

A Century of Stanley Contributing to Society by Providing the Value of Light

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

1921



Stanley's first automotive light bulb
The starting point of the Stanley Group's manufacturing; started manufacturing and distribution for export

1929



Released Japan's first permanent contact-type Christmas light bulbs

1940



Started manufacturing of selenium rectifier

1957



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

1959



EE camera
The Beauty LM adopted Stanley light meters using selenium photocells

1968



Subminiature lamp
Low voltage, low current, long life, and ultra compact; used in broad array of applications

1976



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

1983



Gas rate gyro sensor
Used in world's first automotive-use map-based navigation system

1989



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

1993



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

1996



HID headlamp
Mitsubishi's heavy-duty Super Great truck was the first mass produced vehicle in Japan to use the HID headlamp

1997



Announced HRM230S as a new module for infrared communication modules compliant with IrDA 1.1 (4 Mbps)

2000



LED rear lamp
The world's first LED rear lamp; used on the Nissan Tino

2004



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

2009



LED headlamp
Used in Mitsubishi's i-MiEV, the world's first mass produced electric vehicle

2015



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

2016



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

2020



Deep UV LED
265 nm wavelength shown also effective for inactivating SARS-CoV-2

Founder's Thoughts

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



Founder Takaharu Kitano (1945)

Origin of the Company Name

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



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

Initiatives for Business Expansion

December 1920

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

March 1921

Trademark established as "Stanley"

May 1932

Opened the Meguro Factory

May 1933

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

November 1938

Relocated the head office and sales office to Nakameguro

October 1945

Relaunched Kitano Denki Kogyo Co., Ltd.

March 1960

Opened the Hamamatsu Factory

December 1960

Opened the Hatano Factory

October 1961

Listed on the Second Section of Tokyo Stock Exchange

February 1962

Listed on the First Section of Tokyo Stock Exchange

October 1967

Established Stanley Iwaki Works

December 1969

Established Research & Development Laboratory

August 1973

Opened the Hiroshima Factory

October 1979

Established Stanley Electric U.S. Co., Inc. in the United States (currently a consolidated subsidiary)

May 1980

Established Thai Stanley Electric Public Co., Ltd. in Thailand (currently a corporate affiliate)

August 1980

Sponsored the First Stanley Ladies Pro Golf Tournament

December 1987

Established Asian Stanley International Co., Ltd. in Thailand (currently a consolidated subsidiary)

April 1991

Launched a new personnel system, implemented recharge leave system

April 1992

Established new child care leave system

October 1993

Acquired shares of Matsuo Electric Co., Ltd. and made it a special subsidiary for the purpose of employing disabled people

June 1995

Established SNAP, the basic principles of production control

October 1998

Internally and externally announced Environmental Declaration as part of environmental conservation activities

April 2000

Established Stanley Group Vision, launched Long-term Management Goals

August 2001

Established Stanley Electric Hungary Kft. in Hungary (currently a consolidated subsidiary)

October 2009

Established Stanley Electric do Brasil Ltda. in Brazil (currently a consolidated subsidiary)

March 2011

The Great East Japan Earthquake caused serious damages to Stanley Iwaki Works and Stanley Miyagi Works

October 2011

Severe flooding in Thailand caused a temporarily shutdown of Thai Stanley Electric Public Co., Ltd. and Asian Stanley International Co., Ltd.

October 2015

Established Governance Committee

March 2020

Made HexaTech, Inc., with technology to manufacture aluminum nitride, a subsidiary (currently a consolidated subsidiary)

June 2020

Opened the Light Tunnel next to the Hatano Factory

January 2021

Concluded alliance agreement with Mitsubishi Electric Corporation focusing on our automotive lamp system business

September 2022

Concluded capital and business alliance agreement with Honda Motor Co., Ltd.

1920–1945

The Birth of Stanley Electric

After its establishment, the Company found a way to build a solid business foundation through exporting, but then lost everything in the wake of the Great Kanto Earthquake in 1923. Nevertheless, the Company recovered, transformed into an independent manufacturer of light bulbs, and changed its name to Stanley Electric Co., Ltd. In addition, the Company further expanded its businesses through development of resistors, selenium rectifiers, and other devices. This was a period when the Stanley Group laid out its basic foundation by overcoming many difficulties.

1946–1970

Rapid Growth after Recovery

After WW2, the Company was successfully rebuilt with household electric heaters. Then, in 1947, the Company's traditional light bulb products were revived. The metal-back sealed beams that the Company launched in April 1957 quickly gained popularity in the automotive market, becoming one of its most exemplary products. In December 1960, the Company opened the Hatano Factory, strengthening its R&D as well as its manufacturing and distribution system as appropriate to an automotive lamp manufacturer.

1971–1990

Towards Becoming an Optoelectronics Enterprise

The Company began to develop light-emitting diodes (LEDs) in 1969, successfully developing a continuous manufacturing technology of LEDs. As an optoelectronics corporation uniting optics and electronics, we pushed forward with product diversification. In addition, our development of the multi-reflector (MR) headlamp, the world's first headlamp without ridges in the lens, increased freedom in car design. That was an evolution of headlights from conventional functional parts into design parts.

1991–1999

The Rebuilding of Management Foundation

We considered as an emergency the significant drop in the Company's profits experienced in 1989 for the first time since its formation. We therefore initiated efforts to establish a solid management foundation under a new structure. The planning function of the Company was strengthened with new systems such as a profit management system, a new personnel system, and an information system. In addition, the Company started "SNAP", activities for production innovations.

2000–2012

Overcoming Many Challenges

Stanley Electric's corporate structure was gradually becoming more solid, thanks to SNAP, new product development, and investment with increased efficiency. The financial crisis as a result of the bankruptcy of the Lehman Brothers in September 2008, however, resulted in a sudden worsening of the economy. In March 2011, the Great East Japan Earthquake occurred. Then, from July through October of that same year, flooding occurred in Thailand. All Stanley group companies worked hard and pulled themselves together to overcome the various disasters.

2013–Today

Challenges to Achieve Great Progress

In January 2013, Stanley Electric head office was relocated to Nakameguro, and the Company started to exercise control over the Group to establish itself as a global company. Started by Daimler AG's proposal of CASE in 2016, many other automotive manufacturers started to step up their major reforms for their business survival. The Company began to take on challenges to achieve great progress with the aim of transforming into a lamp system manufacturer and rebuilding and expanding our electronics business.

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Process for Creating Value

The Stanley Group will strengthen its business foundation to support growth and develop businesses leveraging the strengths it has cultivated in the century since its establishment in order to create social value which realizes safety and security, and enhance our competitive edge for sustainable growth.

