor Co., Ltd. for the third year in a row as the top supplier in the Global Quality Index (Supplier Scorecard) in the category of interior and exterior parts in recognition of our quality activities in FY2021. We were also awarded the Global Innovation Award by Nissan in recognition of helping to improve their brand through our ultra-thin headlamp technology utilized in the company's first crossover EV, the Nissan Ariya.



Awarded SUBARU Product Quality Excellence Award

We were awarded the Product Quality Excellence Award (Zero defects for year division) by SUBARU CORPORATION in recognition of our achievement of zero defects for OEM parts in 2021. Their commendation system for products was introduced in FY2022, and we were awarded during the inaugural awards ceremony.



ESG-related Assessments



2023 CONSTITUENT MSCIジャパン
ESGセレクト・リーダーズ指数



FTSE Blossom
Japan Sector
Relative Index

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Involvement with International and Local Communities

The Group is proactively working to contribute to society based on the Stanley Group's Code of Conduct, which stipulates that as a global company, the Group will observe the rules of international society in harmony with local cultures and customs, and contribute to the development of each country in which we operate.

Assistance for the victims of the Turkey-Syria Earthquakes

Our company and Thai Stanley Electric Public Co., Ltd. (THS) donated approximately 5 million yen to the Japanese Red Cross Society and Thai Red Cross Society to support recovery efforts following the earthquakes that occurred near the Turkish and Syrian border. In addition to this, our European Group company Stanley Electric GmbH made a donation through the German Red Cross Society.

We would like to express our deepest condolences for those who lost their lives in the disaster and express our heartfelt sympathy to all those affected.

Hosting the Stanley Ladies Honda Golf Tournament

In order to develop a sports culture and social contributions, we have sponsored a professional golf tournament for women since 1980. (suspended between 1996 and 2002)

We have conducted various activities including donating to the JLPGA Kids Foundation, operated by the Japan Ladies Professional Golfers' Association (JLPGA), providing support to schools in Kenya through donations to Plan International Japan, and donating saplings to the Shizuoka Prefecture Federation of Forest Associations.



Entering the SUPER GT 500 Class Races to Promote Motor Sports

We have a long history of involvement in motor sports, starting with the 24 Hours of Le Mans in 1995, and we have supported motor sports for a quarter of a century.

This year, we are again sponsoring STANLEY NSX-GT and aiming to win the series championship.



Constructive Dialogue with Stakeholders: IR Activities

The Corporate Planning Division and other departments within the Group work together to conduct IR activities aiming to enhance our corporate value. In FY2022, we strengthened our IR function by establishing a new department dedicated to IR. By engaging in constructive dialogue with our stakeholders including shareholders and investors, we will continue to strive to sustainably improve our corporate value.

Activities carried out in FY2022

Activity	Number of times
Financial results briefings attended by Representative Directors	Twice a year, in May and November
Interviews with Outside Directors	Once (September 2022)
ESG briefing	Once (February 2023)
IR Meetings with investors and securities analysts	165 times
SR (Shareholder Relations) Meetings with shareholders	8 times

Policies and measures revealed through dialogue with external parties

- Direction and key points of the next three-year mid-term management plan
- Capital policy and measures for shareholder returns
- Information disclosure including integrated reports
- Efforts to achieve carbon neutrality
- Human capital initiatives such as diversity and inclusion, health and productivity management, etc.

Roundtable Discussion with the Outside Directors

In This Age of Change, What Reforms are Needed to “Become a Competitive Company”



Outside Directors explain the key areas to focus on and illustrate their own roles in order for Stanley Electric to become more competitive on the global stage and increase corporate value.

How changes throughout the automotive industry should be interpreted

Once-in-a-century change occurring throughout the automotive industry to be taken as a golden opportunity

Kono The requirements of vehicles is changing significantly in tandem with moves to electrification and autonomous driving that form CASE, and the performance required from lamps—a crucial component of vehicles—is also becoming more sophisticated. As advances are made with autonomous driving, the functionality required of lamps will shift from assisting drivers with visibility to facilitating autonomous driving with sensor functionality. Given such changes, the key will be determining what level of sophistication and type of added value to propose for our products based on Stanley Electric's vision of “Outshining Light.” Mr. Takeda, as a Director managing your own automotive parts manufacturer, how are you perceiving the changes occurring throughout the automotive industry?

Takeda The automotive industry is facing the first once-in-a-century period of upheaval since the industry has begun to take shape, and the entire industry as a whole is said to undergo immense change over the next five to ten years. I think it will be vital for the automotive components industry, including Stanley Electric, to view changes in the automotive industry as a golden opportunity.

Making the most of this will require the Company to make its own theory and measure the resulting effects. The Company needs to come up with its own theory based on information of automotive manufacturers in developed countries, automotive manufacturers in emerging markets, and national and industrial policies developed by each country's government, as a way of determining which areas to assign human resources and energy to, and needs to measure the effects of those results, as a global supplier and an independent parts manufacturer. Stanley Electric has already kicked off efforts in this area from the previous mid-term management plan, and I think that approach is starting to deliver some positive results.

Another way of securing an advantageous position in the industry will be to implement drastic measures like focusing on businesses with high value-added productivity in existing businesses and existing sectors,

and pulling out of others. The cash that these moves make available would ideally be invested in sectors with future potential, like creating new growth businesses or attaining carbon neutrality to create a positive cycle.

Toward successful global expansion

Differences become evident with human resources, organizations and supply chains when viewed from a global perspective

Kono Director Takeda mentioned global suppliers, but what does Stanley Electric specifically need to do in order to expand business to a global scale?

Mori I feel that there are four main areas that Stanley Electric needs to cover in order to grow into a global company and increase its corporate value.

The first of these is sales, namely, communication with customers. Stanley has long geared its business primarily toward Japanese automotive manufacturers. Yet this approach alone is not enough to ensure growth over the medium- to long-term span—the Company will need to build on its marketing efforts and approach manufacturers outside Japan that show promise for future growth. This area is covered by the “Expand Non-Japanese Business” objective in the Mid-term Management Plan and the Company is approaching manufacturers in Europe and China accordingly, but I think further effort will be required.

The second is establishing a global supply chain. Around 70% of the Company's supply chain is already based on sources overseas, with purchasing, production and inventories being conducted in various countries and regions. Implementation of DX on a global scale will be essential to be



Masakatsu Mori

Previously appointed to roles such as President and Representative Director of Andersen Consulting (current Accenture Japan Ltd) and President of International University of Japan, and has been the Company's Outside Director since 2010. He also currently holds roles as Special Advisor, International University of Japan, External Director, Kirin Holdings Co., Ltd., and External Audit & Supervisory Board Member, FAST RETAILING CO., LTD.

able to deliver products to customers with a quicker lead-time.

The third area is without a doubt, human resources. Management of a global company like Stanley Electric requires human resources strategy, such as determining the numbers of core leaders at the head office and at each operating base, and identifying the best way to move forward with training and hiring.

The final area is that of “One Stanley.” To ensure such a global company is able to function properly, organizations with separate functions covering marketing, R&D, financing, and human resources need to coordinate efforts seamlessly on a global level.

Maintaining and enhancing manufacturing competitiveness

In addition to better, more efficient manufacturing, training in new fields is essential to achieve further growth

Kono The competitive market surrounding the automotive lamp sector has undergone significant changes, and Chinese manufacturers in particular are able to deliver products with quality on par with Japanese lamp manufacturers at a much lower price. And with sales of EVs in China also growing rapidly, the only way to ensure survival is to be competitive

at a cost level that is on par with Chinese manufacturers, in addition to competition against other lamp manufacturers in Japan and Europe. The time has come where cost planning needs to be conducted using local Chinese lamp manufacturers as the benchmark.

In addition to improving operations associated with molds and assembly, lowering costs will need to come from reducing the number of parts or greater parts sharing, from the product planning, design and development, and process design stages—this process design that involves human work in particular needs to be advanced to involve low-cost automated assembly.

