

## Enhancing our Competitive Edge

—Providing society with the  
Value of New Light—



**Yasuaki Kaizumi**  
President and Representative Director

### The Infinite Possibilities of Light Drive the Stanley Group

The “Boundless Pursuit of the Value of Light” is first and foremost of the Stanley Group’s business philosophies. Indeed, light comprises infinite possibilities that can bring many benefits to humankind. We are seeking to contribute to society by discovering the infinite possibilities of light and, creating and providing value of technology and products. This is the core purpose underpinning the Stanley Group.

In my role as a president from an engineering background, I feel confident in the potential of light—so much so that I am seeking a fresh new era by focusing on innovation throughout our various business fields, while coordinating efforts with those also seeking to harness the potential of light around the world.

The Stanley Group has set forth its ideal image of becoming a competitive company in 2030. When you think about competitiveness, you may naturally think about competing with or pitting yourself against others. Yet it means something different to the Stanley Group—it means making a difference to as many people as possible, both through our products and opportunities to work together with us. It implies just how much value we are providing that contributes to society. To make this a reality, I am committed to bringing about ongoing reform with the view to becoming a truly “competitive” company.

### A Firm Foundation Built on the Previous Three-year Mid-term Management Plan

During the previous mid-term management plan, VII Three-year Medium-term Management Plan (FY2020 to FY2022), we celebrated the century milestone since the founding of Stanley Electric Co., Ltd., embarking a new three-year plan to drive us forward into a new century. We also mourned the sudden passing of President Kitano who played a pivotal role in leading the company. The reins were then passed on to President Hiratsuka, and then I was appointed to the role of President last year—a tumultuous period where the head of the company changed every year.

Given the shift in automotive trends towards EVs and autonomous driving, the previous mid-term management plan proved to be a launchpad for determining how parts suppliers should be reforming their operations. The thing that became clear during this time was that we needed to shift from taking a passive position awaiting requests from automotive manufacturers, to a more proactive approach coming up with our own suggestions. With this in mind, we set out building systems capable of catering to the needs of our customers, delivering products at prices that customers deemed reasonable, and training human resources to approach these needs in earnest.

Our previous mid-term management plan aimed to achieve transformation into a lamp system manufacturer and rebuild and expand our electronics business as part of reforms to ensure our survival, but we are still facing challenges in both of these areas.

To bring about transformation into a lamp system manufacturer, we reformed our development system and our fundamental approach to manufacturing. Yet before we were able to achieve such reforms, over the past three years automotive manufacturers shifted to the stance of only purchasing system products, which meant we were unable to gain any advantage. The efforts we made toward rebuilding and expanding our electronics business aimed to leverage our strengths in not only lamps, but also the light sources used in those lamps. And while we successfully ramped up mass-production of new products like deep UV (UV-C) LED and IR VCSEL designed for safety and security, I cannot say we were successful with rebuilding and expanding the business.

### New Mid-term Management Plan Created by Backcasting from 2030

The demands placed on corporations have changed significantly in recent years. Simply focusing on making things, selling them and increasing profit has become a relic of the past. Corporations today have become the pioneers tackling social issues, and need to create value and generate profits while also coexisting with society. Even the automotive industry, where our major customers operate in, is facing the threat of an immense once-in-a-century change underpinning social issues like global environmental problems. In order to ensure our survival amidst such a backdrop, we need to grow beyond the short-term approach of finding solutions to the issues occurring before our

eyes, we need to accomplish the feats that only Stanley Electric is capable of achieving to overcome medium-to long-term issues. In this way, we need to focus on becoming a competitive company that customers want to work with.

The VIII Three-year Medium-term Management Plan (FY2023 to FY2025) sets out the path to “becoming a competitive company” that the Stanley Groups should be at in 2030, and outlines the three strategic concepts for achieving this in backcasting approach: “Manufacturing under TADAS concept,” “Developing new markets with distinct light technology,” and “Challenging with speed as ‘One Stanley’.”

### “Manufacturing Under TADAS Concept” —Delivering New Value to Everyone—

“TADAS” is our underlying manufacturing concept, and has been named by adding a “T” to our existing “ADAS” (Advanced Driver Assistance Systems) concept and creating a play on the Japanese word *tada*, meaning “free.” The value that we deliver is safety and security, and no matter how exceptional our value-added products are, we need to ensure that this safety and security is made available for everyone, everywhere at affordable prices. We will be boosting our competitive edge by creating the new value that customers and society really needs, fine-tune efficiency across all areas, and supply affordable, quality products in all regions where we operate businesses.

### “Developing New Markets with Distinct Light Technology” —Leveraging the Potential of the Light Source Business—

Automotive manufacturers around the world are currently transitioning to EVs. While I personally do not view this as the only way to approach decarbonization and move away from fossil fuels, given that this seems to be the overall trend that is occurring, we need to come up with new ideas for the optimum lamps used with EVs. I think there are two ways to approach EV lamps.

The first is the development of lamps with a lower power consumption. Our technologies mean power consumption can be slashed to 1/3 of conventional designs without any change in the brightness of headlamps. Low-power consumption lamps represent a technology that is not only embraced by EVs, but conventional gasoline-powered vehicles.

The second is the area of lamps to be at optimized position for sensing as part of autonomous driving. An example that illustrates this is when bringing cars to a stop—vehicles powered by motors have a greater level of agility than those powered by engines, and therefore can be made to stop much quicker. To make this possible, vehicles require sensing across an area spanning 30 m at angle of 45 degrees. The position of lamps are ideal for sensing in vehicles, and as such we have already developed light sources for sensing, and have been working on synchronizing them with onboard systems. Lamps on gasoline-powered vehicles are designed to be visible by other people, but lamps for EVs are designed for visibility by the eyes of machines as well as the eyes of people.

The roots of our light source business go way back to the use of filaments, but have evolved to include visible light LEDs as well as LEDs using invisible light like IR and UV light. These types of light technology are applied to light sources used for EV sensors and disinfection, but are also becoming game-changers with applications like substitutes for sound technology used submarine sonars. The Stanley Group will play an active role making investments into developing new markets using our distinct light technology. In this sense, I am seeking investments on the scale of 10 billion yen in the field of lasers, which are considered the next light source after LEDs.

### “Challenging with Speed as ‘One Stanley’” —Enhancing Overseas Sites—

One of the priorities in the new mid-term management plan is to increase ties with non-Japanese companies in the automotive field. The ratio of net sales from non-Japanese companies is currently only around 2%. In order to build this up to 8% by FY2028, we will be focusing on establishing new development sites and boosting our presence throughout Asia.

These new development sites will be located in countries like China and America, and will be headed by local personnel with an in-depth knowledge of all the local cultures, climates, and markets. Until now, Stanley Electric's overseas strategy involved transporting projects that were successful in Japan to overseas sites, and assigning Japanese staff as executives to coordinate efforts with local personnel—going forward, staff from each region will be given the reins of operations, and businesses will be developed to suit their respective cultures, climates, and markets. To rephrase, value will not only be delivered “from Japan,” but instead “globally and simultaneously.” To achieve this, the idea of “One Stanley” involves Stanley Group employees around the world united in taking on challenges using the same approach to deliver value quickly.

We will also focus on increasing our presence throughout Asia, like in India and Thailand, as for market development aspects.

Cheap cars are currently the mainstream in India, but demand for middle grade segment vehicles is expected to grow in line with the upcoming economic development there. We have a 30-year long partnership with automotive system production and sales company Lumax Industries Ltd., and I hope to work with them to develop a supply chain in India in order to establish a firm presence in the market there.

In Asia, we also have a partnership with Thai Stanley Electric Public Co., Ltd. (“THS”) in Thailand where motorization has proved to be a success. Development is progressing at a tremendous rate throughout Southeast Asia, and Indonesia, Vietnam and even the Philippines recognize the model of motorization in Thailand. THS plays such a crucial role when considering the approach of exporting technology from Thailand instead of from Japan. I hope to leverage these types of assets to establish a firm position within Asia.

### Identifying Five Material Issues (Materiality) as the Source of Our Competitive Edge

To become a competitive company, the Stanley Group has identified five material issues (materiality) from among a large number of social issues (see P19 to P20). Of these, I want to focus particularly on “Creating new value in harmony with the environment” and “Individual welfare and growth.”

On “Creating new value in harmony with the environment,” there is growing recognition that companies need to address such issues given the increasing severity of climate-related disasters in recent years. The Stanley Group has assigned half of its research and development man-hours into topics like development of energy-saving technologies, research into new carbon-neutral technologies, and development and studies of materials and parts, to halve CO<sub>2</sub> emissions compared to FY2019 levels by FY2030 with the aim of achieving carbon neutrality by FY2050.

With regards to “Individual welfare and growth,” we are transitioning to human resource policies that begin with determining whether the 17,000 employees of the Stanley Group around the world are able to actively apply themselves. Enhancing their skills to achieve personal growth forms the main approach of this. Until now the company took the position of supporting the self-development efforts of individual employees, but going forward, the company will play a greater role determining how employees' skills will improve with their current tasks, and identify any shortfalls if there is no improvement. I want to create a workplace environment that cultivates employees by providing them with opportunities so they can improve their skills, try taking on new tasks in new areas, and find things that are even more interesting to them. Meanwhile, we will be investing more than 20 billion yen in DX to streamline operations by reducing work that does not require human input, to encourage the development of human resources capable of applying themselves on the global stage.