Social issues and megatrends

Safety
Accidents
Disaster prevention and mitigation
War

Medical care
Availability of nursing care
Disparities in medical care
Public health

Resources
Depletion of resources
Conflict minerals
Water problems

Environment
Global warming
Climate change
Biodiversity

Human rights and labor
Diversity
Employment of people with disabilities
Forced and child labor

Economy
Disparities in income
Support for developing countries
Employment



Materiality

Solving social issues through business development leveraging our strengths

Pursuing the challenge of zero fatal traffic accidents
—Safety and security for everyone—

Realizing safe, healthy lives
—Providing the value of light—

Creation of new value in harmony with the environment

Individual welfare and growth

Building a solid business foundation

Strengthening our management foundation to support sustainable growth

Manufacturing capital (Consolidated)

▶ Capital expenditures 29,763 million yen
▶ Number of factories 29 bases

Social capital (Consolidated)

▶ Ratio of overseas net sales 68.7%
▶ Number of overseas locations 32 bases

Intellectual capital (Consolidated)

▶ R&D expenses 18,829 million yen
▶ Number of patents held 3,859
▶ R&D bases 8 bases

Natural capital (Consolidated)

▶ Electricity* 633,749,000 kWh
▶ Gas* 3,989,000 Nm³
▶ Water* 1,606,000 m³

Human capital (Consolidated)

▶ Number of employees 17,022
▶ Ratio of overseas employees 73.5%

Financial capital (Consolidated)

▶ Total assets 585,382 million yen
▶ Net assets 488,962 million yen
▶ Free cash flow 16,624 million yen
(As of March 31, 2022)
*Amount used



The Stanley Group's Strengths

- Providing the value of light
- Waste-free manufacturing
- Solid business portfolio
- Contribution to a sustainable society

Guidelines for the Three-Year Medium-Term Management Plan under the Long-Term Management Goals

Activities taking up the challenge of transformation
—We can change the present with the power of light—

- Management Challenges to transform manufacturing
- Business Business transformation for sustainability and creation of new business
- Culture and climate Challenge to change corporate culture and climate

Stanley Group Vision

Business segments

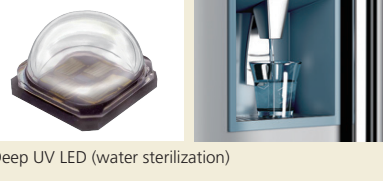
Automotive Equipment Business

Provision of lamp systems that contribute to safety and security related to mobility through our unique light source device technology and control technology



Electronic Components Business

Provision of devices that achieve safety, security, comfort, and convenience using the functions of light



Applied Electronic Products Business

Provision of unrivaled applied electronic products that incorporate a wealth of optical technologies to freely control light



Corporate value

Pursuing the challenge of zero fatal traffic accidents
—Safety and security for everyone—

- Provision of lamp systems which meet customer and society's needs to everyone

Realizing safe, healthy lives
—Providing the value of light—

- Provision of unique devices, modules, and apps with a focus on invisible light

Creating new value in harmony with the environment

- Initiatives on climate change
- Promotion of environmental conservation activities

Individual welfare and growth

- Respecting human rights and the promotion of diversity
- Initiatives on employees' health and safety
- Human resources development

Building a solid business foundation

- Strengthening governance systems
- Response to various risks
- Thorough compliance

Social value

Competitiveness which customers choose and makes them glad they worked with us
Contribute to society by achieving safety and security

Materiality

Five Material Issues (Materiality) to be Addressed in Order to Enhance Our Competitive Edge

The Group has identified five material issues (materiality) from among a large number of social issues. In identifying these issues, we selected social issues believed to be of high importance in the environment surrounding the Group, and identified material issues from two viewpoints: Solving social issues through

business development leveraging our strengths, and strengthening our management foundation to support sustainable growth. We then set KPIs for the solution of material issues, with which we align our activities so as to become a corporate group with competitive edge that is chosen by customers and society.

	Materiality	Major initiatives	KPIs and indicators	FY2021 Results	FY2022 Targets	Relevant SDGs	
<div>Solving social issues through business development leveraging our strengths</div> <div></div>	Pursuing the challenge of zero fatal traffic accidents —Safety and security for everyone—	Provision of lamp systems which meet customer and society's needs to everyone	Ratio of LEDs in automotive headlamps	●78%	●85%	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> <div><div>10</div><div>REDUCED INEQUALITIES</div></div> <div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div>	
			Ratio of ADB headlamps in automotive LED headlamps	●6%	●8%		●Establish ADB technology in conformity with US traffic regulations (to be fitted to 2025 models)
			Implementation of measures to develop cost effective products	●Made public the concept of TADAS ●Proposed TADAS-based products to customers	●Promote product development based on TADAS		
	Realizing safe, healthy lives —Providing the value of light—	Provision of unique devices, modules, and apps with a focus on invisible light	Lineup of UV-C sterilization products	●A&NUV_Air for air sterilization 3 products ●A&NUV_Pure for surface sterilization Launched 1 product ●A&NUV_Aqua for water sterilization 2 products	●Expand sales of UV-C sterilization products that are optimal for different uses and settings	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div> <div><div>6</div><div>CLEAN WATER AND SANITATION</div></div> <div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div>	
			Shipments of infrared light source devices for DMS and OMS*	●Shipments: +56% YoY	●Shipments: +60% YoY		
	Creation of new value in harmony with the environment	Initiatives on climate change	Efforts to achieve carbon neutrality	●Decided to “reduce CO ₂ emissions by 50% by FY2030 compared to FY2019” and “aim to achieve carbon neutrality by FY2050”	●Develop an action plan for achieving carbon neutrality	<div><div>6</div><div>CLEAN WATER AND SANITATION</div></div> <div><div>7</div><div>AFORDABLE AND CLEAN ENERGY</div></div> <div><div>9</div><div>INDUSTRIAL INNOVATION AND INFRASTRUCTURE</div></div>	
			CDP score	●Not disclosed	●Disclose CDP score and earn B score		
			Classification of business operators in accordance with the Act on Rationalizing Energy Use	●Classified as B class	●To be classified as S class		
			CO ₂ emissions (basic added value units)	●Domestic: 76.0 t-CO ₂ /1 billion yen, Overseas: 307.6 t-CO ₂ /1 billion yen	●Domestic: 71.0 t-CO ₂ /1 billion yen, Overseas: 292.8 t-CO ₂ /1 billion yen		
	<div>Strengthening our management foundation to support sustainable growth</div> <div></div>	Promotion of environmental conservation activities	Amount of waste generated (basic added value units)	●Domestic: 1.46 t/1 billion yen, Overseas: 2.78 t/1 billion yen	●Domestic: 1.45 t/1 billion yen, Overseas: 2.75 t/1 billion yen	<div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div> <div><div>13</div><div>CLIMATE ACTION</div></div>	
			Amount of water consumption (basic added value units)	●Domestic: 413 m ³ /1 billion yen, Overseas: 1,140 m ³ /1 billion yen	●Domestic: 409 m ³ /1 billion yen, Overseas: 1,130 m ³ /1 billion yen		
		Individual welfare and growth	Respecting human rights and the promotion of diversity	Ratio of female managers	●Non-consolidated: 2.6% (consolidated: 16% as of July 2022)	●Non-consolidated: 4% (FY2026)	<div><div>4</div><div>QUALITY EDUCATION</div></div> <div><div>5</div><div>GENDER EQUALITY</div></div> <div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div>
				Ratio of managers of foreign nationality	●Non-consolidated: 0.2%	●Non-consolidated: 0.6% (FY2026)	
				Ratio of managers who are mid-career hires	●Non-consolidated: 16.8%	●Non-consolidated: 20% (FY2026)	
				Awareness of human rights among supply chain members	●Collected CSR check sheets distributed to all suppliers	●Enhance awareness of human rights across the supply chain	
Initiatives on employees’ health and safety			Ratio of male employees taking childcare leave	●13.5%	●30%		
			Ratio of male employees taking childcare leave and annual leave for childcare purposes	●72%	●80%		
			Number of serious industrial accidents	●Zero occurrence	●Maintain zero occurrence of serious industrial accidents		
			Implementation of measures to facilitate diverse styles of working	●Commenced implementation of telework system, and expanded the flextime scheme to cover more departments	●Facilitate diverse styles of working		
			Implementation of measures for health and productivity management	●Selected as a Certified Health & Productivity Management Outstanding Organization ●Percentage of employees receiving Specific Health Guidance: Increased by 2.2 percentage points year-over-year ●Centralized the management of health checkup records and explored measures for health improvement	●To be consecutively selected as a Certified Health & Productivity Management Outstanding Organization ●Improve the percentage of employees receiving Specific Health Guidance ●Implement measures for health improvement		
Human resources development			Opportunities for employees’ ability development	●Provided financial assistance for self-development (online education) and financial assistance for obtaining public certifications ●Conducted job-specific training programs across the Company under the initiative of each division and workplace	●Offer opportunities for ability development using each employee's own human resource development plan		
Building a solid business foundation			Strengthening governance functions	Effectiveness of the Board of Directors	●Conducted a survey to evaluate the effectiveness of the Board of Directors once a year	●Conduct an evaluation to further improve the effectiveness of the Board of Directors	
				Diversity of the Board of Directors	●Considered the appointment of female Directors	●Appoint female Directors ●Take advantage of the diversity of the Board of Directors to hold substantial discussions	
				Reports of the Governance Committee	●Advised the Board of Directors on the selection of President and implementation of the evaluation of the new management structure ●Provided advice on officer compensation in response to a request from the Board of Directors	●Allow the Governance Committee to appropriately exert its function	
	Responding to various risks	Risk management	●Risk Management Committee identified material risks of high priority	●Risk Management Committee to carry out risk management	<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div> <div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div></div>		
		System to check on the safety of employees in the event of a disaster	●Conducted safety drills for checking the safety of employees once every six months (August 2020, February 2021)	●Appropriately operate the system for checking the safety of employees			
		Level of information security	●Upgraded information security rules to meet global standards	●Improve the level of information security			
	Thorough compliance	Supply chain management	●Prevented the shortage of raw materials supply by having multiple sources, and coped with hike in the prices of parts and components by making bulk purchases	●Strengthen supply chain management			
		Percentage of employees who have taken compliance education, percentage of employees who have signed the compliance declaration	●Compliance education: 100%, Declaration: 100%	●Have all officers and employees take compliance education and sign the compliance declaration			
Implementation of measures for the effective use of whistleblowing system	●Set up whistleblower hotlines for each of the five regions of our global business at which reports can be made in local languages ●Developed a manual in accordance with the Whistleblower Protection Act ●Responded to all domestic reports (36 reports)	●Appropriate and expanded operation of whistleblowing system on a global scale					