At the same time, the results of technical development that



Yozo Takeda

Since being appointed Director of Sanoh Industrial Co., Ltd. in 1983, his positions in that company included Managing Director, Senior Managing Director and President, before being assigned to his current role as Chairman and CEO. He has been the Company's Outside Director since 2020.

Stanley Electric has focused on, like laser sensors and ADBs, need to be applied in full to provide customers with added value. Global companies are also required to enhance their response to ESG and DX. To achieve this, the different styles of work in various countries, regions and operating bases need to be standardized globally, and training of leaders capable of bringing about such reform from a global perspective is a pressing challenge.

I think it will be important for Stanley Electric to extend beyond the framework of an automotive lamp manufacturer

to concentrate on increasing its corporate value.

Suzuki As the external environment continues to change in the lead-up to 2030, the President as well as all employees of Stanley Electric are moving forward with reform, while harnessing Stanley's defining qualities and its strengths, with a sense of urgency in that success will not come from adopting the same approach as the past. In addition to the automotive business, efforts will also need to be made to enhance the electronics business as another key business domain, in order to increase corporate value. Yet these two business domains call for different approaches, and as these take time, human resources and capital, I think the Company needs to create a blueprint for growth while securing the understanding of shareholders and all other stakeholders to advance these two businesses.

Takeda Motivation amongst employees is also crucial. Taking impossible approaches in an attempt to generate profit will only make everyone exhausted. The Company will be able to achieve growth by developing the correct strategy and ensuring the entire Company is working toward reaching ambitious goals. I hope to see a positive spiral being created, where the sense of fulfillment and reward overlap for individual employees. One thing I am envious of about Stanley Electric is that the Company is involved in working with light. I am sure that new functions of light still await discovery, and no other products are as brilliant as our products involving light.

Regarding human capital management, and diversity, equity and inclusion

Feeding the impact of diversity back to corporate performance is vital

Suzuki Human resources are so important, as a core asset for the Company and the driving force for building the future. Harnessing the capabilities of female employees and foreign nationals is a key point underpinning diversity, equity and inclusion.

When it comes to global human resources, the lack of global talent amongst Stanley Electric's management team is a risk the Company is taking as it engages in business on a global scale. Automotive companies that are Stanley's customers have a greater number of international personnel involved in management, and ensuring that Stanley's management team has global perspective will be essential for holding constructive dialogue with such customer companies. Employees working at overseas sites will no doubt find it hard to maintain motivation if there are always Japanese people leading their workplace, and as it is becoming challenging to secure capable human resources on a global level, establishing management structures staffed by local personnel will be essential to make Stanley Electric a more appealing option to work at in other countries and regions.

Ensuring diversity is not a particularly difficult challenge, whether it is increasing the number of international personnel or the number of female employees. The key is to apply the



Satoko Suzuki

Previous roles include working at Nihon L'Oreal, Boston Consulting Group (current Boston Consulting Group) and Program-Specific Associate Professor at the Graduate School of Management, Kyoto University, before being appointed to her current roles as Professor at the Graduate School of Business Administration, Department of International Corporate Strategy at Hitotsubashi University and Outside Director of Lawson, Inc. She has been the Company's Outside Director since 2022.

impact of diversity to corporate performance—and this is where inclusion becomes significant. A workplace environment needs to be developed that is open to a diverse range of views and perspectives, where individual differences and personalities can actually be harnessed as the Company's strengths. Management personnel need to be cultivated at a local level, and at the same time it will be vital to assign young workers and

mid-career employees from Japan to positions overseas in order to gain on-the-ground experience.

Mori Exactly. Honing the concept of "One Stanley" definitely calls for the training of human resources capable of sharing Stanley Electric's vision and culture. Yet this does

not mean simply appointing foreign nationals to the heads of overseas sites—instead they should be educated at the head office before being assigned to those roles. Human resources who share the same vision and play a key role on a global level will generate a unifying momentum to help boost the performance of Stanley Electric.

Defining the roles expected of Outside Directors

Responsibility for creating a powerful executive team capable of enhancing corporate value

Kono I think the most important role of Outside Directors is to assist in bringing about reform. Employees working at sites tend to be busy with their day-to-day duties. The automotive lamp industry also tends to lag behind when it comes to enacting reform, even when perceiving changes, as orders are generally secured years into the future. Bringing about reform in areas like human resources, markets, technology, manufacturing, and capital planning over the medium- to long-term span is the role of the management team, and I feel that Outside Directors need to support these efforts. They also need to accurately convey progress to investors and stakeholders, and play a role in increasing the number of people interested in Stanley Electric.



Hirokazu Kono

Previous roles include Professor of the Graduate School of Business Administration at Keio University, Dean of Keio Business School, and President of the Japan Industrial Management Association. He has been the Company's Outside Director since 2015. He currently holds the posts of Professor Emeritus and Project Professor at Keio University, Vice Chair of the Japan Business School Education Development Organization, and Outside Director of The Yokohama Rubber Company, Co., Ltd.

Mori I was appointed Outside Director of Stanley Electric in 2010, and I feel that the Company's governance is taking on a very positive form. The mission of Outside Directors overseeing governance is to create a powerful executive team. The reason for this is the executive team is responsible for enhancing corporate value. Our role is to contribute to boosting corporate value by ensuring that the executive team is functioning properly.

Takeda Just like Director Mori outlined, I consider it crucial to establish an effective executive team, and hope that the team is unrestrained and motivated to

achieve new growth and increase corporate value. We play a key role in facilitating this, so I hope the Outside Directors' skills matrix is harnessed in full.

Suzuki My background is in marketing, and since being appointed Outside Director, I have been trying to contribute to increasing the brand power of Stanley Electric. Establishing a brand takes time, human resources and investments—there is finally a person in charge of brand strategy, and initiatives are just starting to take hold in this area. Brand power is also essential for expanding the electronics business, so I hope to assist with strengthening Stanley Electric's brand power.



List of Directors and Skills Matrix

		Directors					Outside Directors				
Name, Position											
	(D.O.B.: December 22, 1963) President and Representative Director (Chief Technology Officer)	(D.O.B.: March 10, 1959) Executive Vice President and Representative Director (Chief Quality Assurance Officer, Chief Human Resources & General Affairs Officer, Chief Asian & Oceanian Business Officer)	(D.O.B.: September 08, 1962) Managing Director (Chief Financial Officer, Chief Accounting Officer, Chief European Business Officer)	(D.O.B.: August 08, 1964) Director (Chief Purchasing Officer, Chief Cost Competitiveness Officer, Chief Chinese Business Officer)	(D.O.B.: January 31, 1963) Director (Chief Manufacturing Officer, Chief Compliance Officer, Chief SNAP Officer, Chief Domestic Subsidiary Officer)	(D.O.B.: September 28, 1965) Director (Chief Sales Officer, Chief American Business Officer)	(D.O.B.: January 22, 1947) Director	(D.O.B.: April 22, 1957) Director	(D.O.B.: February 04, 1949) Director	(D.O.B.: November 17, 1977) Director	
Years in office	6 years	13 years	6 years	2 years	1 year	1 year	13 years	8 years	3 years	1 year	
Attendance at Board of Directors meetings	15/15 (100%)	15/15 (100%)	15/15 (100%)	15/15 (100%)	11/11* (100%)	11/11* (100%)	15/15 (100%)	15/15 (100%)	15/15 (100%)	10/11* (91%)	
Expertise and Experiences Required for Directors of the Company	Corporate Management										
	Sustainability										
	Financial Affairs										
	Legal Affairs										
	Sales/Marketing										
	Manufacturing										
	Quality										
	Development and Engineering										
	International Experience										

* Three new Directors, Mr. Satoshi Oki, Mr. Kazuki Takano and Ms. Satoko Suzuki, were selected and appointed at the 117th Ordinary General Meeting of Shareholders held on June 28, 2022.