### Commitment to a Minimum 10% Operating Profit Ratio and 8% ROE

The Stanley Group recorded net sales of around 440 billion yen in FY2022, and we will be building on this toward FY2025 management targets of 550 billion

yen in net sales, 10% operating profit ratio and 8% ROE. Yet these are more than just our targets—they are the minimum figures we have set out to achieve. The operating profit ratio in particular is viewed as “responsible profits” that need to be achieved under any circumstances, and we are making efforts internally to change everyone's awareness about achieving this target. We have also set ourselves the target of 8% ROE by 2025, and this is considered as the minimum figure when we create measures targeting 10% in 2028 and even higher after that.

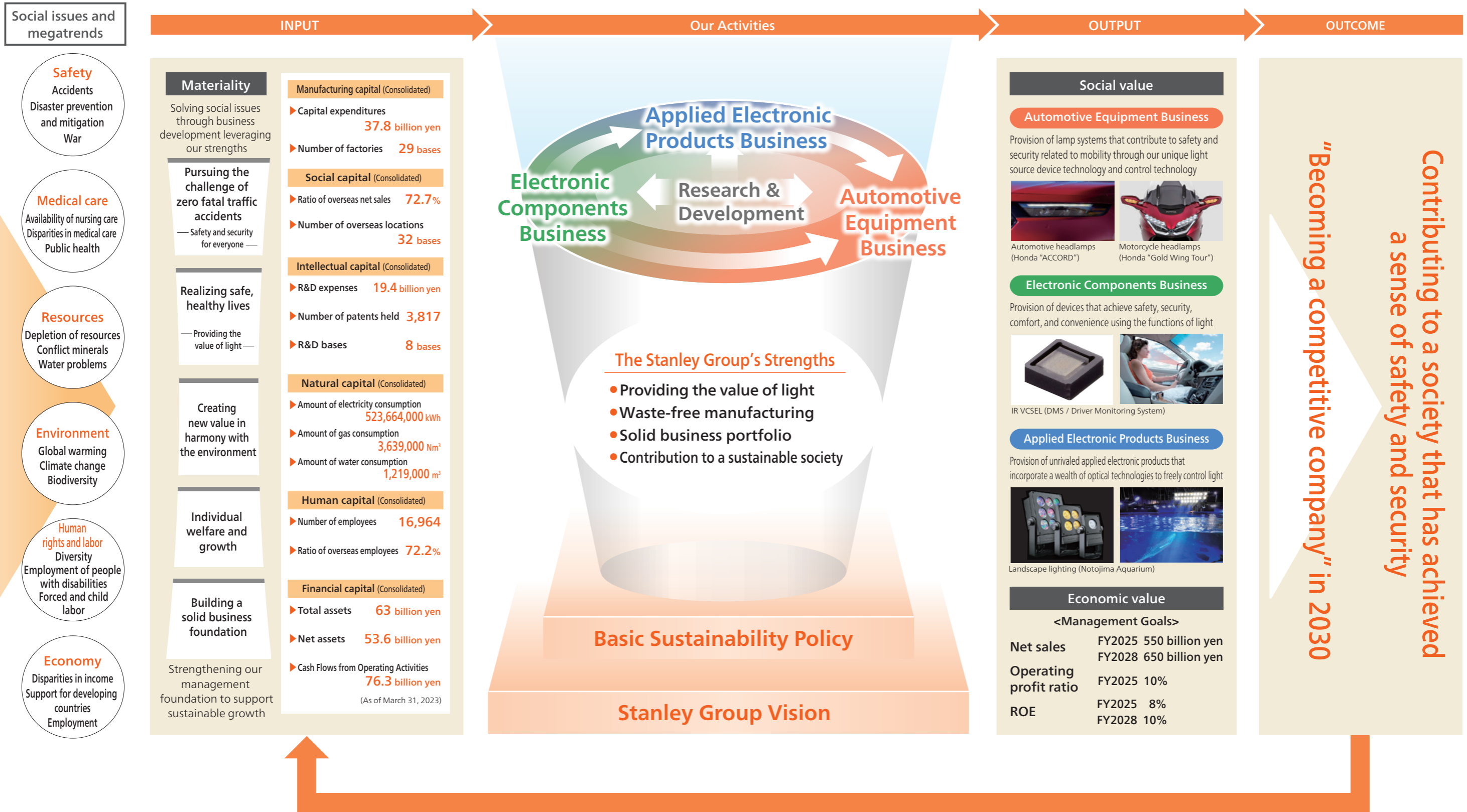
We are operating on a financial strategy of building a strong financial position, and will actively invest in growth/priority domains with the aim of enhancing corporate value in a sustainable manner. We are seeking a shareholders' equity ratio of 70% to strike a balance when viewed from both all internal and external stakeholders, with the most important aspect being where to use the cash we have on hand. In this way, we will take a flexible approach to investing in growth and priority domains.

Stanley Electric will continue evolving together with society by helping to resolve social issues as a company involved with the business of light. Going forward, we will keep engaging in sincere dialogue with all our stakeholders in order to achieve this. I would like to ask for your continued support and encouragement.



# 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.



# 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 global procurement functions, production functions grounded in the "SNAP" production innovation activities, 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 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

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.



## 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 with R&D functions to our three business segments, 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.

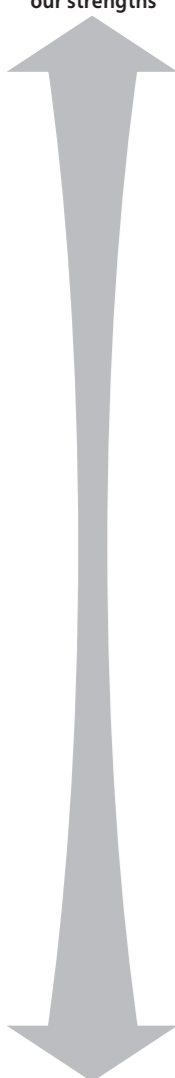

















#### ● Contribution to a sustainable society

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.

# Materiality (Material Issues)

## Five Material Issues to be Addressed in Order to Enhance Our Competitive Edge

The Group has identified five material issues 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 targets for the solution of material issues, with which we align our activities so as to become a corporate group with competitive edge that is continually chosen by customers and society.

	Materiality	Major initiatives	Target	Page number	Relevant SDGs	
<p><b>Solving social issues through business development leveraging our strengths</b></p> 	<b>Pursuing the challenge of zero fatal traffic accidents</b> –Safety and security for everyone–	Provision of lamp systems which meet customer and society’s needs to everyone	Ratio of net sales from non-Japanese automotive manufacturers*1	●FY2028: 8% (FY2022 result: 2%)	P.26, P.29	  
		Provision of unique devices, modules, and apps with a focus on invisible light	Ratio of net sales of invisible light products*2	●FY2025: 15% (FY2022 result: 1%)	P.28, P.30	   
	<b>Creating new value in harmony with the environment</b>	Initiatives on climate change	CO <sub>2</sub> emissions	●FY2030: 50% reduction in our own business activities (compared to FY2019) ●FY2050: Achieve carbon neutrality	P.39	  
		Promotion of environmental conservation activities	Amount of waste generated	●FY2023: Set targets for reducing the amount of plastic waste generated and improving recycling rate	P.42	 
			Amount of water consumption	●FY2023: Set targets through water risk re-evaluation		
	<b>Individual welfare and growth</b>	Improvement of employee engagement	Engagement score	●FY2025: Improve by 30% compared to FY2023 level	P.46	  
		Human resources development	Investment into education per person	●FY2025: Improve by 50% compared to FY2022 level	P.46, P.47	
		Initiatives on employees’ health and safety	Deviation from Health & Productivity Management Feedback Questionnaire	●FY2025: 55 (FY2022 result: 48)	P.46, P.48	
			Number of serious industrial accidents	●Zero cases (FY2022 result: zero cases)		
	<b>Building a solid business foundation</b>	Strengthening governance functions	Effectiveness of the Board of Directors	●Conducting a survey to evaluate the effectiveness of the Board of Directors once a year	P.65	
Allow the Governance Committee to appropriately exert its function				P.66		
Thorough compliance		Percentage of employees who have taken compliance education, percentage of employees who have signed the compliance declaration	●Compliance education, declaration 100% (FY2022 result: Compliance education, declaration 100%)	P.68	 	
		Appropriate and continued operation of whistleblowing system on a global scale				
Responding to various risks		Preventive action, post-incident measures and recurrence preventive measures for risks surrounding the entire Group		P.69		
	Enhance information security on a global scale		P.70			

\*1 Ratio of net sales to the total net sales of Automotive Equipment Business

\*2 Ratio of net sales to the total net sales to external customers of Electronics Business (Electronic Components Business, Applied Electronic Products Business)