*DMS: Driver Monitoring System OMS: Occupant Monitoring System

Materiality Initiatives

Pursuing the Challenge of Zero Fatal Traffic Accidents—Safety and Security for Everyone—

Approaches to solving issues

Provision of lamp systems which meet customer and society's needs to everyone

Fatal traffic accidents mostly occur in poor visibility conditions such as during the night or in bad weather. To ensure safe driving with peace of mind at any time, it is important that all the lights from the lamps can be controlled freely in response to circumstances. We are developing a lamp system equipped with excellent light distribution control function. To speed up its development, we have created an environment where we can conduct actual vehicle tests under various simulated conditions, and forged business alliances with companies that excel in control system technologies. Through these efforts, we will secure comfortable visibility for drivers even at nighttime or in bad weather conditions, aiming to eventually eliminate fatal traffic accidents.

Next Generation Technology Aimed at Achieving Zero Fatal Traffic Accidents—Headlamp System Linked to DMS—

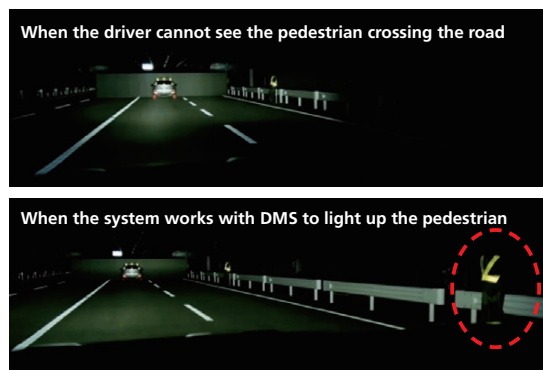
In recent years, with a view to achieving compatibility with ADAS* and realizing an autonomous driving society, onboard lamps are increasingly required to be equipped with a system that integrates various functions at a high level. In 2021, we concluded a business alliance agreement for automotive lamp system business with Mitsubishi Electric Corporation (hereinafter referred to as "Mitsubishi Electric"). One fruit of this alliance is the "headlamp system linked to driver monitoring system (DMS)".

DMS is a system that monitors the driver's conditions, gives a warning via display or sound when the driver falls asleep or is distracted, and helps the driver return to safe driving. For instance, when the driver is not aware of pedestrians crossing the road, DMS gives alert and leads the driver's line of sight to the pedestrians by lighting them up. In recent years, Japan is considering establishing guidelines on DMS, while it is becoming increasingly mandatory on new cars in European countries, and it is expected that more cars will be fitted with DMS.

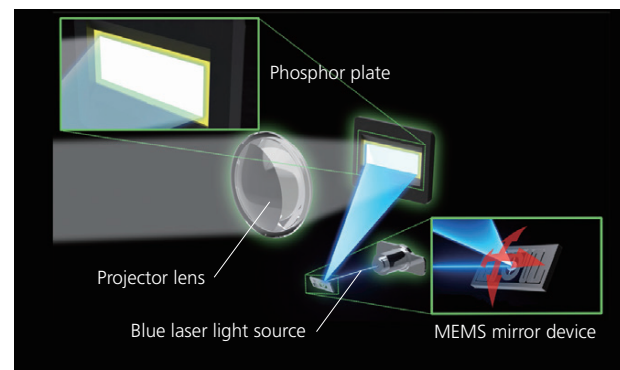
Mitsubishi Electric provides DMS that can monitor the driver's condition, while we provide a lamp system capable of controlling the light to suit a range of driving situations. One such system is the seamless ADB headlamp system, which has already been under development for some time. The system's light source is laser, which is 10 times brighter than LED, and is therefore able to send bright lights reaching far ahead. With our unique Micro-Electro-Mechanical System (MEMS)-based mirror device that meets automotive quality standards, the system can create lights in a wide variety of shapes, by widening radiation range, concentrating them locally, or moving from right to left or up and down.

We combine the technologies in which the Company and Mitsubishi Electric each excels to create the automotive lamp system that offers greater levels of safety and functionality than ever before, thereby aiming to contribute to achieving zero fatal traffic accidents.

*ADAS: Advanced Driver Assistance Systems



Headlamp system linked to DMS

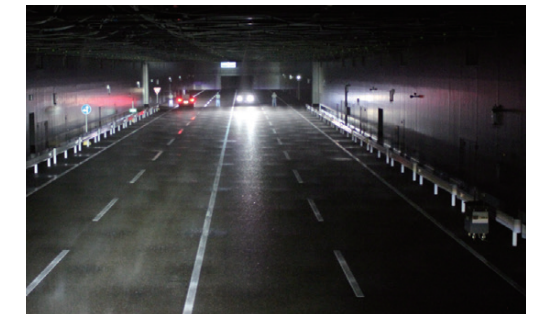


Seamless ADB headlamp unit

Development Environment to Create Value —Light Tunnel—

The Light Tunnel located in our Hatano Technical Center in Kanagawa Prefecture, which is one of the world's longest (220 meters) indoor test sites, is capable of replicating rainfall, thick fog, and other natural environments with exact precision. The facility can also host road surface verifications using data from high-intensity projector and actual vehicle verifications in a scene with oncoming and/or leading vehicles.

Such testing environment allows us to pursue safety and security by defining requirements for lamp systems that take into account the way they are used in actual vehicles and by conducting actual vehicle verification tests. With such an environment in place, we aim to further enhance the value of our products toward the realization of zero traffic fatalities.



Interior of the Light Tunnel

Example of a verification test

Analyses of accident data show that nighttime rain increases the risk of fatal roadside accidents involving pedestrians.

Utilizing facilities in the Light Tunnel, we conducted a quantitative observation of pedestrians and developed new specification for light distribution control for highlighting pedestrians alongside the road, which has made possible a safe and secure driving experience in the rain.