		Audit & Supervisory Board Members			Outside Audit & Supervisory Board Members	
Name, Position						
	(D.O.B.: April 27, 1962) Audit & Supervisory Board Member	(D.O.B.: March 22, 1960) Audit & Supervisory Board Member	(D.O.B.: June 02, 1956) Audit & Supervisory Board Member	(D.O.B.: April 14, 1956) Audit & Supervisory Board Member	(D.O.B.: August 25, 1960) Audit & Supervisory Board Member	
Years in office	6 years	Newly appointed	17 years	4 years	Newly appointed	
Attendance at Board of Directors meetings	15/15 (100%)	—	15/15 (100%)	15/15 (100%)	—	
Attendance at Audit & Supervisory Board meetings	14/14 (100%)	—	14/14 (100%)	14/14 (100%)	—	
Expertise and Experiences Required for Audit & Supervisory Board Members of the Company	Corporate Management					
	Sustainability					
	Financial Affairs					
	Legal Affairs					
	Sales/Marketing					
	Manufacturing					
	Quality					
Development and Engineering						
International Experience						

Corporate Governance

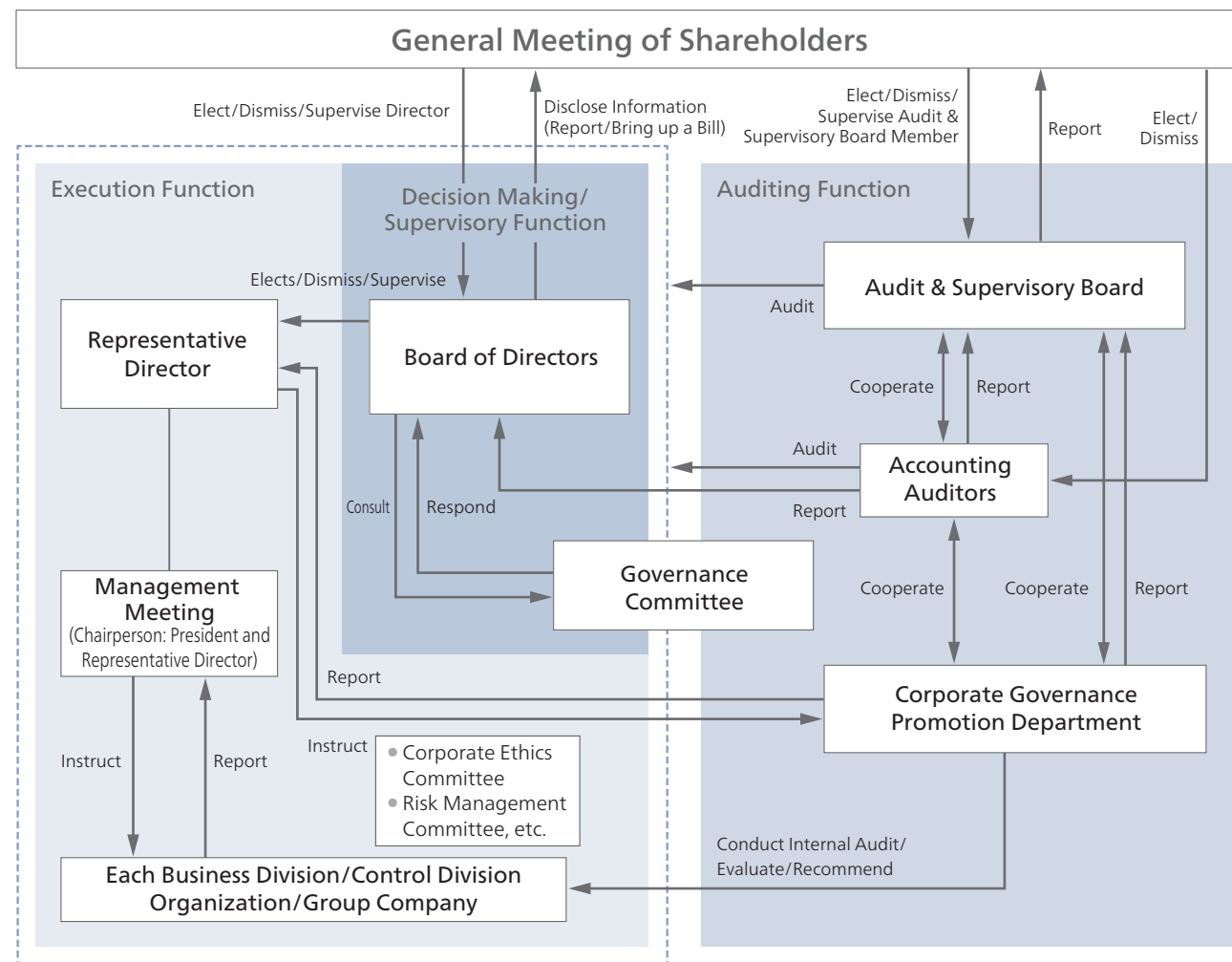
Basic Approach to Corporate Governance

Our Business Philosophies is "The boundless pursuit of the Value of Light," "Business innovation by maximizing our potential as a manufacturer," and "Ensuring the welfare of those who truly support our mission," based on the Stanley Group Vision, the basic values shared throughout the Group. We aim to create social value and contribute broadly to society through our global business activities, as well as our pursuit of "the Five Ways of Creating Value with Light." Creating: creating light, Recognizing: sensing and recognizing with light, Informing: processing information with light, Energizing: harnessing light's energy, and Expressing: producing feeling with light.

We strive to meet the expectations of all our stakeholders by pursuing transparency and fairness in management and striving to establish world-class corporate governance.

Corporate Governance System

We strive to ensure effective governance through collaboration between "audits" conducted by the Audit & Supervisory Board Members (the Audit & Supervisory Board), which includes two or more outside members who maintain independence and have expertise in such areas as the law and financial accounting, and with active coordination with Accounting Auditors and internal audit department; and the "establishment of management strategies" and "supervision of business execution" by the Board of Directors, which makes swift and accurate management decisions regarding business management through lively discussions by Directors who are familiar with the Group's businesses. We strive to further strengthen our governance functions by adding Outside Directors who maintain independence and have high levels of experience and knowledge regarding management.



Improving the Effectiveness of the Board of Directors

Our Management Meeting consisting of full-time Directors, etc., deliberate on important matters with company-wide impact, in order to examine such matters from multi-faceted viewpoints before consulting with the Board of Directors. In addition, beginning in FY2022, important agenda items that concern the Group's future such as medium- to long-term strategies are discussed in advance on a practical level at the Officers' Meeting and Executive Officers' Meeting, so as to improve the effectiveness of the Board of Directors even further.

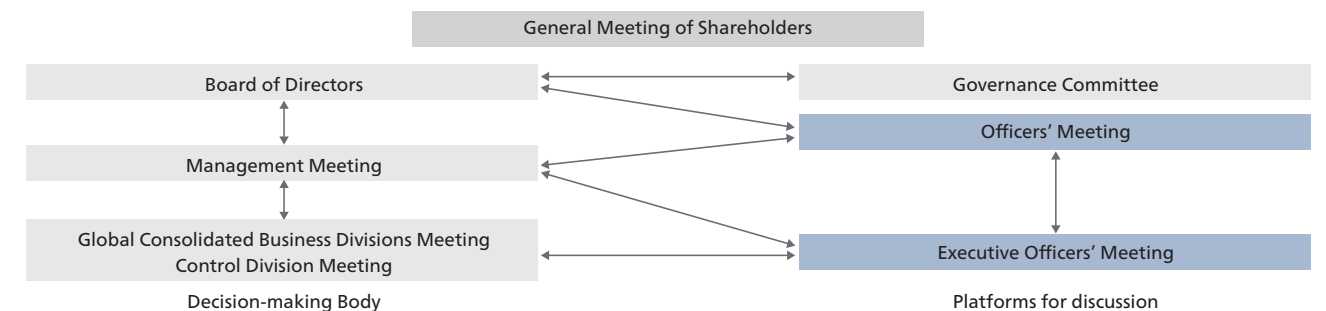
At the Board of Directors meetings held in this fiscal year, 45 matters were resolved and 12 matters were reported.

45 resolved matters: Mid-term management plan, management policy, business planning, approval of consolidated and non-consolidated financial statements, creation and revision of important internal regulations, important organization and personnel items, important investment and financing items, etc.