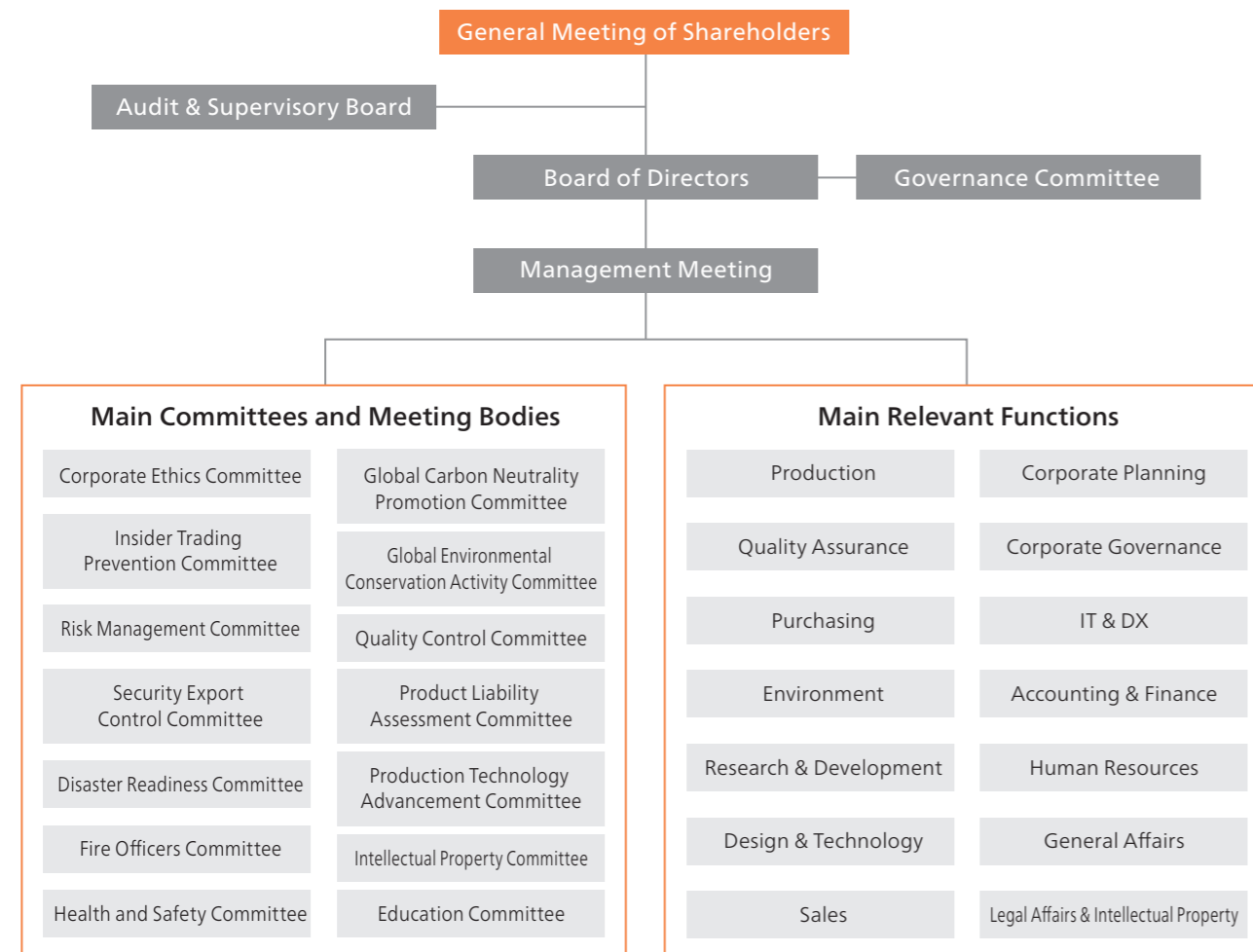
# Sustainability

## Basic Sustainability Policy

The Stanley Group conducts its business activities based on its Business Philosophy, "Pursuit of infinite possibilities of light" and "Being committed to manufacturing". Our aim is that the products and technologies we create contribute to the safety and security of people's life. What is important to the Stanley Group's sustainability initiatives is that each employee of the Group observes laws, regulations and social norms, promotes a healthy workplace environment, contributes to society through business activities, cares for people and nature, and acts under the premises of communication and coexistence with society. We have set out these standards in "Stanley Group's Code of Conduct" to contribute to sustainable society development and global environment protection.

## Sustainability Framework

To promote the Group's sustainability, we deliberate on and approve basic policies and measures for initiatives at the Management Meeting through main committees, meeting bodies and relevant divisions. In addition, the details thereof are reported to the Board of Directors from time to time.



▶ Please refer to our website for other sustainability data.  
<https://www.stanley.co.jp/e/sustainability/policy/policy.html>

## Business Activities and ESG Activities

In both its business activities and ESG activities, the Stanley Group is working to "contribute to sustainable society development and global environment protection" that forms the goal of the Basic Sustainability Policy.

The reason why the Stanley Group was able to celebrate its 100th anniversary milestone in 2020 was because it is a company that responds to the needs of society and contributes to its development. Society currently places demands on corporations to merge their business and ESG efforts in order to contribute to society in a sustainable manner. In response to this, we are setting out for our next century of operation. Rather than viewing ESG in terms of merely risks or responsibilities, the Stanley Group is committed to turning them into opportunities that lead to business activities.

The "Business Philosophy" and "Stanley Group's Code of Conduct" at the heart of the Basic Sustainability Policy have been created with the same stance as the idea of developing a sustainability society that is deemed so important in recent years. Our ESG activities are implemented based on this policy. "Contributing to the safety and security of people's life" with the products and technologies we create through our business activities is also an integral part of this policy. We will continue to enhance our competitive edge for sustainable growth through our activities based on the Basic Sustainability Policy.

## Contribution to sustainable society development and global environment protection



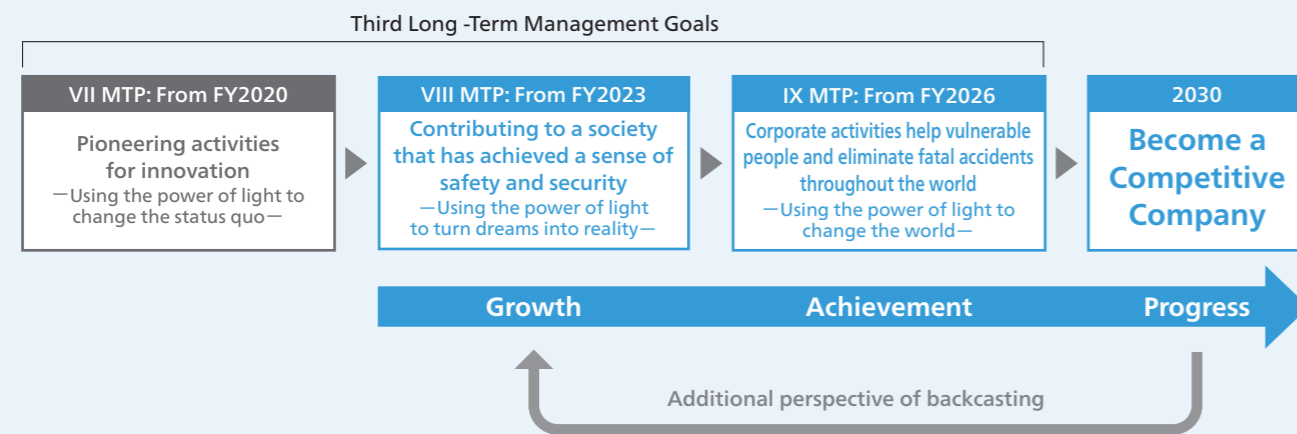
## VIII Three-year Medium-term Management Plan (VIII MTP)