Verification test for driving in the rain at night

Bringing Safety and Security to All —TADAS, a New Concept for Product Development—

Out of our desire to ensure safety and security to all, we adopted TADAS, a concept for product development. Making a play on the Japanese word *tada* ("free" or "without costing money") and ADAS, TADAS is an approach to "utilize what we already have to provide safety and security, wisely and at low cost". We are committed to delivering safety and security to all through our product development based on this concept.

Example 1: Road surface irradiation technology to alert pedestrians to approaching vehicles.

Nighttime accidents occur most often at intersections with poor visibility and when cars are moving backward. One factor behind this is that pedestrians are often not aware of the approaching vehicle.

We have developed a technology to prompt pedestrians to be alerted to an approaching vehicle by illuminating road surface in a way that pedestrians can easily notice, using a part of the LED lights used in signal lights.

This feature has been highly recognized by our customers by adding a new function to existing functions with no cost and contributing to safety and security.



Road surface irradiation turn lamp

Notify the presence of a car at intersections with poor visibility

Road surface irradiation backup lamp

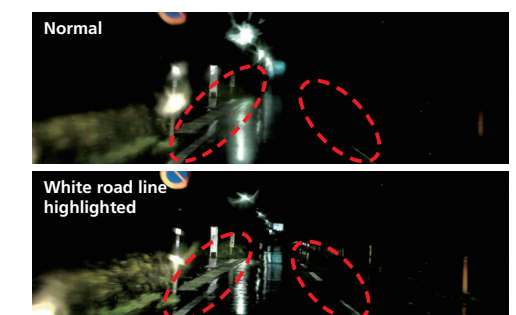
Notify the presence of a car moving backward

Example 2: A technology to highlight white road lines, which become hard to see in bad weather

Driving in the rain at nighttime is stressful for anyone. One cause of this stress is the reflection of light from the headlamp on puddles that makes it difficult to see the white road lines.

We have developed an irradiation method that makes it easy to recognize the road lines. By changing the way existing light is irradiated so that it highlights the white road lines, driving can be made comfortable even in the rain at night.

A new function has been added with just a change in irradiation method. This is another fruit of technology development that resulted from the TADAS concept.



Materiality Initiatives

Realizing Safe, Healthy Lives —Providing the Value of Light—

Approaches to solving issues

Provision of unique devices, modules, and apps with a focus on invisible light

As stated in our Group Vision, “the boundless pursuit of the Value of Light”, we contribute broadly to society by bringing the value of light. One such example is our products featuring invisible lights, such as ultraviolet and infrared. Using ultraviolet, we developed a deep ultraviolet (UV-C) LED with a high sterilization effect on bacteria and viruses, with which we are addressing a challenge of reducing hygienic risks that lie everywhere in the world, from our homes to society at large. As for infrared, we developed automotive-qualified infrared LED and VCSEL (a type of laser), with which we are working to achieve zero fatal traffic accidents. Utilizing our unique optical technology that we have long cultivated in automotive headlamps and other products and our LED package design and manufacturing technologies, we will propose solutions that meet the need of our customers through our light source and applied products, thereby contributing to the “safe, healthy lives” of all people.

Expanding Sales of Optimal AλNUV Products for Different Uses and Settings

In 2021, we launched “AλNUV”, a sterilization product brand that utilizes ultraviolet technology. The brand name “AλNUV” derives from the LED semiconductor substrate “AλN” (aluminum nitride), which is the key to increasing the output power of ultraviolet light sources and improving luminous efficiency, and “UV (ultraviolet)”. With the use of our unique aluminum nitride substrate structure, Stanley Electric's UV-C LED is designed to allow ultraviolet to function more efficiently. AλNUV offers a lineup of products equipped with superior UV-C light sources such as LEDs.

Products currently cover a wide range of application from air and surface sterilization in rooms and medical settings to water sterilization in water purifiers and beverage dispensers under the three series of AλNUV_Air, AλNUV_Pure, and AλNUV_Aqua according to their application to air, surface, and water, respectively.

Several auto manufacturers have recently adopted our UV-C LED unit that can be fitted in the glove box in a car. With this unit, users can now sterilize their facial masks and mobile phones easily while sitting in a car. In September 2022, we launched a reactor equipped with UV-C LED of 265 nm wavelength and 200 mW output power that boasts world's highest class sterilization effect. We aim to drive sales of these products targeting use in industrial water processing systems, simplified water purifying systems, and other facilities.

Going forward, we will continue to expand our product lineup for different uses and settings with the aim of realizing a life where everyone can live with peace of mind.



AλNUV_AirP (air sterilization deodorizer)



AλNUV_Pure (sterilization chamber)



AλNUV_Aqua (running water reactor)

Air Conditioning Equipment Leading the Expansion of Sterilization Business

There is a growing need for UV LED sterilization in the air conditioning equipment industry to sterilize the interior of air purifiers, air conditioners, and ducts.

We began developing a product designed to remove molds and viruses attached to ducts and filters inside air conditioners. The 265 nm UV-C LED with high sterilization performance and the uniform light distribution using optical technology, in which we have strength, are highly recognized, and full-scale commercialization is underway for products featuring the function to sterilize the interior of air purifiers with UV-C LED. In addition, we are proceeding with the development of products to remove virus and prevent mold inside industrial and household air conditioner filters, ducts, and drain pans.

We will continue to capture the market needs and offer products that make use of our sterilization technology, thereby contributing to “realizing safe, healthy lives” of people.



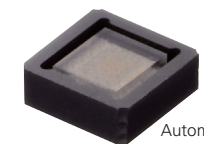
Growing needs for sterilization of air conditioners

World's First Mass Production Delivery of High-power Infrared VCSELs for Automotive Applications

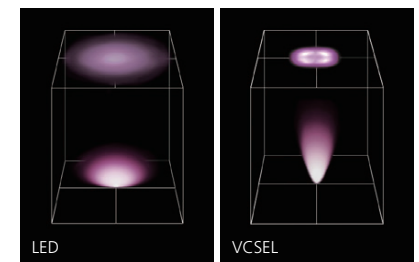
In addition to Driver Monitoring Systems (DMS), the use of Occupant Monitoring Systems (OMS) that monitor passengers inside the vehicle is also becoming popular. Infrared LEDs have been traditionally used as main light source for these systems. However, there has been a growing need for high-performance sensing devices due to increased sophistication of autonomous driving and ADAS. In response to such needs, we have developed high-power infrared VCSELs for automotive applications through our technical partnership with Lumentum, a global leader in infrared VCSEL arrays, and began mass production and delivery in December 2021.

The distinct feature of VCSEL light distribution is that the leakage of light to unintended areas is limited. For this reason, it is possible to evenly apply high-power infrared beam to all corners of the camera's field of view solely based on light sources. This enables the system to read even the slightest changes in the driver's line of vision or facial expression, and to detect passengers inside the car no matter where they are. In addition, it is possible to use pulsed light (a method of driving a light to turn on and off continuously) at a higher speed than LEDs, and this characteristic can be used to sense 3D information such as distance and shape using a TOF camera or LiDAR.

By offering this infrared VCSEL to customers around the world as a new infrared light source that takes advantage of our strengths in light source control technology and automotive device manufacturing technology, we aim to realize even more advanced infrared sensing in the future.