12 reported matters: Report on execution of duties by Directors, response by Governance Committee regarding Officer system, report on auditing results, auditing plans, report on J-SOX evaluation report, etc.

Nature of the Meeting Body	Name	Function	Participants	Main Agenda Items
Decision-making Body	Board of Directors	• To make decisions on important operational matters and conduct statutory reporting as a statutory meeting body	Directors, Audit & Supervisory Board Members	• Items stipulated by law • Important operational matters
	Management Meeting	• To discuss and deliberate important management matters and set the direction for company-wide strategies, report on and give approval to important matters in accordance with rules and regulations	Representative Director, Directors with titles, Members appointed by Representative Director	• Items stipulated by the Guidelines for Administrative Processing and Operations and other internal regulations • Items deemed necessary by Directors
	Global Consolidated Business Divisions Meeting	• To report on and give approval to important business management matters and business execution matters concerning the overall operations of business divisions	Executive General Managers of divisions, General Managers of departments directly under divisions, Presidents of domestic and overseas Group companies, etc.	• Matters on sales, technology, and production that concern business management, items proposed by members
	Control Division Meeting	• To report on and give approval to important Control Division operational matters and business execution matters concerning the overall operations of the Control Division	Executive General Manager, Senior Managers under direct control of the Control Division, etc.	• Important matters that concern Control Division operation, items proposed by members
Platforms for discussion	Officers' Meeting	• To discuss medium- to long-term strategic issues	Directors, Audit & Supervisory Board Members, and Executive Officers/Operating Officers	• Items proposed by Directors • Items proposed by the Management Meeting/ Executive Officers' Meeting
	Executive Officers' Meeting	• Executive Officers/Operating Officers discuss items on the Management Meeting agenda and each Control Division issue	Executive Officers/Operating Officers	• Discussion agendas drawn from the challenge items in the Three-year-term Management Plan • Other items proposed by Executive Officers/Operating Officers

• Scheme of Relations Between Meeting Bodies



Evaluation of Effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors (via self-evaluation), with the purpose of validating the efficient and appropriate functioning of the Board of Directors and improving its functions as a whole.

<p>Method of Evaluation</p>	<p>An anonymous questionnaire containing the questions shown on the right is distributed to each Director and Audit & Supervisory Board Member every year. Based on the results of the tabulated responses, the Governance Committee, whose main members are Outside Officers, evaluates the effectiveness of the Board.</p> <div data-bbox="857 541 1338 737" style="border: 1px solid black; padding: 5px;"> <p>Main content of questionnaire</p> <ul style="list-style-type: none"> (i) Composition and size of the Board of Directors (ii) Operation of the Board of Directors (iii) Board of Directors' role, etc. (iv) Overview </div>
<p>Analysis and Evaluation</p>	<p>The results of the questionnaire conducted in November 2022 indicated the effectiveness of the Board of Directors is ensured in general as shown in the following graph. Feedback in the open-ended questions such as "Balance and diversity of the Board of Directors members" and "Operation of the Board of Directors" also revealed areas of potential improvements.</p> <div data-bbox="552 919 1314 1388" style="text-align: center;"> <p>Distribution of responses</p> <ul style="list-style-type: none"> 5.0 Appropriate/Functioning 4.0 Mostly appropriate/Mostly functioning 3.0 Ordinary/Neither satisfied nor dissatisfied 2.0 Only somewhat appropriate/Only somewhat functioning 1.0 Not appropriate/Not functioning </div>
<p>Future Measures</p>	<p>In addition to gender and nationality, we also consider the field of expertise and length of time in office as a part of diversity of the Board of Directors. Following the selection of a female Outside Director (in 2022) and selection of a female Outside Audit & Supervisory Board Member (in 2023), efforts are continuing to be made to expand diversity amongst members of the Board of Directors. A variety of opinions presented by a diverse range of members are reflected in the management so as to enhance corporate value. Efforts are also being made to further increase effectiveness by increasing agendas concerning medium- to long-term management strategies, expanding discussions for ESG initiatives and succession plans, and other measures.</p>

Related Materiality

Materiality	Major initiatives	Target
Building a solid business foundation	Strengthening governance functions	<p style="text-align: center;">Effectiveness of the Board of Directors</p> <ul style="list-style-type: none"> • Conducting a survey to evaluate the effectiveness of the Board of Directors once a year

Governance Committee

The Governance Committee consists of four Outside Directors, three Outside Audit & Supervisory Board Members, and two Representative Directors. Its purpose is to provide a broad range of advice that ties into the Company's sustainable growth, as an advisory body to the Board of Directors.

Vibrant discussions and opinions are held and exchanged mainly among Outside Officers regarding the evaluation, selection and dismissal of Representative Directors, the evaluation, election and dismissal of Directors, officer compensation system and the amounts of annual compensation, etc., the evaluation of the effectiveness of the Board of Directors and other matters. The Board of Directors decides on each matter in consideration of the content of the response by the Governance Committee, through which we are ensuring the independence and objectivity of the functions of the Board of Directors and are working to strengthen our internal control and improving our corporate value over the medium to long term.

Members (as of June 29, 2023)	
• Masakatsu Mori	(Outside Director)
• Hirokazu Kono	(Outside Director, Chairperson)
• Yozo Takeda	(Outside Director)
• Satoko Suzuki	(Outside Director)
• Mitsuhiro Amitani	(Outside Audit & Supervisory Board Member)
• Koichi Uehira	(Outside Audit & Supervisory Board Member)
• Eri Yokota	(Outside Audit & Supervisory Board Member)
• Yasuaki Kaizumi	(President)
• Toru Tanabe	(Executive Vice President)

Related Materiality

Materiality	Major initiatives	Target
Building a solid business foundation	Strengthening governance functions	Allow the Governance Committee to appropriately exert its function

Message from Newly Appointed Audit & Supervisory Board Members (appointed June 29, 2023)



Koichi Nagano
Audit & Supervisory Board Member

I have been involved in the Company's automotive business as a manager of overseas sites at the forefront of operations covering areas like manufacturing, quality and technical development.

As the environment surrounding the Company as well as the entire automotive industry continues to undergo changes, those involved in business execution tend to want to address any issue with as much effort as possible.

As a member of the Audit & Supervisory Board, I am required to draw the experiences I have built up to check various risks in execution of business through meetings and based on the principle of Genba, Genbutsu, and Genjitsu (actual place, actual thing, and actual situation), and ensure there are no mistakes made with decision-making processes and that operations are in line with compliance, from the perspective of a supporting guide. By doing so, I hope to fulfill my role in ensuring management governance and contribute to sustainable growth of the Company.



Eri Yokota
Outside Audit & Supervisory Board Member

I have developed my insight into business administration through research activities as a specialist in management accounting and organizational behavior. I also have built up experience associated with management duties like providing feedback and advice on management as an Outside Director of other companies.

Following my appointment as a member of Stanley Electric's Outside Audit & Supervisory Board, I hope to take every opportunity to visit operating sites and hold vital discussions with employees, to gain a direct feel for the mood at workplaces.

I will contribute to ensure the objectivity, neutrality and legitimacy of management by providing supervision and advice based on the knowledge and experience I have built up thus far, while maintaining my perspective as an outside observer.

Officer Compensation

Basic policy

As described below, the policies for compensation, etc. of Directors and Audit & Supervisory Board Members (“officers”) are determined by the Board of Directors for Directors and by the Audit & Supervisory Board for Audit & Supervisory Board Members, respectively, with the purpose of determining officer compensation, etc. in a fair and appropriate manner, through discussions and responses by the Governance Committee, the optional committee equivalent to the Appointment and Remuneration Advisory Committee.

- (a) The compensation system shall be objective when viewed by shareholders and other stakeholders.
- (b) The compensation system shall be partially linked to performance, in order to clarify responsibility for business execution.
- (c) The policy is determined appropriately in light of economic trends, the Company’s business environment, performance, in line with medium- to long-term corporate value, and standards of other companies based on survey data of officers compensation conducted by external specialist institutions.