### Positioning

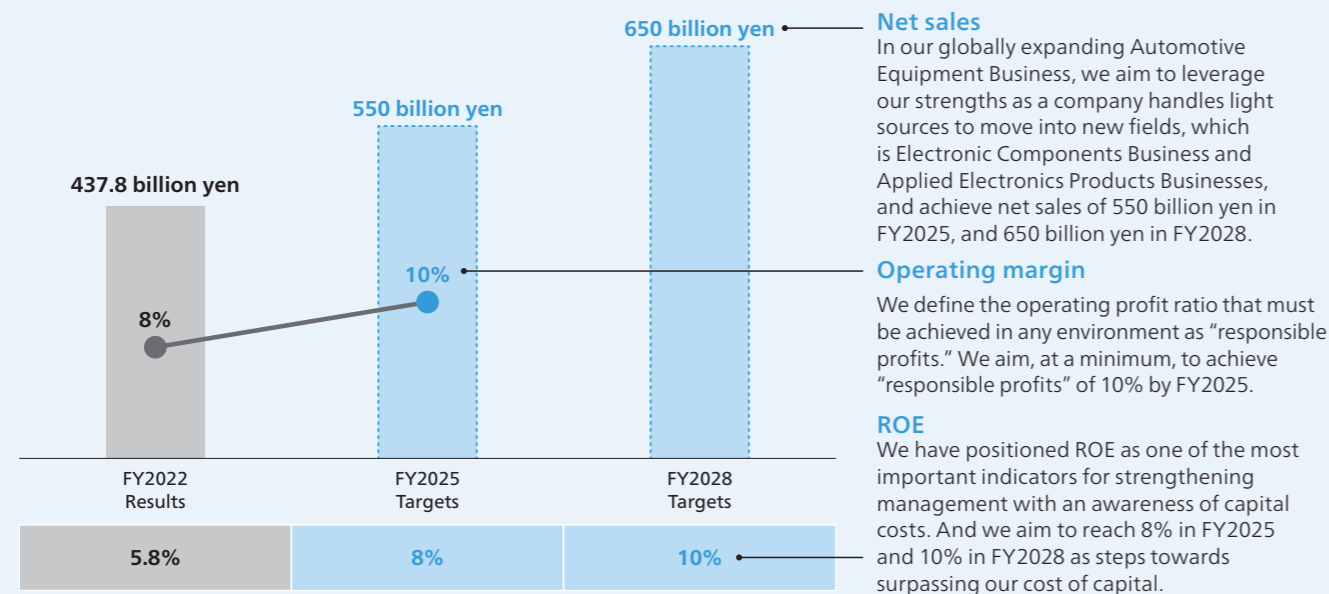
The Stanley Group formulates scenarios every 10 years towards realizing the Stanley Group Vision. Our Third Long-Term Management Goals (3LTMG) lay out the scenario which starts from 2020, and one of its major principles is to “contributing to a society that has achieved a sense of safety and security.”

We formulated the VIII Three-year Mid-term Management Plan (VIII MTP) by backcasting from the external environment we expect in 2030, and incorporating this perspective into the three-year management plans presented in the 3LTMG. The external environment in which our company exists is changing rapidly as we approach 2030, and the pace of change is accelerating. As we are unlikely to be able to respond to these changes based on the 3LTMG alone, we have decided to add this approach.

We started our VIII MTP in FY2023 as the three-year period that corresponds to the “growth” stage in our run up to 2030. We aim to improve our corporate value through highly efficient manufacturing that fully utilizes the functions and assets of our Group, and by refining our unique technologies that pursue the value of light, while underpinning this with a financial strategy that enhances asset efficiency. In addition, we will strive to achieve a “progress” as a competitive company in 2030, through our IX Three-year Medium-term Management Plan starting in FY2026, which we have positioned as the “achievement” stage of our strategy.

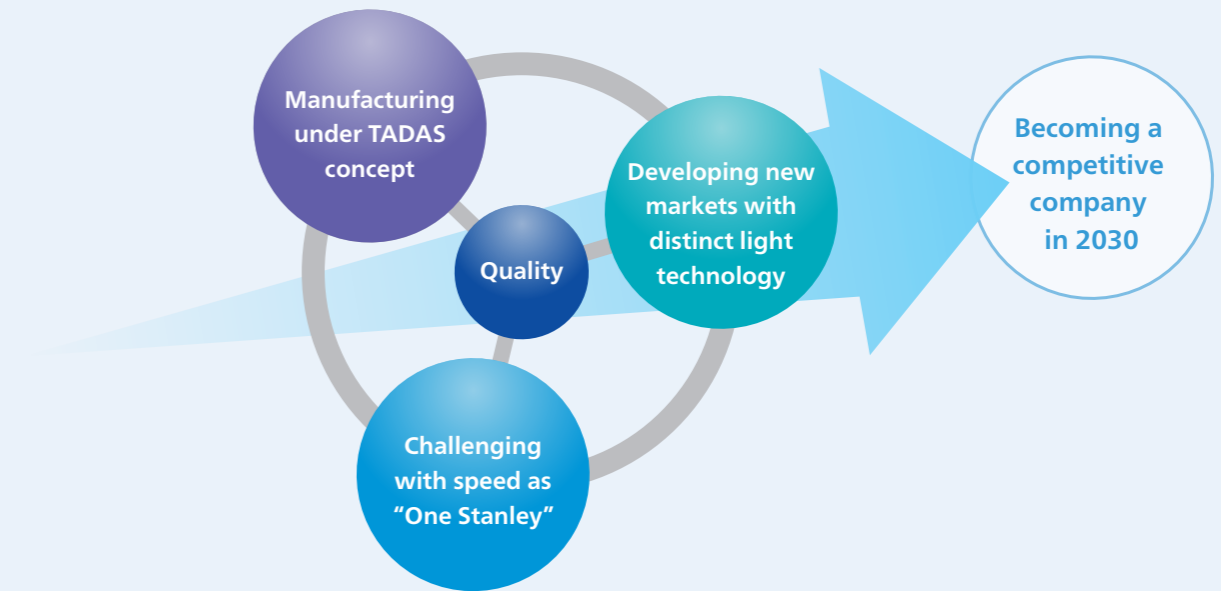


### Management Goals



### Basic Policy

The strategic concepts of our VIII MTP, aimed at helping us to achieve our management goals and become a competitive company in 2030, includes “Manufacturing under TADAS concept,” “Developing new markets with distinct light technology,” and “Challenging with speed as ‘One Stanley.’” We will also focus on Quality, which is required under any environment.



#### Three strategic concepts

##### Manufacturing under TADAS concept

TADAS is a philosophy of providing safety and security to all people. TADAS is a term coined by our company through combining the words “TADA (free)” and “ADAS (Advanced Driver Assistance Systems).” It means to create new value by making use of existing products, and correcting them to their ideal forms. We make use of all of our functions to provide society with products that are good and affordable through highly efficient manufacturing.

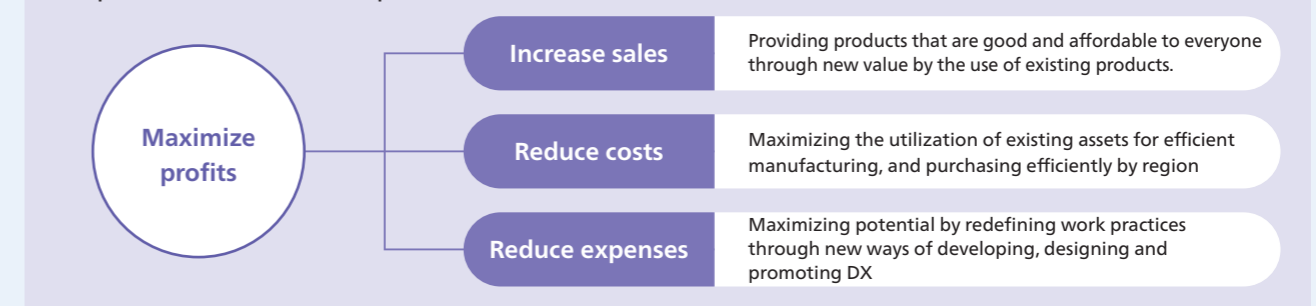
##### Developing new markets with distinct light technology

Our unique value is the ability to “eliminate the inconvenience caused by bad weather, and deliver a comfortable life to people” with the power of light. We will deliver value that is unique to our company and pioneer new markets through our distinct light technology that pursues the value of light. This includes automotive lamp systems that improve driving safety in adverse weather conditions, and disinfection products that eliminate the inconvenience and discomfort caused by mold and slime using invisible light.

##### Challenging with speed as “One Stanley”

To survive in a rapidly changing world, we will provide value not just from Japan, but globally as well. “One Stanley” is what it looks like when our Group employees around the world work together to achieve this goal by taking the same vector of approach to challenges and producing results. By coming together as “One Stanley,” we will deliver value globally and at speed.

#### Examples of efforts to maximize profits based on TADAS

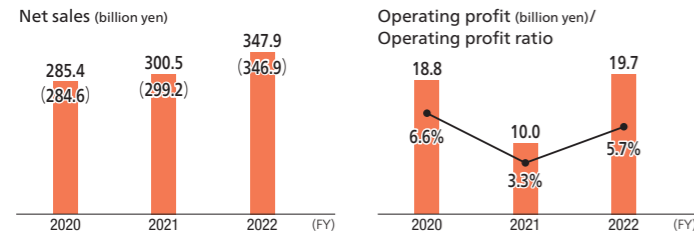


Business Strategy

# Automotive Equipment Business



## Review of VII Three-year Medium-term Management Plan



Figures in parentheses are sales to external customers.