Automotive-qualified infrared VCSEL

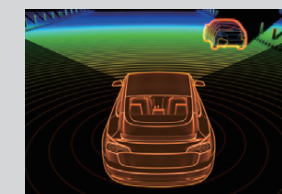


Difference between light distribution of LED and VCSEL



DMS

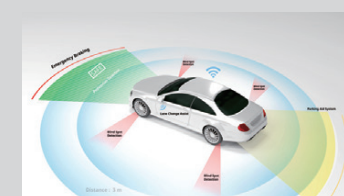
OMS



Long-range LiDAR



Gesture control



Short-range LiDAR

Automotive application using infrared light source

Materiality Initiatives

Creating New Value in Harmony with the Environment

Approaches to solving issues Initiatives on climate change, promotion of environmental conservation activities

The Group is actively engaged in environmental conservation activities in order to pass on our precious earth and abundant gifts from its ecosystems to the next generation in a healthy condition. In our global business activities and throughout the lifecycle of the products and services we provide to society, we have set environmental targets, including for pollution prevention, climate change mitigation, and sustainable use of resources, and are working to achieve them. Upholding the key theme of "achieving carbon neutrality" that aims to mitigate climate change risks, we are focusing our efforts on setting targets for solutions and discussing measures to be implemented.

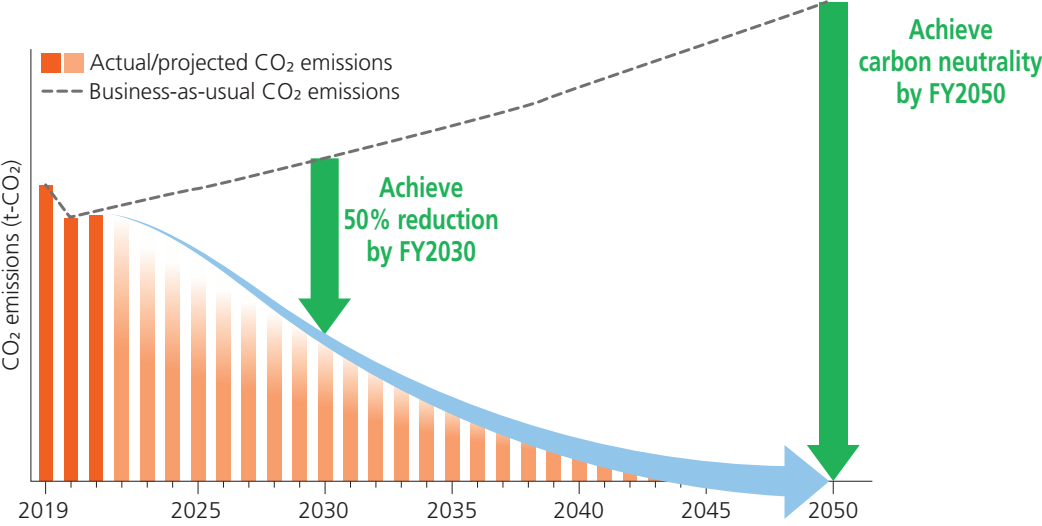
Initiatives on Climate Change

To Achieve Carbon Neutrality

The Group defines the "creation of new value in harmony with the environment" as one of its material issues. In particular, the efforts to achieve decarbonization is regarded as an urgent task. In FY2021, we set a new target of "reducing CO2 emissions by 50% by FY2030 compared to FY2019 and aiming to achieve carbon neutrality by FY2050", and the Carbon Neutral Project Section was established in FY2022 under the Corporate Planning Division to drive the efforts toward these goals. To propel the initiatives on a corporate level, we have set up the Carbon Neutrality Promotion Cooperation Meeting, and we are accelerating efforts on a global scale. We are currently estimating the impact of climate change on our business and financial performance by identifying risks and opportunities using climate change scenario analysis. Based on the estimate, we are proceeding with the formulation of a roadmap towards 2050. A disclosure aligned with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is scheduled in June 2023.

To achieve carbon neutrality, we will work to reduce CO2 emissions not only through the traditional methods of improving operations or upgrading equipment but also in a form of manufacturing reform by introducing the production methods and production engineering that are outside of the established way of thinking, as we promote the reduction of CO2 emissions with various functions such as design, production, and purchasing collaborating with each other.

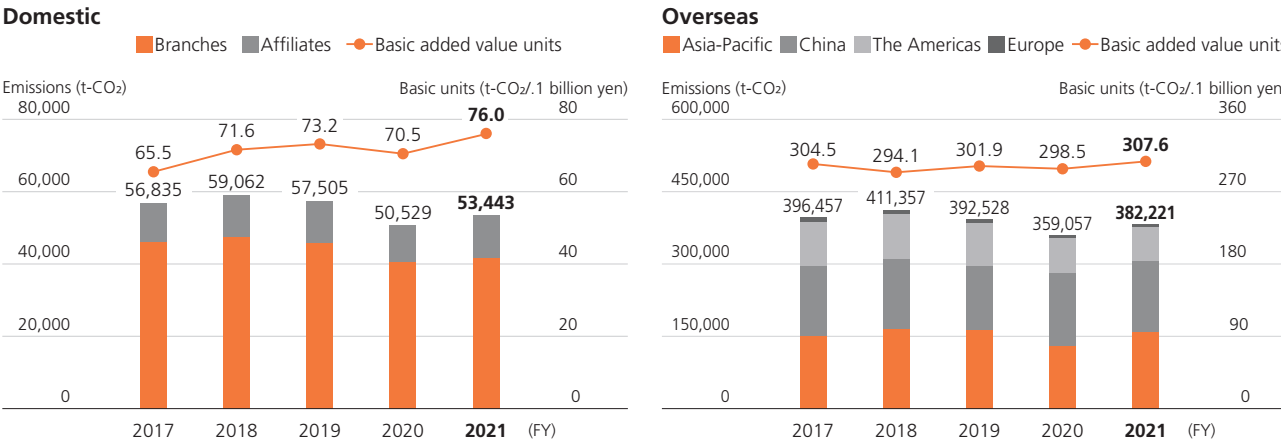
Roadmap for CO2 Emissions Reduction



Initiatives to Reduce CO2 Emissions

The Group's CO2 emissions in the past years are shown in the graphs below. For the amount of CO2 emissions currently remaining flat, while we steadily continue to implement ongoing measures to save energy, we will take on challenges to achieve a higher goal by taking a fresh look at our manufacturing itself.

Changes in CO2 Emissions and Basic Units



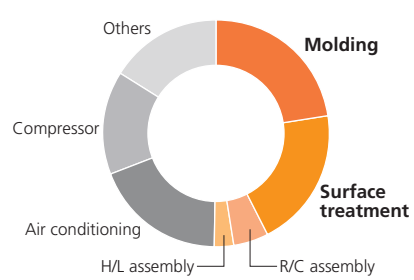
Domestic: The end-of-use CO2 emission basic unit announced by the Federation of Electric Power Companies of Japan was applied for the calculations of the amount of CO2 pertaining to electricity. Overseas: The amount of CO2 was calculated based on the Survey Report on Estimating Basic Units for CO2 Emissions from the Power Sectors of Each Country-Ver.3 compiled by the Japan Electrical Manufacturers' Association

Approximately 95% of the energy used by the Group are electric power. That is why we consider it most important to reduce CO2 emissions by the reduction of power consumption and the suppression of peak power in order to achieve decarbonization, and we are working on these efforts.

As the right graph shows the amount of CO2 emissions by process of automotive lamp manufacturing, the molding and surface treatment processes emit huge amounts of CO2, and therefore we will address these as our priority issues.

We will take a two-pronged approach to emissions reduction, namely, energy saving and use of renewable energy. In particular, the energy saving approach will be driven by two key measures of "Reform of manufacturing", which involves the introduction of new production methods and alternative technologies, and "Manufacturing innovation through design", by which we drastically reexamine what each product is made for.