Overview of the Officer Compensation System

The officers compensation consists of the following elements. It is calculated using a coefficient set for each element of the system.

- (a) We have introduced a transfer-restricted stock compensation system for Directors (excluding Outside Directors) as shareholder value-linked compensation, with the purpose of increasing their motivation to contribute to increasing stock prices, shareholder value, and corporate value, compared with the status quo.
- (b) We provide share subscription rights as regular stock options to Directors (excluding Outside Directors) and managers free of charge, in order for them to share the risks and rewards of fluctuations in stock prices with shareholders, and to increase their motivation to contribute to increasing stock prices and corporate value, compared with the status quo.
- (c) Regarding the time of payment, fixed compensation, performance-based compensation, and consolidated ROA standard compensation will be paid monthly. Other compensation will be paid (allocated) at a certain time.

	Monetary compensation	Non-monetary compensation
Other compensation	Fixed compensation	None
Performance-linked compensation	Performance-based compensation Consolidated ROA standard compensation Bonus	Shareholder value-linked compensation Regular stock options

Policy for Determination of Compensation for Each Individual by Type of Compensation as Well as Their Percentage

The fixed compensation for the Company’s officers is calculated after comprehensively considering positions, responsibilities, etc. The Company’s performance-linked compensation (including non-monetary compensation) for officers is intended to establish fair and appropriate officer compensation, where: performance-based compensation and shareholder value-linked compensation are mainly calculated based on the Company’s performance; consolidated ROA standard compensation is calculated by a payment coefficient based on consolidated ROA; bonus is calculated based on net income and the officer bonus calculation coefficient; and regular stock options are mainly calculated based on stock price, and based on the premise that corporate management from a medium- to long-term perspective is important, after giving due consideration to the two perspectives of motivating Directors to contribute to the enhancement of corporate value and pursuing the interests of shareholders, we decide on the percentage of each compensation. As a result of revising the evaluation method related to compensation in terms of strengthening evaluation perspectives including non-financial indicators to determine compensation, performance-based monetary compensation was standardized with bonuses, and performance-linked compensation and consolidated ROA standard compensation were abolished as decided on by the Board of Directors meeting held on June 26, 2023, which came into effect from June 29, 2023.

Matters Related to the Organization for Determining the Content of Compensation for Each Director and Its Verification

The Board of Directors will make a resolution to delegate the authority to determine the amount to be allocated to each Director according to the predefined calculation method to the Representative Director. Furthermore, regarding the appropriate exercise of this authority by the Representative Director, we will consult with the Governance Committee and obtain their view for reference.

• Total compensation, etc. per officer category, total compensation, etc. by type, and the number of eligible officers (FY2022)*1

Officer category	Total Compensation (Millions of yen)	Total Compensation by Type (Millions of yen)			Number of Eligible Officers (Persons)
		Fixed compensation	Performance-linked compensation*2	Non-monetary compensation*3	
Directors (excluding Outside Directors)	458	184	233	40	8
Audit & Supervisory Board Members (excluding outside members)	70	52	17	—	2
Outside officers	52	51	0	—	7

*1 Includes compensation for two Directors who retired from their positions at the conclusion of the 117th Ordinary General Meeting of Shareholders held on June 28, 2022.

*2 Expenses recorded during the fiscal year for performance-based compensation, consolidated ROA standard compensation and bonuses.

*3 Of the performance-linked compensation, expenses recorded during the fiscal year for transfer-restricted stocks granted as shareholder value-linked compensation, and share subscription rights granted as normal stock options.

Compliance

Compliance Initiatives

Compliance Education

In addition to compliance education at the beginning of each fiscal year, we provide compliance education as part of training programs for officers, each hierarchy level and each department, selecting and running the necessary topics. For example, these programs explain to officers and employees the rules they respectively need to comply with regarding the Antimonopoly Act, bribery, respect for human rights, harassment and other aspects to ensure their understanding.

Each Group company and department also promotes and plans compliance autonomously, and they validate these initiatives each quarter.

Whistleblowing System

We have established two whistleblower hotlines, the “Corporate Ethics Improvement Proposal Office” that is staffed by attorneys, and the “S-UP System” headed by the Human Resource Department manager and the Legal Affairs and Intellectual Property Department manager, to practice thorough early detection and prevention of issues. Through posters, internal newsletters, a monthly compliance magazine and other media, we keep informing employees how to use them as well as that people contacting the hotlines will not receive disadvantageous treatment and the system provides confidentiality and anonymity for whistleblowers against corruption and bribery.

In accordance with the revised Whistleblower Protection Act, we have enhanced the system’s confidentiality by providing education for officers and personnel engaging in the hotline operation to ensure greater peace of mind for whistleblowers.

We are also setting up whistleblower hotlines at our overseas locations where reports can, in principle, be submitted in the local languages.

Corporate Ethics Committee

We have established the Corporate Ethics Committee, chaired by the Director in charge of compliance and corporate ethics and comprised of members including at least one attorney. The purview of the committee working to enhance compliance across the entire Group includes 1) planning and implementing activities to prevent compliance violations, 2) determining policies for responding to compliance issues, 3) studying measures to prevent recurrence, and 4) validating the operational status of such whistleblower hotlines as the Corporate Ethics Improvement Proposal Office.



Training session for officers on human rights and harassment by an outside attorney



Compliance magazine

Internal Audit

Internal Audit Organization, etc.

The Company has established the Corporate Governance Promotion Department as an internal audit department under the direct control of the Representative Director. It is a dedicated independent organization comprising nine people including certified internal auditors, and strives to maintain and improve the soundness of business execution by auditing the Group’s operations as a whole in accordance with the internal audit regulations, from the perspective of the effectiveness of internal controls, compliance, etc.

Coordination between Internal Audits, Audits by the Audit & Supervisory Board Members, and Accounting Audits, etc.

The General Manager of the internal audit department attends the monthly meetings of the Audit & Supervisory Board to report on audit plans and the results of audits, and collects information to facilitate collaboration between the two parties. The above General Manager also attends meetings with the Audit & Supervisory Board Members and Accounting Auditor, receives reports on the Accounting Auditor’s audit plans, the results of accounting audits during the fiscal year, at fiscal year-end and of internal control audits, and additionally exchanges information. If the results of audits by the Audit & Supervisory Board Members, internal audit department, or Accounting Auditor are relevant to the internal control department, they notify the internal control department of the relevant information and mutually coordinate.

Related Materiality		
Materiality	Major initiatives	Target
Building a solid business foundation	Thorough compliance	Percentage of employees who have taken compliance education, percentage of employees who have signed the compliance declaration • Compliance education, declaration 100% (FY2022: Compliance education, declaration 100%) Appropriate and continued operation of whistleblowing system on a global scale

Risk Management

Basic Initiatives

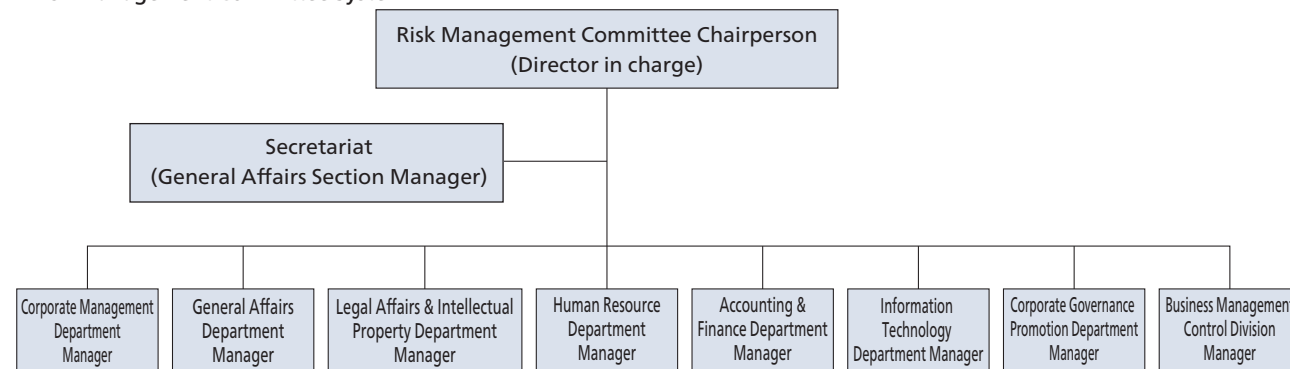
We anticipate specific risks surrounding the entire Group from normal times and establish preventive measures against the losses caused by those risks. Furthermore, we take post-treatment measures and recurrence prevention measures to ensure the safety of employees' lives and bodies and minimize losses even when risks become apparent.