- Steadily implement transformation into a lamp system manufacturer, and build a framework for providing lamp systems in collaboration with Mitsubishi Electric Corporation
- Despite significant impacts to the external environment, including COVID-19, rising semiconductor prices, and foreign exchange rates, sales have increased for three years and recovered to pre-COVID-19 levels
- We need to further improve fixed costs in order to maximize added value towards reaching operating profits of 10% as responsible profits



### Business Strengths

- Provision of lamp systems that contribute to safety and security by combining our unique light source device technologies and systems control technologies
- Utilizing our global production, sales, and development sites to meet the needs of markets and customers in each region, and provide lamp systems of high and consistent quality
- Our unique ADAS\*1 technology that utilizes our knowledge of ergonomics and our Light Tunnel which allows us to reproduce various environments and test actual vehicles

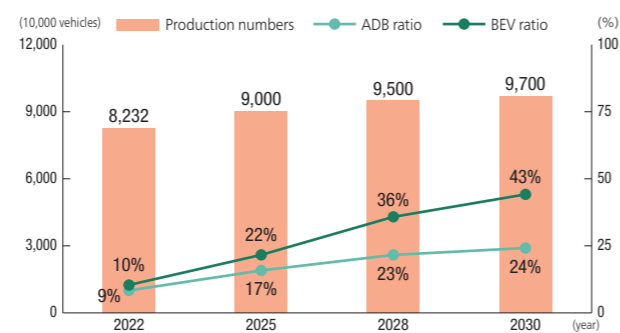
### Recognition of Market Environment

The major transformation of the automotive industry around CASE will accelerate. For example, the evolution of ADAS will expand the need for high value-added lamp systems such as ADB\*2. Moreover, the EV market is expanding rapidly against the background of carbon neutrality and BEVs are projected to account for more than 40% of vehicles by 2030. In addition, new players will emerge, primarily in BEVs which have fewer components and lower barriers to entry, drastically altering the power of car manufacturers. The American and Chinese shares of the market will increase, while the Japanese, European, and Korean shares will decrease. The rate of decline in Japanese companies is expected to be particularly large.

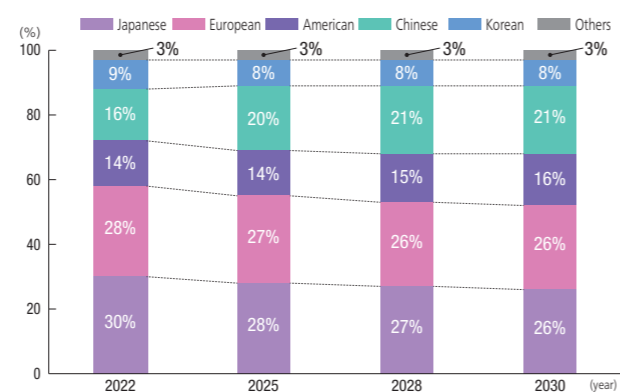
Opportunities	Risks
<ul style="list-style-type: none"> <li>Expanding need for high value-added lamp systems such as ADB</li> <li>Expanding need for light sources and lamps that help improve electricity economy</li> <li>Increased demand for safety systems that integrate the interior and exterior of the vehicle</li> </ul>	<ul style="list-style-type: none"> <li>Impact of decreasing share of Japanese automotive manufacturers on our performance</li> <li>Decline in lamp sales unit prices due to emergence of new lamp manufacturers</li> <li>Increase in development costs and other fixed costs and facility investment due to increase in development models</li> </ul>

\*1. Advanced Driver Assistance Systems  
\*2. Adaptive Driving Beam

Market Forecast: Global Vehicle Production Volume / ADB Ratio / BEV Ratio



Market Forecast: Automobile Production by OEM Region



## VIII Three-year Medium-term Management Plan (VIII MTP)

**Net Sales Targets** FY2025 400 billion yen FY2028 450 billion yen

**Strategic Policy** We aim to achieve our sales target by taking orders for global models and EVs, and by expanding our business with Non-Japanese customers. In addition, we will implement new development and design, and efficient manufacturing to quickly deliver safety and security to customers and society. We will also capitalize on our strengths to differentiate ourselves from our competitors by utilizing our Light Tunnel, one of the longest indoor testing facilities in the world, and our unique ADAS technology developed for adverse weather conditions.

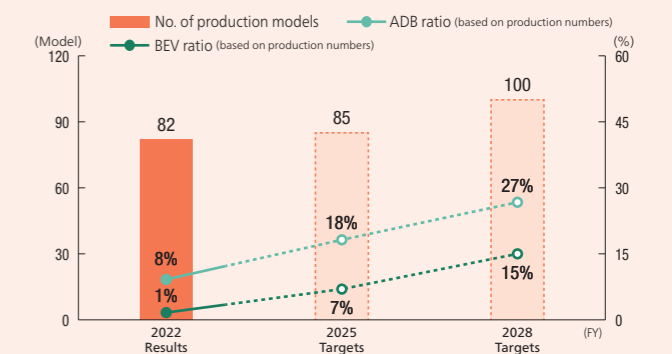
### CASE Initiatives

Under our VIII MTP, we will respond to the evolution of ADAS by introducing high-performance, low-cost ADB with a unique structure that comply with the laws and regulations of each country. We aim to increase the ratio of ADB to 18% in FY2025, and 27% in FY2028. In addition, we will accelerate the development of new products that contribute to the safety and security of society such as our unique adverse weather light control, and headlamps with built-in sensors.

The requirements for lamps will also change with the shift to EVs. For EVs, so-called "electricity efficiency" is vital for increasing the range that can be driven on a single charge, and requires reducing aerodynamic drag, power consumption, and weight. In addition to developing thinner lamp designs and expanding lamp area thanks to the lack of a grille on vehicles, we will leverage our strengths as a lamp manufacturer with light sources, to develop light sources for new lamps around the TADAS concept that fully utilize light which has not been incorporated into optical systems before. Meanwhile, automotive manufacturers will continue to produce conventional gasoline-powered vehicles, so the lineup of models on offer will increase. As a result, the number of vehicles we develop will increase significantly as well. So, we will introduce a new development process to reduce development man-hours by 50%, and eliminate backtracking, to achieve efficient development.

Through these initiatives, we intend to increase the BEV ratio of the automotive headlamp production numbers from the current 1%, to 7% in 2025, and 15% in 2028.

[Our Company] Number of Automobile Headlamp Production Models / ADB Ratio / BEV Ratio



### Expand Non-Japanese Business

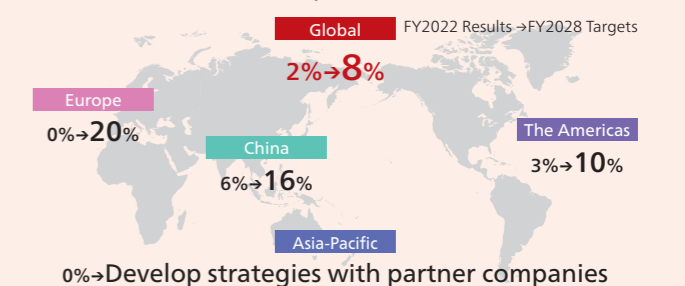
We will expand sales beyond the Japanese manufacturers who have thus far been our main customers, to non-Japanese OEMs whose market share is expected to increase due to the shift to EVs. We plan to increase our net sales ratio for non-Japanese manufacturers from 2% in FY2022 to 8% in FY2028.

To achieve this goal, we will increase the quality and speed at which we provide value by promoting localization of our sales and development systems away from their focus in Japan toward a stronger presence in each region.

Development in each region involves decision-making and operation by local employees, and entails establishing a form for business development that fits each culture, climate, and market. Especially in China, where new BEV manufacturers are emerging, we plan to quickly establish a local development system that will allow us to support the rapid speed of development.

And in other Asian regions such as India and Thailand, we will cooperate with partners such as Lumax Industries Ltd. (India) and Thai Stanley Electric Public Co., Ltd. (Thailand), to maximize synergies and establish our position in each region.

Ratio of Net Sales from Non-Japanese Automotive Manufacturers



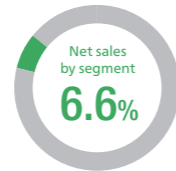
### Related Materiality

Materiality	Major initiatives	Target
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 net sales from non-Japanese automotive manufacturers ● FY2028: 8% (FY2022 result: 2%)

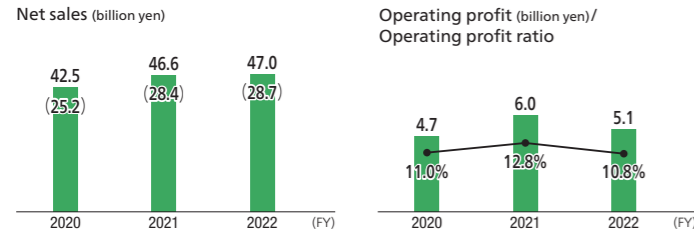


Business Strategy

# Electronic Components Business



Review of VII Three-year Medium-term Management Plan



Figures in parentheses are sales to external customers.

- Mass production of new devices contributing to sales growth (265 nm UV-C LEDs, high-power IR VCSELs for automotive applications, etc.)
- Although we have used new devices as a tool to build a track record of mass production in new markets, performance has leveled off and we still face the challenge of reviving and expanding our electronics business



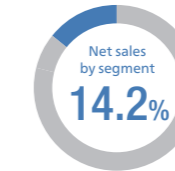
IR VCSEL (DMS / Driver Monitoring System)



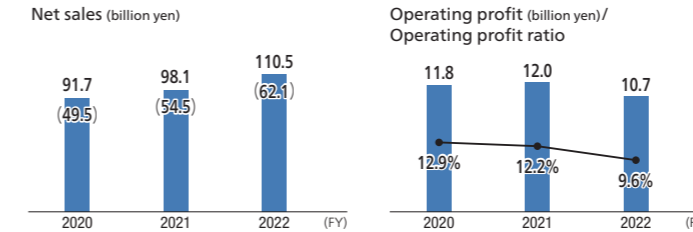
UV-C LED (water disinfection)

Business Strategy

# Applied Electronic Products Business



Review of VII Three-year Medium-term Management Plan



Figures in parentheses are sales to external customers.