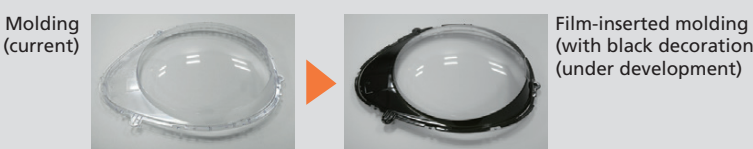
CO2 Emissions by Process of Automotive Lamp Manufacturing



Approach	Reduction measures	Details
Energy conservation	Reform of manufacturing	To tackle our priority issue of reducing emissions from the energy-consuming manufacturing processes such as molding and surface treatment of automotive lamp, we will eliminate the cleaning process before coating that involves thermal drying, switch to dry process coating, shorten the molding time, and utilize other new production methods and alternative technologies to reduce emissions.
	Manufacturing innovation through design	We will reexamine manufacturing from the product design phase by incorporating the development of a molding technology that can perform hard coating, decorating and other surface treatments simultaneously, and optical components of lamps that require no evaporation coating. With this approach, we will significantly reduce energy consumption during the production process, while also proposing new product value.
Renewable energy (switch to greener energy sources)	Expand the introduction of in-house power generation equipment	We will expand the introduction of solar power panels on factory roofs, car parkings, and other spaces at our domestic and overseas bases. At the same time, we will switch our power supply to renewable energy sources.

An example of "Manufacturing innovation through design": Film insert molding

This technology allows us to omit the hard coating surface treatment process.



Materiality Initiatives

Individual Welfare and Growth

Approaches to solving issues▶ Respecting human rights and the promotion of diversity, initiatives on employees' health and safety, human resources development

In line with the statement of Stanley Group's Code of Conduct, to "view everyone in the world as equal, treat them with the courtesy as same 'humans', and respect their characters and personalities", and the Group's human resources policy of "establishing the culture that values human resources with a strong spirit of self-improvement and willingness to study", we are implementing a unique meritocratic human resources system that is fair, convincing, and reasonable. We are making group-wide efforts to improve workplace environments and build a framework for human resources development in order to allow each and every employee to fully demonstrate his/her individuality and abilities, feel rewarded at work, and live a safe, healthy, and enriched life.

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 background, 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 the 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.

Diversity

The Group operates on a meritocracy, and provides opportunities for employees to improve their skills so they will be motivated to continue working, and also strives to create a culture in which workplace environments are enhanced by allowing employees to participate actively without distinction between men and women.

Action Plan to Promote Active Participation by Women

At present, women account for 15% (660 persons) of the Group's employees on a non-consolidated basis, and 34% (8,800 persons) on a consolidated basis. For our domestic bases, 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.

	FY2019	FY2020	FY2021
Ratio of female employees	13.9%	14.8%	15.1%
Ratio of female managers	2.2%	2.5%	2.6%

(Non-consolidated)

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, the ratio of women among new graduate hires has remained at 20% or more.

FY2021 through FY2025

Goal (1): Increase the number of female managers by five times in FY2025 compared with 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 (ongoing)
 - Conduct training to motivate female employees to aim for managerial positions (plan under consideration)

Goal (2): Increase the rate of the paid leave acquisition to 73% or more

- Major initiatives:
- Ensure the use of annual leave plan sheet (ongoing)
 - Conduct quarterly check on the acquisition status of paid leave and encourage employees to take paid leave (ongoing)

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 FY2021, we established a team to promote the active participation of women, and held discussions aimed at creating a more comfortable workplace environment for female employees. In FY2022, we already conducted an employee attitude survey and an e-learning session themed on health issues specific to women, and other projects. Based on the feedback gathered, we will identify further issues to be addressed and discuss measures to be implemented.

Initiatives for Mid-career Recruitment

In an environment where technological progress is rapid, we hire human resources with various careers actively and are working to improve our technical capabilities and enhance our functions. We are also continuing the initiative to make part-time employees into full-time employees.

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

	FY2019	FY2020	FY2021
Percentage of mid-career hires among full-time workers	36.3%	16.2%	18.3%

Date of announcement: August 20, 2022

(Non-consolidated)

Retirement Age Extension System

Our business environment is going through a drastic change, with the progress of digitalization, the need to respond to carbon neutrality and other social issues, or changes in work styles and people's attitude toward work brought by the COVID-19 pandemic, to name a few. Believing that in such an environment it is indispensable to develop a human resources system that allows each employee to demonstrate their abilities more than ever, we introduced a retirement age extension system in April 2021 so that the senior employees can work more actively.

Under this system, which sets the retirement age at age 65, we offer two courses, "skill-up" and "life-balance", as work styles for employees after the age of 60. The "skill-up" course allows employees to continue to be promoted or appointed to positions even after reaching the age of 60. The "life-balance" course emphasizes the lifestyle after the age of 60. Employees who wish to take this course can work shorter hours for reasons other than child care and nursing care. Therefore, this system allows employees to choose a work style that suits their career and preferences.

Materiality Initiatives

▶ System for the Employment of People with Disabilities

The Group is actively hiring people with disabilities at its two special-purpose subsidiaries. The two companies are making continuous improvements in order to provide a workplace where employees with disabilities can fully demonstrate their abilities and aptitude and work with a sense of fulfillment, as well as to maintain a safe and sound working environment.

- 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



Shop floor at STANLEY WELL

▶ Health and Productivity Management Enterprise

We are promoting health and productivity management aiming at becoming a sustainably growing company, improving the productivity and vitality of employees through initiatives for employees health promotion.

We understand health issues and formulate and implement various measures by collaborating with health insurance unions and labor unions and analyzing the results of regular medical examinations and health guidance data.

As a result of these initiatives, in March 2022, we were certified as a “Certified Health & Productivity Management Outstanding Organization (large enterprise category)” by the Ministry of Economy, Trade and Industry. We have been working on the following four initiatives since FY2021.



- (1) We launched the Health Management Promotion Council in FY2021, appointed and trained persons in charge of health promotion at each operational base, and set up an internal contact point for health matters.
- (2) As part of employee education, we conducted e-learning sessions themed on mental health and health issues specific to women.
- (3) As measures against smoking, we are implementing complete separation of smoking areas at each office. Furthermore, in order to reduce the smoking rate among employees, we provide “Sotsuen Support Program”, an app for quitting smoking, and supplements to help quit smoking, both free of charge.
- (4) As measures against the spread of COVID-19, we rolled out the third round of company-wide vaccination without delay, as we did in the previous fiscal year. Our efforts to prevent infection were extended to our suppliers, in addition to our employees.



Going forward, we will continue to create an environment where employees can continue to work in good physical and mental health.

▶ Work Style Reform

Aiming for a better work-life balance and enhanced productivity, we are driving “work style reform” efforts including the following:

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

Recharge leave : The 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 introduced a telework system coupled with telework allowance scheme in April 2021. To ensure that employees can use the system correctly and effectively, we prepared and distributed an operation manual at the time the system was introduced.

Kurumin : With leave systems for childcare and nursing care in place, we provide an environment where employees can work shorter hours or take a 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 safety of our employees. Furthermore, the emergency contact network of all employees is regularly updated, establishing an organization to quickly check safety in case of emergency.

Human Resources Development

Based on a human resources policy of “Establishing the culture that values human resources with a strong spirit of self-improvement and willingness to study”, we have introduced the STARS Plan*, a total meritocracy-based human resources system that is fair, convincing, and reasonable, at all group companies.

We strive to create a vibrant corporate culture with creativity and a challenge of spirit through free and open communication and the independence of each employee.

*STARS Plan = Stanley Total Ability Rating System Plan

▶ Human Resource Development Plans

We create “human resource development plans” for employees every year based on each individual's ability and aptitude. These plans are used by employees to develop their skills and careers. Based on each employee's current skills and experiences, the ultimate goal of these plans is to systematically and efficiently develop human resources by clarifying the work experience, training, or personal development necessary to fill the gap between where they are and where they want to be. Employees also rotate through organizations and duties according to their human resource development plans to ensure the right person for the right job throughout the Company, to promote individual autonomy, and to stimulate and strengthen organizations.