Specifically, we create an environment in which preparations and measures necessary for business continuity and stable development can be taken effectively and efficiently by formulating risk management regulations and clarifying the definition of risk, management system, information management policy, etc. in Stanley.

In addition, we implement company-wide risk management such as risk analysis/identification and preparation of a risk aversion manual with the Risk Management Committee chaired by a Director playing a key role. Risk Management Committee is held regularly irrespective of whether or not an incident has occurred, and promotes the formulation and approval of "key risks" and "risk scenarios," and communications of them to relevant business divisions and supervising departments.

If a risk were to materialize, the Risk Management Committee would set up a BCP (Business Continuity Plan) Headquarters to take an integrated response to the occurrence of an incident.

• Risk Management Committee System



Assumed Major Risks and Examples of Countermeasures

We regard events that have an unfavorable impact on management and business when they become apparent as "risk."

Examples of major risks we assume		
<ul style="list-style-type: none"> Natural disasters (earthquakes, typhoons, etc.) Fire, explosion, and other unexpected incidents Human resources and labor issues 	<ul style="list-style-type: none"> Spread of infectious disease Environmental pollution Violation of laws and regulations (violation of Antimonopoly Act, product regulations, etc.), etc. 	<ul style="list-style-type: none"> Product liability Compromise and leakage of information On-the-job accidents Bankruptcy of suppliers

Specific Risks Surrounding the Company

In recent years, natural disasters due to climate change caused by global warming have become more frequent in many areas. There are inherent risks, such as insufficient supply of raw materials and parts from suppliers and a decrease in customer production capacity, that may have a negative impact on our performance and financial conditions. In preparation for the possibility of such risks becoming apparent, we are working to minimize the impact by taking necessary measures for business continuity, such as a preliminary examination of the installation of disaster prevention equipment and relocation of production sites, implementation of disaster drills/BCP training, and others.

Related Materiality		
Materiality	Major initiatives	Target
Building a solid business foundation	Responding to various risks	Preventive action, post-incident measures and recurrence preventive measures for risks surrounding the entire Group

Information Security

Considering information security to be one of our important business challenges, we have in place the Information Security Basic Policy to protect personal information and other confidential information, and implement appropriate information security measures to ensure secure management.

Information Security Basic Policy

Stanley Group appropriately protects and manages important information based on the Stanley Group's Code of Conduct. In doing so, we set activity targets with the goal of achieving the appropriate level of information security and work to improve the Stanley Group's level of information security. Our Information Security Basic Policy is set out below.

1. Scope of application

The information security management system (the "ISMS") applies to all information assets related to our business activities. This policy applies to all of those who handle information assets owned by our employees, etc.

2. Handling of information assets

Information assets refer to information and machines and structures that process information (including information systems and materials for system development, operation, maintenance and information services provided by service providers). They shall be maintained and managed in a well-balanced manner from the three perspectives of confidentiality, integrity and availability, and be effectively utilized.

3. Establishment, maintenance and improvement of the ISMS

In order to establish and continuously maintain the ISMS, we shall establish relevant organizations and systems and carry out regular reviews, thereby ensuring continual improvement.

4. Implementation of information security measures

We shall identify and quantify the threat and the vulnerability against the confidentiality, integrity and availability of information assets. Thereafter, we shall carry out regular risk assessments, and evaluate and continuously review our risk treatment.

5. Compliance with applicable laws and regulations

Our employees shall comply with laws, regulations, social norms, contracts and internal regulations applicable in respect of handling information assets.

6. Education about information security

We shall provide education and awareness necessary to ensure that the Information Security Basic Policy is complied with and information security measures are thoroughly implemented.

7. Incident prevention and response

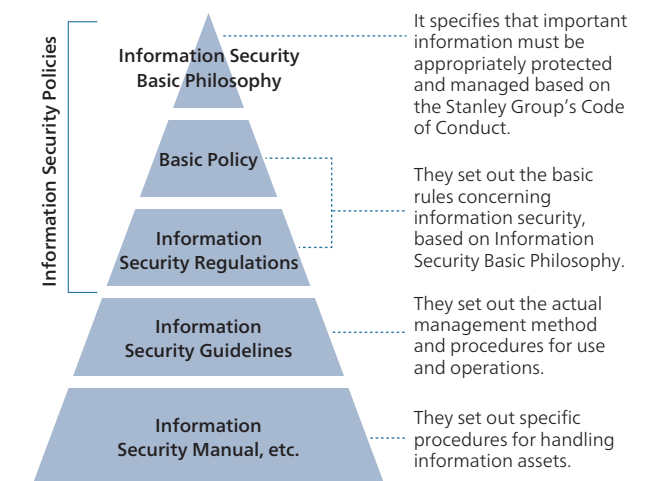
We work to prevent an information security incident from occurring, and in the event of the occurrence of an incident, we shall investigate the cause and promptly implement response measures. In addition, in the event of any breach of the information security, we will impose a severe punishment pursuant to applicable internal regulations, and shall take appropriate measures to prevent a recurrence.

Framework for Implementing Information Security Activities

At Stanley Electric, overall information security activities are supervised by the Information Security Secretariat established within the Information Systems Department. General Managers of relevant departments assume a role of Management Representative for information security, and implement information security activities of their own department together with information security personnel, network administrators and system administrators they appoint.

At the Group's affiliates, they have the Information Security Secretariat in place, with their Presidents as Supervising Representatives for information security. As is in the case of Stanley Electric, General Managers of their relevant departments assume a role of Management Representative for information security, and implement information security activities of their own department together with information security personnel, network administrators and system administrators they appoint.