- Endeavors like the launch of the A&NUV brand and entry into new markets for medical devices have begun to bear fruit, and sales have increased slightly
- While operating profit ratio stayed at a high level driven by an increase in orders for backlights with privacy features, which are high-value-added products, it decreased due to a sharp rise in procurement costs for parts, etc.



Landscape lighting (Notojima Aquarium)



Medical equipment (LED application products) Operating panel  
Illustration Photo courtesy of Konica Minolta, Inc.

## Business Strengths

- We have high-efficiency devices that other companies do not possess, and can materialize a broad range of value from devices to modules and systems
- Roll out high-performance, long-life, automotive grade devices to non-automotive fields, and offer them widely as optimally functional devices
- Embody societal needs by offering one-of-a-kind products that incorporate a wealth of optical technologies, and control systems that make use of them

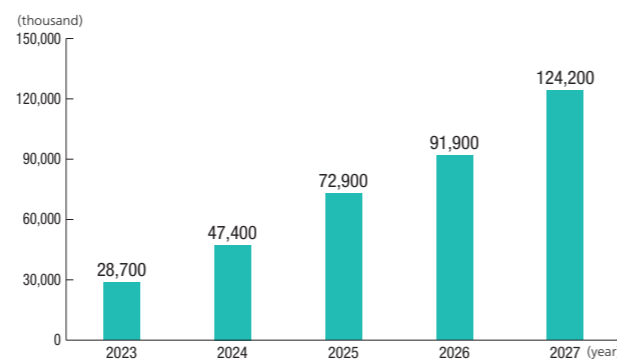
## Recognition of Market Environment

The market for DMS/OMS\* is expected to grow, especially in Europe where it is becoming mandatory for new vehicles to be equipped with such systems, and thus vehicles equipped with DMS/OMS\* are expected to spread. In addition to IR LEDs, which are the primary light sources, IR VCSELs are gradually being adopted in ways that take advantage of their excellent sensing functions. Plus, the market for disinfection devices in applications such as air and water disinfection, deodorization, and mold suppression is expanding since such needs will remain relevant even after the end of the COVID-19 pandemic. So the number of UV-C LEDs used as light sources in such devices is expected to increase. Future mercury regulations are also expected to accelerate the switch from conventional mercury lamps to UV-C LEDs.

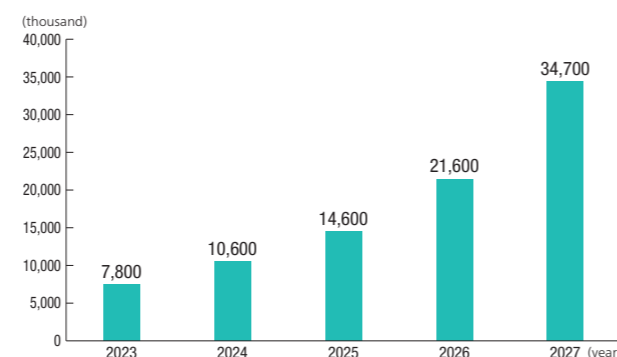
Opportunities
<ul style="list-style-type: none"> <li>• The need for IR light sources is expanding due to a growing demand for sensing equipment</li> <li>• Demand for UV-C LEDs is increasing due to growing disinfection needs</li> </ul>
Risks
<ul style="list-style-type: none"> <li>• Advancement of sensing technologies other than light (ultrasound, electroencephalogram, etc.)</li> <li>• Intensifying competition on UV LED output/cost</li> </ul>

\*Driver Monitoring System  
Occupant Monitoring System

### Market Forecast: IR Light Sources for DMS/OMS



### Market Forecast: UV-C LEDs for Disinfection



## VIII Three-year Medium-term Management Plan (VIII MTP)

Net Sales Targets FY2025 150 billion yen FY2028 200 billion yen

Strategic Policy We will focus on the invisible light areas of UV LEDs, IR LEDs, and IR VCSELs, and develop new markets such as sensing and wearables. In the area of visible light, we will focus on high-value-added products such as backlights and automotive interior and exterior, and strive to further expand sales.

## Electronics Business Expansion Scenario

### Invisible light

We will work to expand business for DMS/OMS and medical applications using high-quality IR LEDs and VCSELs, as well as our disinfection business through our 265 nm UV-C LED products with high disinfection effects or module products that utilize our UV light sources.



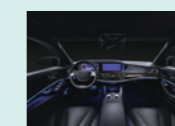
### Backlight/LED lighting

We will expand our PC backlight with privacy function from existing high-end models to popular models. We will also work to enhance and expand functions in fields other than PCs, such as automotive displays and e-books.

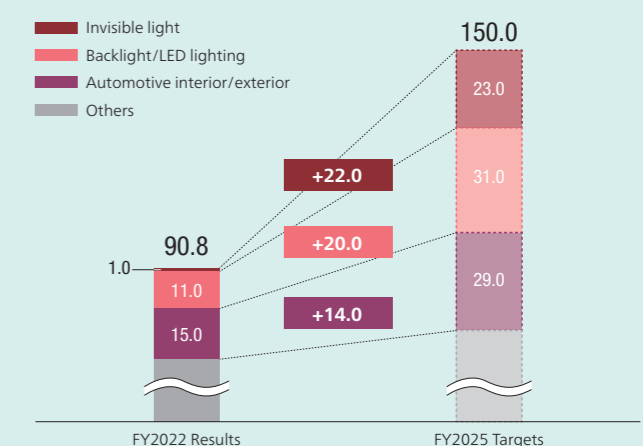


### Automotive interior/exterior

We plan to expand our LEDs/modules to automotive interiors (backlighting, ambient lighting, etc.) and exteriors (emblems, grille lighting, etc.) which are seeing growing demand with the electrification of automobiles.



### Breakdown of net sales\* for electronics business (billion yen)



\*Includes net sales of accessories and devices which were reclassified as part of our Automotive Equipment Business in FY2023.

\*Total net sales to outside customers for Electronic Components Business and Applied Electronic Products Business

## Related Materiality

Materiality	Major initiatives	Target
Realizing Safe, healthy lives —Providing the value of light—	Provision of unique devices, modules, and apps with a focus on invisible light	Ratio of net sales of invisible light products ● FY2025: 15% (FY2022 result: 1%)

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 an excellent light distribution control function. By making invisible things visible, we will secure comfortable visibility for drivers with the goal of eliminating fatal traffic accidents.



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

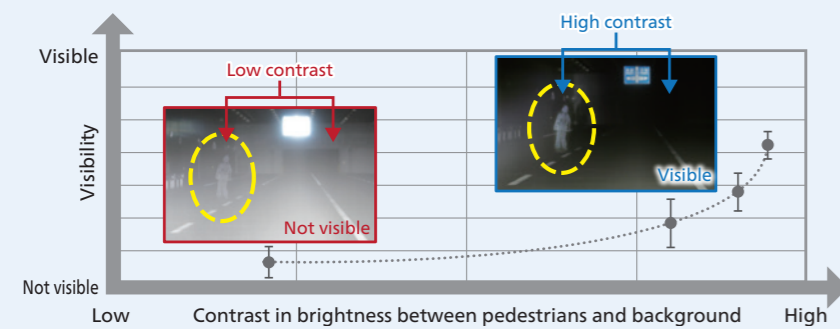
We contribute broadly to society by providing the value of light, particularly invisible light such as UV and IR light. Using UV light, we have developed a 265 nm wavelength UV-C LED that is highly effective for disinfection to reduce sanitation risks. And using IR light, we have developed automotive grade IR LEDs and VCSELs. Through these technologies, we are working to provide a safe and secure driving environment. Light sources that utilize invisible light, and products which employ them, will help bring about safe and healthy lives for people.



## Optimal Light Distribution Based on Ergonomics: Improved Pedestrian Visibility in Rainy Weather

Human engineering is a field of research in which machines and systems are designed to be easy for humans to use based on human psychological and physiological characteristics. Our company focuses on making things easy for humans to see, and works to improve lighting technology to deliver safe and secure products.

One concrete example of using ergonomics in development is light distribution at night or during adverse weather conditions. By analyzing global surveys and accident data, we found that the visibility of pedestrians on the shoulders of roads decreased on rainy nights, increasing the risk of accidents. Therefore, we conducted tests in our Light Tunnel Building and found that it was possible to improve the visibility of pedestrians on the shoulder of a road by increasing the contrast in brightness between them and their surroundings. By utilizing human engineering in this way, we have been able to create new light distribution control specifications that enable safe and secure driving in rainy weather.