▶ Ability Development System

Targeting “ability development that leads to improved ability to accomplish duties”, “ability development with priority on character” and the “provision of opportunities for employees with a strong spirit of self-improvement and willingness to study”, we have developed a full range of programs for ability development. In addition to class and function based education, we promote and support individual employee ability development such as support for self-development and promotion for acquiring public qualifications. We regularly carry out necessary training while taking preventive measures against COVID-19 infection.

Programs for ability development

Class/ position-specific	New manager training Mid-level employee training New employee training	New assistant manager training Mid-career hire training New supervisor training	etc.
Function/ purpose-specific	Production innovation, quality, environment, production engineering, design engineer training Sales engineer training e-learning		
Selective	Next-generation human resource development Value creation project		
	Training on the sea HITOZUKURI Human resource development project		
Other support programs	Advisors for new graduates Financial assistance for obtaining public certifications Financial assistance for self-development (online education)		
	Rotation system Financial assistance for attending college courses		



▶ Strengthening Function Based Education

For the purpose of employees systematically acquiring the ability to accomplish duties, we clarify the skills required for each function and occupation, and formulate and implement educational program for employees to acquire the skills necessary to accomplish duties from the basic level to the intermediate or advanced level. In this way, we systematically promote education so that employees can acquire the abilities and skills that are essential for each function and occupation, while also considering the career path of each employee. We have also initiated creating an environment that systematically promotes the succession of skills possessed by senior employees.

Materiality Initiatives

Building a Solid Business Foundation

Approaches to solving issues Strengthening governance functions, response to various risks, thorough compliance

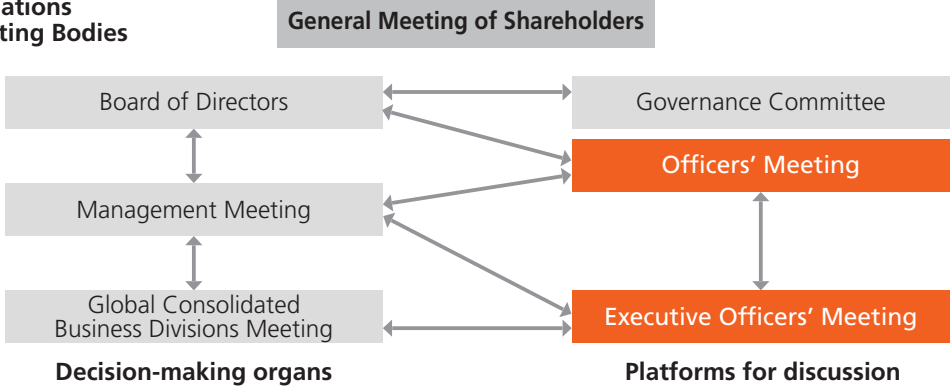
By pursuing transparency and fairness in management, we are striving to establish world-class corporate governance. The Company is characterized by its well-functioning Audit & Supervisory Board and the presence of its Governance Committee. The Board of Directors recognizes the "diversity of the Board of Directors" as a significant issue that needs to be addressed on an ongoing basis, and is working to make improvements in that respect. We are also analyzing various risks and examining solutions in order to build a solid business foundation that enables continuation of business activities even in a drastically changing environment.

Improving the Effectiveness of the Board of Directors

Our Management Meeting consisting of full-time Directors 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. 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.

Nature of the meeting body	Name	Function	Participants	Main agenda items
Decision-making organs	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	Directors with titles, Officers appointed by the President	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	Matters on sales, technology, and production that concern business management, 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 Executives	Items proposed by Directors Items proposed by the Management Meeting/Executive Officers' Meeting
	Executive Officers' Meeting	Executive Officers/Operating Executives to discuss items on the Management Meeting agenda To discuss issues facing each control division	Executive Officers/Operating Executives	Corporate Planning Division's draft for the VIII Medium-term Management Plan strategies Discussion agendas drawn from the items of management challenges in the third year of the VII Medium-term Management Plan Other items proposed by Executive Officers/Operating Executives

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.

Method of Evaluation

A questionnaire containing the questions shown in the box is distributed to each Director and Audit & Supervisory Board Member every year, and the responses are collected anonymously. Based on the results of the tabulated responses, the Governance Committee, whose main members are outside officers, evaluates the effectiveness of the Board.

Main content of survey

- (i) Size and composition of the Board of Directors
- (ii) Operation of the Board of Directors
- (iii) Role of the Board of Directors, etc.
- (iv) Overview

Analysis and Evaluation

The results of the survey conducted in November 2021 showed that the Board of Directors is generally effective. We will continue discussing the balance and diversity of the Board of Directors membership.

Future Measures

We will examine the effectiveness of the Board of Directors based on the tabulated results of the questionnaire.

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.

Discussions and opinions are freely held and exchanged among outside officers regarding deliberation and advice on the execution system, evaluation of the effectiveness of the Board of Directors, and confirmation of progress status of the Long-Term Management Goals and Medium-Term Management Plan, as well as consultation and response relating to the evaluation, selection and dismissal of Representative Directors, the evaluation, election and dismissal of Directors, and the officer compensation system and the amounts of annual compensation, etc. 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 improve our corporate value over the medium to long term.

Members

- Masakatsu Mori (Outside Director)
- Hirokazu Kono (Outside Director, Chairperson)
- Yozo Takeda (Outside Director)
- Satoko Suzuki (Outside Director)
- Mitsuhiro Amitani (Outside Audit & Supervisory Board Member)
- Hiroshi Kanno (Outside Audit & Supervisory Board Member)
- Koichi Uehira (Outside Audit & Supervisory Board Member)
- Yasuaki Kaizumi (President)
- Toru Tanabe (Executive Vice President)

Diversity of the Board of Directors

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. The current Directors and Audit & Supervisory Board Members possess a wide variety of professional skills and experiences, not to mention corporate management skills. The number of years of experience as Outside Director is well-balanced, with each of four Outside Directors having served for 12 years, 7 years, and 2 years (as of June 2022). In addition, we have newly appointed Ms. Satoko Suzuki, a female Outside Director, in 2022. A variety of opinions presented by a diverse range of Outside Directors are reflected in the management so as to enhance corporate value.

Materiality Initiatives

Expertise and Experiences Required for Directors and Audit & Supervisory Board Members of the Company (Skills Matrix)

	Name	Corporate management	Sustainability	Financial affairs	Legal affairs	Sales/marketing	Manufacturing	Quality	Development and engineering	International experience
Directors	Yasuaki Kaizumi	●	●				●	●	●	●
	Toru Tanabe	●	●		●		●	●	●	
	Keisuke Ueda	●		●		●	●	●		●
	Tatsuaki Tomeoka	●					●	●	●	●
	Satoshi Oki	●			●		●	●		●
	Kazuki Takano	●				●	●	●		●
	Masakatsu Mori	Outside	●	●						●
	Hirokazu Kono	Outside	●				●			●
	Yozo Takeda	Outside	●	●			●			
	Satoko Suzuki	Outside	●			●				●
Audit & Supervisory Board Members	Ryuta Yamaguchi	●	●	●	●	●	●			●
	Koji Shimoda	●			●		●	●	●	
	Mitsuhiro Amitani	Outside			●					●
	Hiroshi Kanno	Outside	●							
	Koichi Uehira	Outside		●						

(Note) Only the items that are particularly expected of each person are marked on the above matrix; the matrix does not show all of the expertise and experience held by each person.

Message from the New Outside Director

Toward sustainable growth of Stanley Group

I feel strong empathy toward the Stanley Group's Business Philosophy and purpose of "the boundless pursuit of the Value of Light" and feel very honored to have been appointed as an Outside Director.