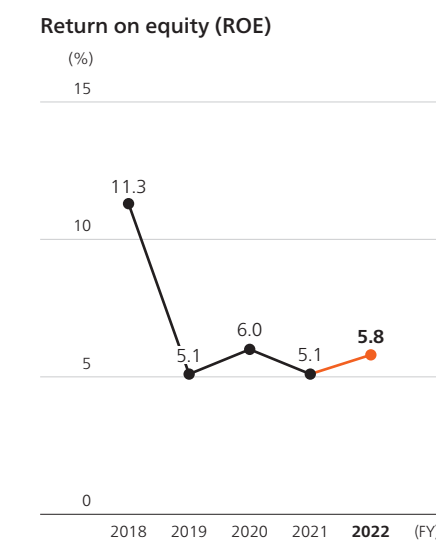
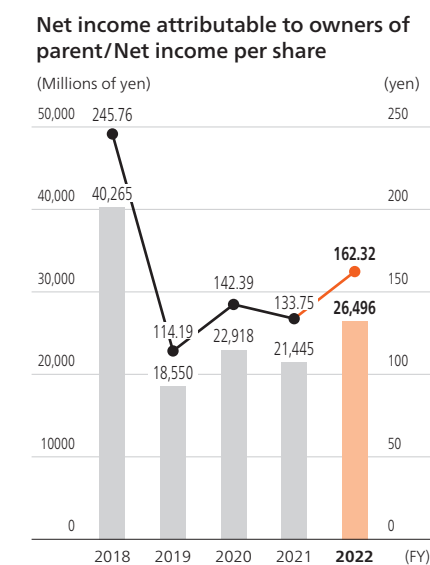
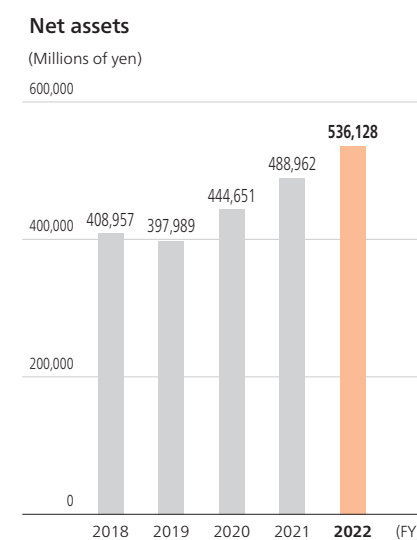
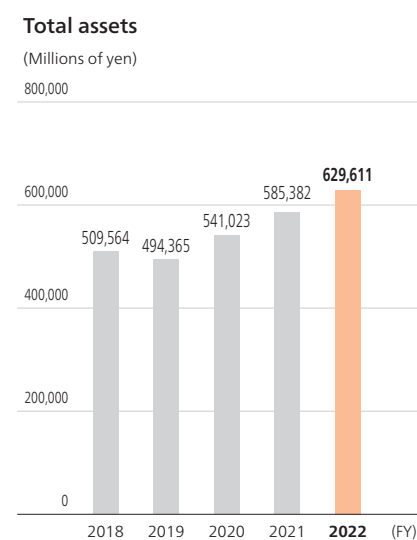
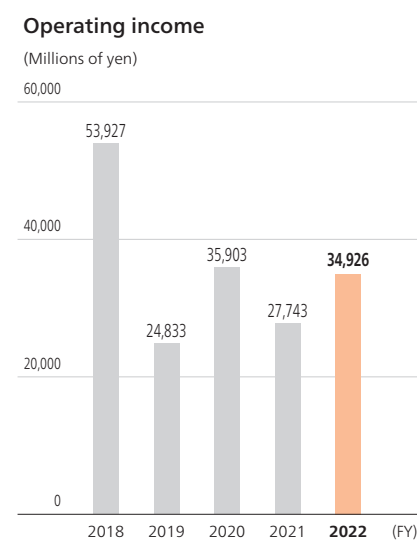
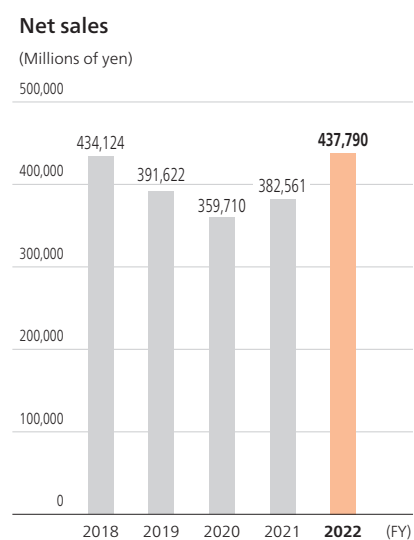
• Information Security System



Related Materiality		
Materiality	Major initiatives	Target
Building a solid business foundation	Responding to various risks	Enhance information security on a global scale

Key Financial Data for Eleven-Year Period

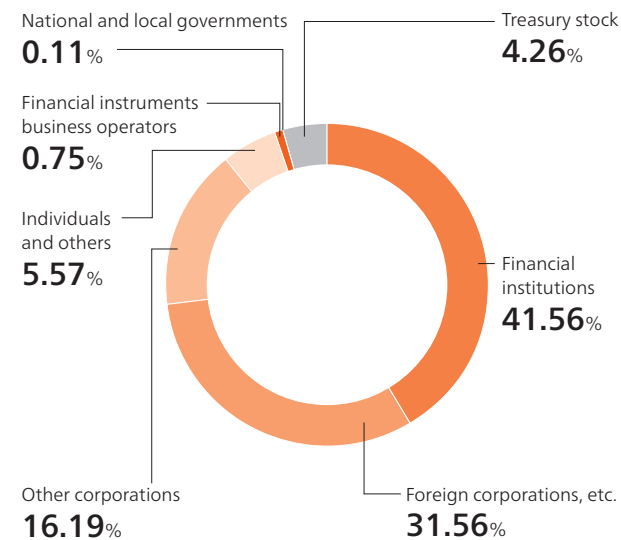
FY	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Results of operations/financial position (Millions of yen)											
Net sales	263,119	329,292	359,840	404,148	388,560	442,165	434,124	391,622	359,710	382,561	437,790
Operating income	27,475	36,864	38,054	36,774	42,305	53,169	53,927	24,833	35,903	27,743	34,926
Ordinary income (or loss)	30,148	40,097	40,610	39,402	45,720	57,657	61,015	30,034	41,283	36,714	44,872
Net income attributable to owners of parent	17,760	24,345	25,198	25,537	28,685	36,008	40,265	18,550	22,918	21,445	26,496
Comprehensive income	38,358	38,952	58,133	(173)	36,203	44,109	42,602	4,035	58,765	56,971	45,412
Capital expenditures	31,164	27,652	38,834	39,003	34,440	32,770	36,619	39,427	29,141	28,056	37,797
Total assets	354,741	392,199	448,652	431,104	458,042	494,491	509,564	494,365	541,023	585,382	629,611
Net assets	256,172	282,296	332,174	321,631	348,240	378,708	408,957	397,989	444,651	488,962	536,128
Interest-bearing debt	19,191	20,802	22,795	21,446	19,884	15,650	16,743	12,930	12,724	12,583	14,169
Total equity attributable to owners of parent	234,906	257,799	301,616	292,987	316,864	342,939	369,436	358,519	399,200	434,461	476,217
Financial indicators (Yen)											
Net income per share	104.67	144.10	149.83	152.88	172.66	218.21	245.76	114.19	142.39	133.75	162.32
Diluted net income per share	104.67	143.84	149.67	152.80	172.54	217.90	245.54	114.16	142.37	133.73	—
Cash dividends per share	28.00	30.00	32.00	34.00	36.00	45.00	50.00	45.00	45.00	50.00	50.00
Net income to net sales ratio (%)	6.8	7.4	7.0	6.3	7.4	8.1	9.3	4.7	6.4	5.6	6.1
Return on equity (%)	8.0	9.9	9.0	8.6	9.4	10.9	11.3	5.1	6.0	5.1	5.8
Operating income to net sales ratio (%)	10.4	11.2	10.6	9.1	10.9	12.0	12.4	6.3	10.0	7.3	8.0



Stock Information (as of March 31, 2023)

Total number of shares authorized	750,000,000
Total number of shares issued	173,000,000
Total number of shareholders	8,635

Distribution of shares by holder



Major shareholders

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	24,887	15.03
Honda Motor Co., Ltd.	16,735	10.10
Custody Bank of Japan, Ltd. (Trust account)	10,157	6.13
Sumitomo Mitsui Banking Corporation	8,017	4.84
Nippon Life Insurance Company	6,886	4.16
JP MORGAN CHASE BANK 385635	6,069	3.66
JP MORGAN CHASE BANK 380072	5,870	3.54
The Nomura Trust and Banking Co., Ltd. (MUFG Bank, Ltd. Retirement benefit trust account)	5,440	3.28
SSBTC CLIENT OMNIBUS ACCOUNT	3,974	2.40
JP MORGAN CHASE BANK 385632	3,804	2.30

*As of March 31, 2023, the Company holds 7,367 thousand shares of treasury stock, but is excluded from the list of major shareholders above.
*The shareholding ratio is calculated minus treasury stock (7,367 thousand shares).