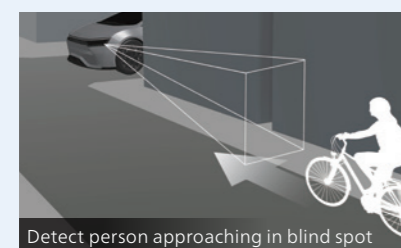


Light Tunnel Building: One of the world's longest indoor test facilities, it can accurately reproduce the natural environment, including rainfall, fog, and other conditions, allowing us to conduct verification tests on real vehicles day and night

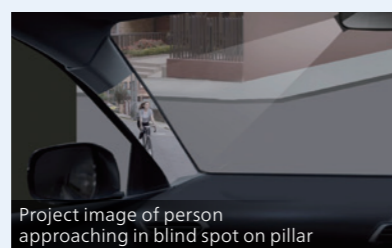
Tests using ergonomics: Visibility of pedestrians on roadside in rainy weather at night

## Interior Projection System: Reducing the Risk of Accidents at Intersections with Poor Visibility

At intersections with poor visibility, it is difficult for drivers to see pedestrians or vehicles approaching from the left and right, increasing the risk of an accident. We have developed technology that can notify the driver of an approaching person by projecting an image of them captured by a camera built into the headlamp onto the front pillar. The projection onto the pillar is done via MEMS projection using our proprietary technology. This allows us to achieve "focus-free" displays in any location. By making invisible things visible in this way, we are helping to eliminate traffic fatalities.

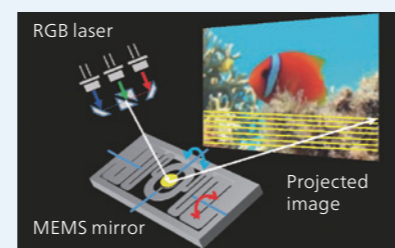


Detect person approaching in blind spot



Project image of person approaching in blind spot on pillar

Interior projection system



Projected image

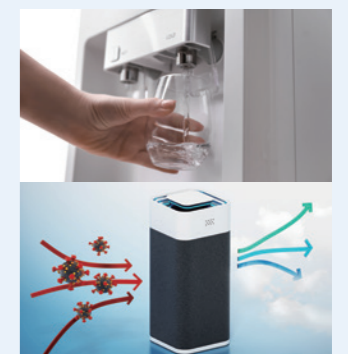
MEMS Projector

## Expand Disinfection Business

We are expanding our business by offering disinfection products that utilize our UV light technology to customers depending on various applications and usage scenarios for water, air, and surfaces.

In the field of water disinfection, the water disinfection module that we released in 2022, and which boasts world-class disinfection effectiveness, has been adopted for use in commercial servers by beverage makers overseas and is being deployed globally. In the field of air disinfection, a major Japanese air conditioner manufacturer has adopted our products for disinfection the inside of air purifiers. Manufacturers have recognized the highly effective disinfection abilities of our 265 nm wavelength UV-C LEDs as well as their even distribution of light which matches their installation location, and plan to incorporate them into numerous devices.

Going forward, we will continue to develop products tailored to application and usage situation, and work to help people achieve safe and healthy lives.



Usage scenarios for disinfection products

## Entering the LiDAR market: IR VCSEL

In 2021, we began mass producing high-power IR VCSELs for automotive applications. These have been incorporated into mass-produced vehicles as light sources for DMS to monitor drivers and OMS to monitor passengers, and we expect even further adoption in the future.

VCSELs are a type of laser that is capable of even more advanced sensing than LEDs. They are expected to be utilized as light sources for LiDAR, which is forecast to experience significant market growth from here on out. LiDAR is a technology that uses laser light to sense distance and shape. It is an essential technology for monitoring the external environment around the vehicle for autonomous driving/ADAS. For the LiDAR market, which is projected to see growth, we are leveraging the strengths of our IR VCSELs, which include automotive grade reliability, and a full range of products based on advanced light distribution technology, to offer customers a wide range of attractive proposals from light sources to modules tailored to each application. We are also working to enter the market and establish a position for ourselves with a view to incorporating IR VCSELs into our headlamps.

We will deliver safety and security to society by providing IR light sources which utilize our strengths in IR sensing technology which has advanced from the interior to the exterior of vehicles.

Interior sensing

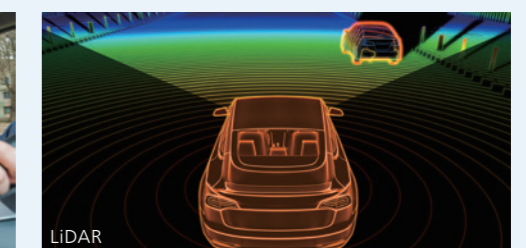


DMS



OMS

Exterior sensing



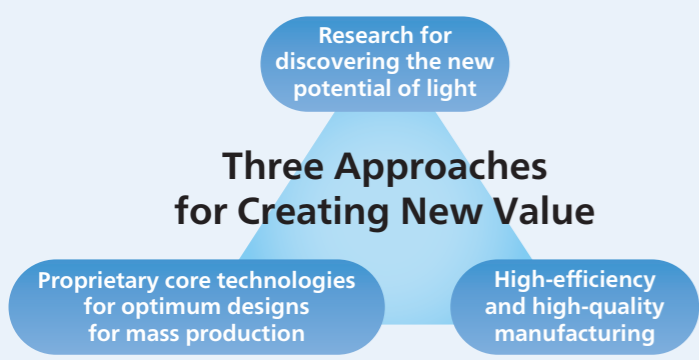
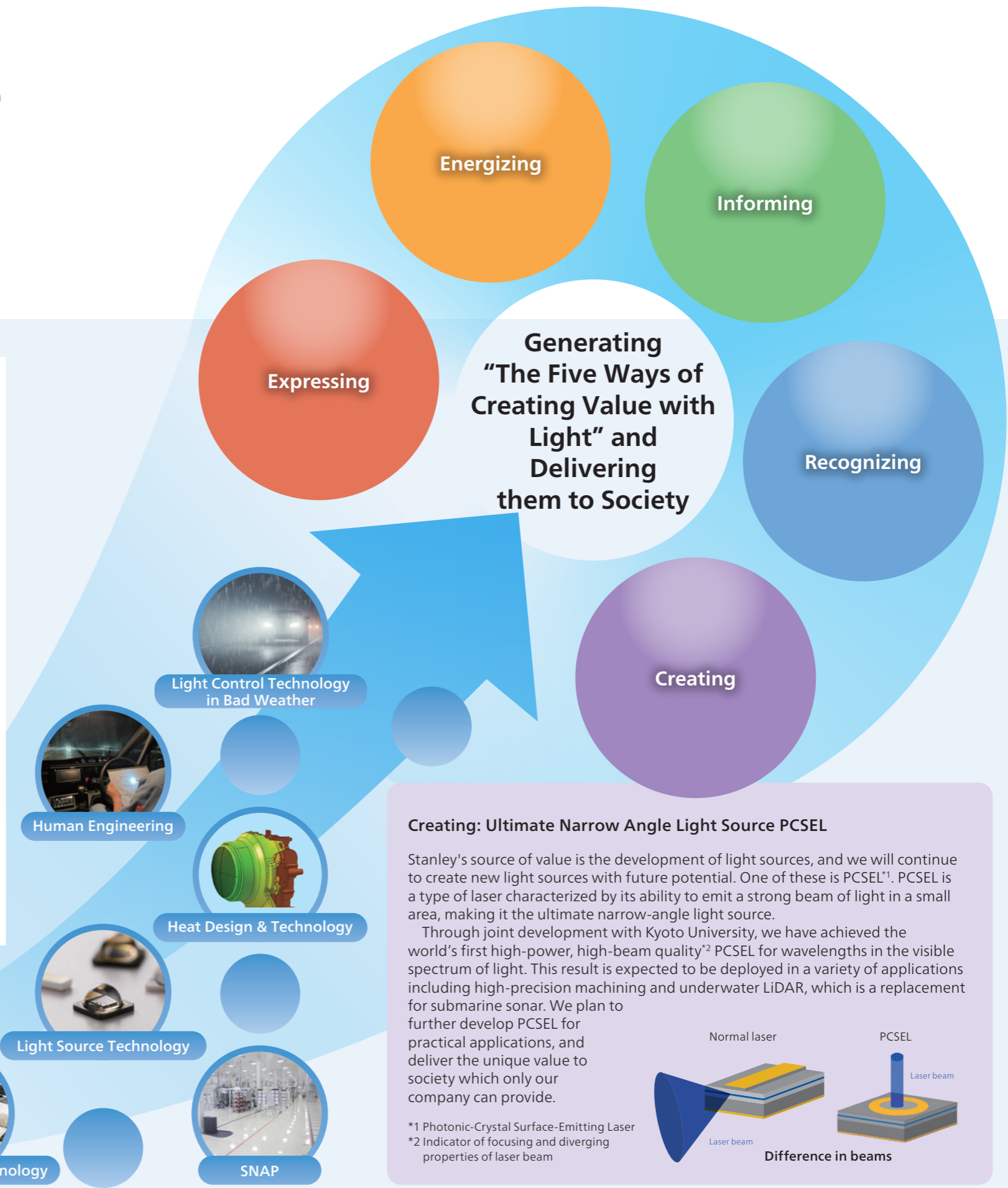
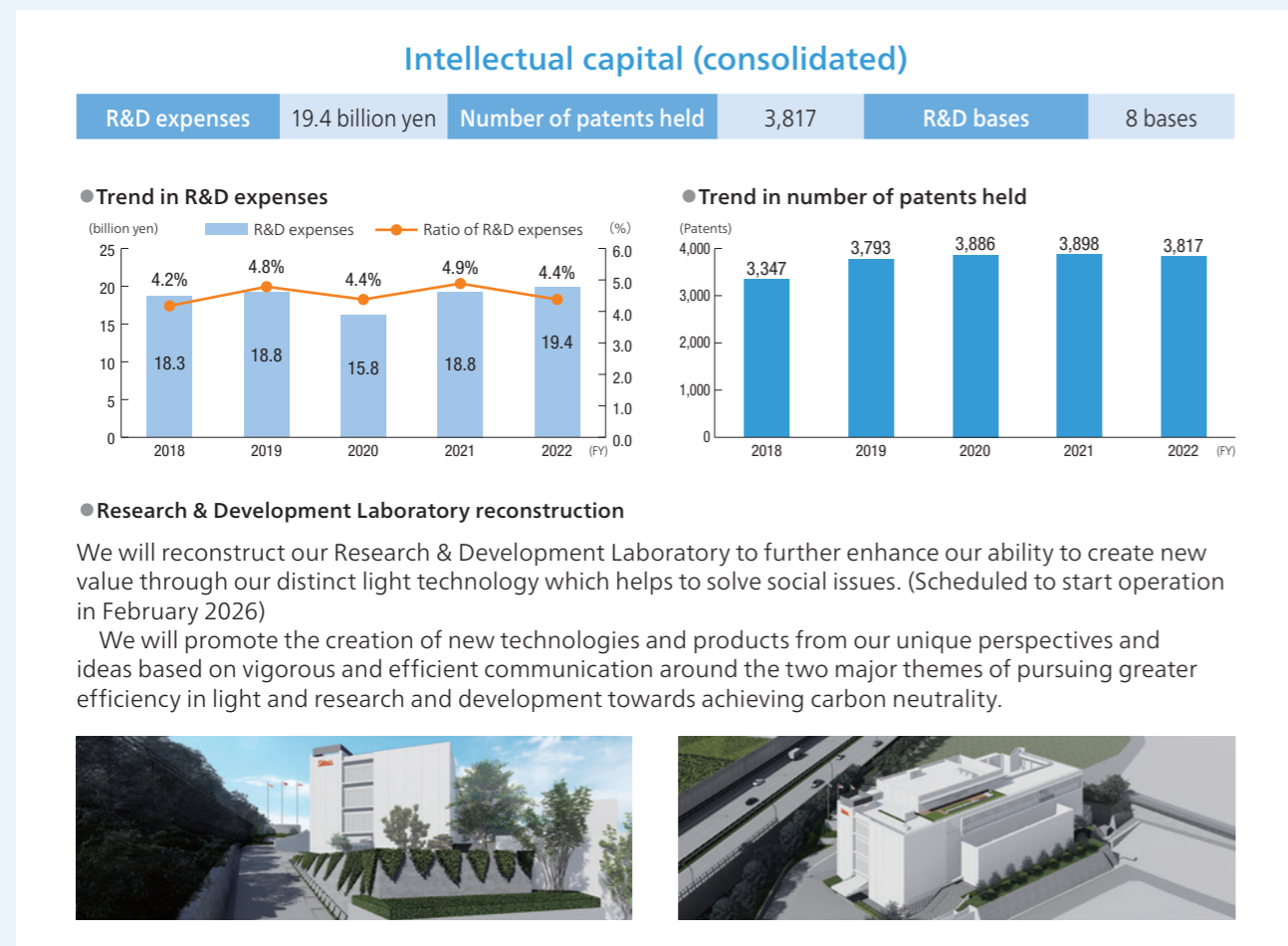
LiDAR