Stanley is an amazing corporation, endowed with outstanding optical technologies and superb cost competitiveness. In recent years, Stanley has also been expanding into the B2C market, offering its A&NUV products, among others. For the next 100 years, I believe it is important for Stanley to increase the market share of such products, and to increase the recognition of Stanley among ordinary consumers. Alongside its conventional strengths in manufacturing, if Stanley is able to strengthen its intangible assets such as the value of customer experience and its brand power that appeals to customers' sentiment, Stanley will be able to further increase its presence both in Japan and internationally. My areas of expertise are marketing and consumer behavior theory. So I intend to leverage this knowledge and strive to be able to contribute to Stanley's further development with a focus on the above-mentioned fields.

In recent years, "value co-creation" has become a buzzword in the world of marketing. The idea is to create value together with a variety of stakeholders. I feel very rewarded for being able to work together with everyone in the Stanley Group with the aim of creating the Group's value.

I will be committed to my work as an Outside Director with objectivity in the aim of maximizing the Stanley Group's corporate value and creating added value for all stakeholders. I ask for your guidance and support.



Director (Outside)
Satoko Suzuki

Biography	Apr. 1999	Joined Nihon L'Oréal K.K.	Apr. 2017	Associate Professor at Graduate School of Business Administration, Department of International Corporate Strategy, Hitotsubashi University (present post)
	Sep. 2006	Joined Boston Consulting Group K.K. (now Boston Consulting Group G.K.)		
	Sep. 2011	Lecturer at Graduate School of Management, Kyoto University	May 2020	Outside Director of Lawson, Inc. (present post)
	Apr. 2016	Associate Professor at Graduate School of Management, Kyoto University	Jun. 2022	Outside Director of the Company (present post)

Interview with an Outside Director

Outside Director
Governance Committee Chairperson

Hirokazu Kono

Q ▶ Could you tell us about Stanley Electric's governance system?

I have been serving as an Outside Director for Stanley since 2015, and as Chairperson of the Governance Committee since 2021.

At meetings of the Board of Directors, Outside Directors actively ask questions and make statements based on their own expertise and experience, with discussions lasting for almost half a day or a whole day. Further, Stanley provides a venue for discussions in the form of Officers' Meetings, and at these meetings we engage in a frank exchange of opinions on topics such as the trends of the industry and competitors, and challenges faced by the Company. As one of the Stanley's characteristics, there is a custom to allow the Chairperson to provide a summary and conclusion after the deliberation and vote on each agenda item. It doesn't simply end at voting on and resolving an agenda. Rather, we engage in an in-depth exchange of opinions, including on what kind of attention will be required in implementing a certain project. These discussions are extremely substantive, and I don't think you often see companies where deep discussions are being held to such an extent.

In addition, a variety of improvements are being implemented based on the results of the evaluation of the effectiveness of the Board of Directors conducted each year, such as a revision of the standards for submitting agenda items to the Board of Directors, and the format of explanations on agenda items given to outside officers.

Q ▶ You have been appointed Chairperson of the Governance Committee. What kind of committee is it?

The Governance Committee is comprised of four Outside Directors, three Outside Audit & Supervisory Board Members, and two Representative Directors. The Corporate Governance Code requires that a majority of committee members should basically be independent Outside Directors. Under Stanley's system of governance, however, the committee is comprised of an overwhelming majority of outside officers who possess a diverse array of expertise, including Outside Audit & Supervisory Board Members. The reason why the system is set up this way is because Stanley places importance on the usefulness of the Audit & Supervisory Board functioning properly, and outside officers—including Outside Audit & Supervisory Board Members—participating in discussions on nomination, compensation, and governance. I believe that the essence of governance is not simply to comply with the Corporate Governance Code, but it also means supporting the system that facilitates investments and businesses in a constructive manner in order to improve shareholder value and, at the same time, putting a stop to excessive business execution and decision making.

Q ▶ Could you tell us about the background to President Kaizumi's appointment and any advice you gave him?

Due to the sudden passing of former President Kitano in January 2021, Stanley switched to a system of having two Representative Directors from the perspective of ensuring management stability and diversifying risks. Stanley also worked to solidify its management foundation for future sustainable growth, mainly led by former President Hiratsuka. As a result of these efforts, Stanley made an improvement to a certain level in about a year. Amid a drastic change facing the automotive industry, we thought it would be best to have a new generation to take charge of management with the same timing when we would formulate the Medium-Term Management Plan for the following fiscal year onward in order to accomplish Stanley's business transformation and creation of new business. After repeated meetings and discussions with all of the inside Directors, President Kaizumi was elected as a leader having insights into advanced technology as well as global perspectives and experience. I hope President Kaizumi will carry the banner for transformation on his own initiative in order to implement a variety of structural reforms in the future, and I would also like him to create a culture in which all employees support this transformation, engage in discussions together, and can exchange opinions with each other.

Q ▶ Lastly, could you please tell us about challenges the Company is facing from your own perspective as an Outside Director?

In the future, I feel it will be important for Stanley to become more conscious of the end customers and consumers. For Stanley's core automotive lamp business, manufacturers of completed vehicles are their customers. It goes without saying that these direct customers are important. However, caring about the needs of end consumers and engaging in appropriate communication with them will transform Stanley into a corporation that is sensitive to how the needs of the world will change. I think this will be a major key to future growth.

(Note) This interview is a digest of the content streamed on the Internet on September 21, 2022.

The Stanley Group's Strengths and Business Model

The Stanley Group's principal business is the manufacture and sale of automotive equipment products, electronic component products, and applied electronic products. One of the Group's strengths lies in the provision of its own unique value of light to society, based on its light source technology development capabilities. In addition, our business model is characterized by collaborative operations between each of our three business segments and our research and development functions. The three business segments identify a variety of needs, and the research and development functions produce value which meets those needs. While the research and development functions provide this value to our business segments, each business segment operates hand in hand with each other, thereby providing social value such as new technologies and products.

These are supported by production functions grounded in the "SNAP" production innovation activities, global procurement functions, and sales functions, which distribute the value produced throughout society. Further, multiple business segments supporting each other enables the development of enduring businesses, ensuring sustainable growth even under the drastic changes in the social environment in recent years. The Stanley Group will continue to develop these and other strengths in the future, and thereby contribute to solving various social issues and strive to improve corporate value.

The Stanley Group's Strengths

Providing the value of light

We provide our own unique value of light to society with our light source technologies. We provide the value of light produced by R&D to our business divisions, and carry out business transformation and create new businesses.

Waste-free manufacturing

We put into practice our own unique production innovation activity in the pursuit of optimal manufacturing. This activity is expanded to all business processes, including those of indirect divisions to thoroughly eliminate wastes, thereby achieving improved productivity in an extensive and sophisticated manner.

Solid business portfolio

We have multiple business pillars including the automotive and electronics businesses, enabling them to support each other's performance. As one business can support the other business facing a difficult environment, it becomes possible to develop enduring businesses.

Contribution to a sustainable society

We accurately identify the needs of customers and markets and provide products which meet these needs. We aim to be a company that contributes to society by creating a safe, secure world through our products.

The Stanley Group's Business Model



Procurement

Rational, stable procurement

We have our doors open to both domestic and foreign partners, providing equal opportunities for transactions and select suppliers in accordance with fair and rational standards based on requirements such as quality, delivery time, price, safety, and environmental impact. Going forward, we will also realize procurement which is even more stable than ever before by building a system for minimizing various risks.



Production

Unique innovative manufacturing method

The Stanley Group has an ideal of 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. We are also promoting improvements in production technologies through in-house manufacturing of facilities and studies of new materials.



Sales

Value proposition and product provision tailored to needs

We will make preparations ahead of other companies and propose value which satisfies customers by being closely involved with customers and capturing the needs of customers and markets. To this end, we are strengthening coordination between our sales and engineering functions and developing systems to meet a variety of needs. Under these systems, we will thoroughly capture potential needs customers themselves are not aware of and provide products which meet these needs.