Corporate Overview (as of March 31, 2023)

Company name	STANLEY ELECTRIC CO., LTD.	Fiscal year	April 1 of each year to March 31 of following year
Head office address	2-9-13 Nakameguro, Meguro-ku, Tokyo 153-8636, Japan	Stock exchange listing	Tokyo Stock Exchange, Prime Market
Phone	+81-3-6866-2222	Securities code	6923
Founded	December 29, 1920	Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Incorporated	May 5, 1933	Audit corporation	KPMG AZSA LLC
Capital stock	¥30,514 million		
Employees	Consolidated: 16,964 Non-consolidated: 3,819		

- Key businesses**
1. Manufacture, sales and import/export of automotive and other light bulbs
 2. Manufacture, sales and import/export of semiconductors, electronic components and other electrical equipment
 3. Manufacture, sales and import/export of automotive electrical components and other automotive accessories
 4. Manufacture, sales and import/export of measuring instruments, medical equipment and other equipment
 5. Development and sales of software
 6. Investment in various businesses
 7. Any and all other activities relating to the preceding items

Global Network

Head Office

STANLEY ELECTRIC CO., LTD.
2-9-13 Nakameguro, Meguro-ku, Tokyo, Japan

Laboratories

Research & Development Laboratory

1-3-1 Edanishi, Aoba-ku, Yokohama-shi, Kanagawa, Japan

Utsunomiya Technical Center

2-797-1 Miyanouchi, Utsunomiya-shi, Tochigi, Japan

Yokohama Technical Center

2-14-1 Edanishi, Aoba-ku, Yokohama-shi, Kanagawa, Japan

Opto Technical Center

1-3-3 Edanishi, Aoba-ku, Yokohama-shi, Kanagawa, Japan

Minatomirai Technical Center

5F, Minatomirai Center Bldg, 3-6-1 Minatomirai, Nishi-ku, Yokohama-shi, Kanagawa, Japan

Hatano Technical Center

242 Soya, Hadano-shi, Kanagawa, Japan

Branches

Sendai Office

2-1-27 Oroshimachihigashi, Wakabayashi-ku, Sendai-shi, Miyagi, Japan

Omiya Office

2-372 Mihashi, Omiya-ku, Saitama-shi, Saitama, Japan

Sayama Office

2-22-11 Kashinodai, Kawagoe-shi, Saitama, Japan

Asaka Office

7F Asakadai-Ekimaie Bldg, 1-3-4 Higashibenzai, Asaka-shi, Saitama, Japan

Nagoya Branch

4F Newzack Bldg, 3-22-8 Aoi, Higashi-ku, Nagoya-shi, Aichi, Japan

Suzuka Office

3-9-15 Oike, Suzuka-shi, Mie, Japan

Osaka Branch

8F Tatsuno-Shinosaka Bldg, 7-1-5 Nishinakajima, Yodogawa-ku, Osaka-shi, Osaka, Japan

Mizushima Office

1-5-13 Matsue, Kurashiki-shi, Okayama, Japan

Fukuoka Office

6F Tenjin front square, 2-1-10 Maizuru, Chuou-ku, Fukuoka-shi, Fukuoka, Japan

Kumamoto Office

1510-2 Yoshida, Minamiasomura, Aso-gun, Kumamoto, Japan

Factories

Hatano Factory

400 Soya, Hadano-shi, Kanagawa, Japan

Okazaki Factory

3-33 Aza-Iwata, Makihiracho, Okazaki-shi, Aichi, Japan

Hamamatsu Factory

1705 Nakagawa, Hosocho, Kita-ku, Hamamatsu-shi, Shizuoka, Japan

Hiroshima Factory

1866 Okuya, Shiwacho, Higashihiroshima-shi, Hiroshima, Japan

Yamagata Factory

271-6 Nihonkoku, Aza-Daihouji, Tsuruoka-shi, Yamagata, Japan

Domestic Group Companies

Stanley Iwaki Works Co., Ltd.

3-1 Chubukogyodanchi, Iwaki-shi, Fukushima, Japan
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business, Others

Stanley Tsuruoka Works Co., Ltd.

45 Aza-Otsubo, Watamae, Tsuruoka-shi, Yamagata, Japan
Electronic Components Business

Stanley Miyagi Works Co., Ltd.

20-2 Aza-Kawadonuma, Kitakata, Hasama-cho, Tome-shi, Miyagi, Japan
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

STANLEY WELL Corp.

434 Soya, Hadano-shi, Kanagawa, Japan
Others

Stanley Ina Works Co., Ltd.

7302-1 Matsuoteradoko, Iida-shi, Nagano, Japan
Electronic Components Business, Applied Electronic Products Business

Stanley Niigata Works Co., Ltd.

497-28 Aza-Miyashita, Kitatanaka, Minami-ku, Niigata-shi, Niigata, Japan
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Matsuo Electric Co., Ltd.

10392-2 Kamitokura, Daiwacho, Mihara-shi, Hiroshima, Japan
Others

Stanley Pal Co., Ltd.

2-5-26 Nakameguro, Meguro-ku, Tokyo, Japan
Electronic Components Business, Others

The Americas

Stanley Electric U.S. Co., Inc.

Ohio, U.S.A.
Automotive Equipment Business, Applied Electronic Products Business

HexaTech, Inc.

North Carolina, U.S.A.
Electronic Components Business

I I Stanley Co., Inc.

Michigan, U.S.A.
Automotive Equipment Business, Applied Electronic Products Business

Stanley Electric Sales of America, Inc.

California, U.S.A.
Electronic Components Business, Applied Electronic Products Business

Stanley Electric Holding of America, Inc.

Michigan, U.S.A.
Holding company

Stanley Electric do Brasil Ltda.

Sao Paulo, Brazil
Automotive Equipment Business

Stanley Electric Manufacturing Mexico S.A. de C.V.

Jalisco, Mexico
Automotive Equipment Business, Applied Electronic Products Business

Europe

Stanley Electric Hungary Kft.

Gyongyos, Hungary
Automotive Equipment Business

STANLEY-IDESS S. A. S.

Nanterre, France
Electronic Components Business, Applied Electronic Products Business

Stanley Electric GmbH

Mör feldden-Walldorf, Germany
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Stanley Electric (U.K.) Co., Ltd.

Berkshire, U.K.
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Stanley Electric Holding Europe Co., Ltd.

Berkshire, U.K.
Holding company

Asia-Pacific

Stanley Electric Philippines Inc. (SEP)
Cavite, Philippines
Automotive Equipment Business

Asian Stanley International Co., Ltd. (ASI)
Pathumthanee, Thailand
Electronic Components Business, Applied Electronic Products Business

PT. Indonesia Stanley Electric (ISE)
Banten, Indonesia
Automotive Equipment Business, Applied Electronic Products Business, Others

Vietnam Stanley Electric Co., Ltd. (VNS)
Hanoi, Vietnam
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Stanley Electric (Asia Pacific) Ltd. (SAP)
Hong Kong
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Stanley Electric Korea Co., Ltd. (SEK)
Seoul, Korea
Electronic Components Business, Applied Electronic Products Business

Stanley Electric Sales of India Pvt. Ltd. (SSI)
Chennai, India
Electronic Components Business

Stanley Electric Holding Asia-Pacific Pte. Ltd. (SEAP)
Singapore
Holding company

Lumax Industries Ltd.* (LMX)
New Delhi, India
Automotive Equipment Business

Thai Stanley Electric Public Co., Ltd.* (THS)
Pathumthanee, Thailand
Automotive Equipment Business, Electronic Components Business, Others

Hella-Stanley Holding Pty Ltd* (HESA)
Victoria, Australia
Holding company

China

Suzhou Stanley Electric Co., Ltd. (SEZ)
Suzhou
Electronic Components Business, Applied Electronic Products Business

Shenzhen Stanley Electric Co., Ltd. (SSZ)
Shenzhen
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Tianjin Stanley Electric Co., Ltd. (TSE)
Tianjin
Automotive Equipment Business

Tianjin Stanley Electric Technology Co., Ltd. (TST)
Tianjin
Automotive Equipment Business

Wuhan Stanley Electric Co., Ltd. (WSE)
Wuhan
Automotive Equipment Business

Guangzhou Stanley Electric Co., Ltd. (GSE)
Guangzhou
Automotive Equipment Business

Shanghai Stanley Electric Co., Ltd. (SSE)
Shanghai
Automotive Equipment Business, Electronic Components Business, Applied Electronic Products Business

Stanley Electric Trading (Shenzhen) Co., Ltd. (SST)
Shenzhen
Electronic Components Business, Applied Electronic Products Business

Stanley Electric (China) Investment Co., Ltd. (SECN)
Shanghai
Holding company

*Affiliates accounted for by the equity method