Automotive applications using IR VCSELs

# Research & Development

In the spirit of "outshining light" endorsed in the Stanley Group Vision, we aim to pursue the potential of light through research and development, while enhancing the intellectual capital that is the source of our competitiveness.

We want to contribute broadly to society by creating value that is truly needed. To do this, we will take the three approaches of "Research for discovering the new potential of light," "Proprietary core technologies for optimum designs for mass production," and "High-efficiency and high-quality manufacturing." We aim to bring about world-class optical technology through mutual integration of key technologies such as optical design technology and light source technology we have accumulated thus far. In addition, we have established an Intellectual Property Committee which discusses various content related to intellectual property for the entire Group, and we promote management of intellectual property to increase competitiveness and maximize the utilization of newly created technologies in our business activities.



# Financial Strategy

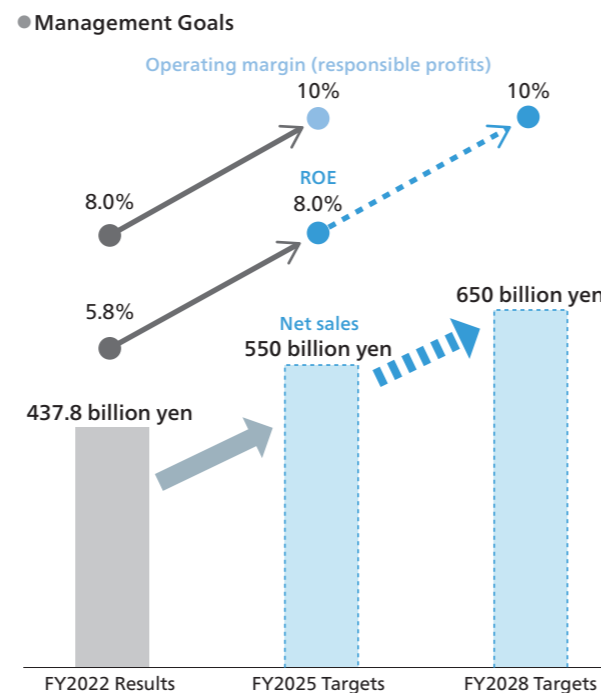
## Message from Director In Charge of Accounting and Finance



We aim to improve our sustainable corporate value through efficient cash allocation based on active investment in growth and priority areas

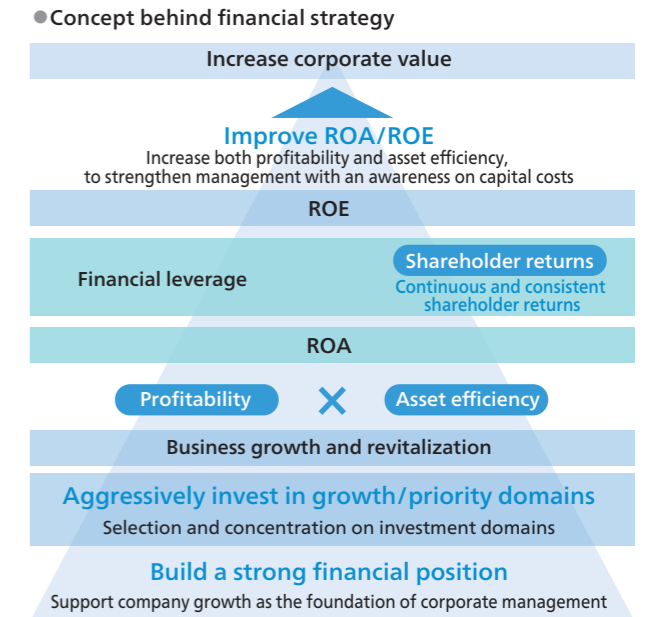
### Management Goals of VIII Three-year Medium-term Management Plan (VIII MTP)

We have formulated our VIII Three-year Medium-term Management Plan (VIII MTP) which will conclude in FY2025. For our management goals, we aim to increase from the 437.8 billion yen in net sales we achieved in FY2022, to 550 billion yen in FY2025, then to 650 billion yen in FY2028. Furthermore, as part of our focus on profitability, we have set the target of an operating margin of 10% for FY2025, compared to the 8% achieved in FY2022. We see this operating profit ratio not as an aspirational target, but rather a target that as a company we must achieve under any circumstances. To make sure everyone in our Group has the same understanding, we call this "responsible profits." ROE remained at a low level of 5.8% for FY2022 due to the effects of the pandemic and the shortage of semiconductors. But by working to steadily improve both our growth strategy and financial strategy during the period of our VIII MTP, we aim to achieve a target of 8% by FY2025 and 10% by FY2028. We have positioned these ROE targets as milestones towards achieving our long-term target of 15%.



### Concept Behind Financial Strategy

The strategic concept supporting these management goals from a financial perspective is to first build a strong financial position that is one of our Group's strengths, then to build on that foundation by actively investing in growth and priority areas to grow and revitalize our business. Meanwhile, while increasing profitability, we will carefully select investments, optimize inventories, and reduce cross-shareholdings in an effort to improve ROA (return on assets) by pursuing greater asset efficiency. Moreover, we will improve ROE by flexibly utilizing financial leverage to maximize shareholder returns in terms of both dividends and share buybacks, while also keeping an eye on the cost of capital. And, we hope to boost understanding and increase our corporate value through dialogue with our shareholders and investors about these processes and results.

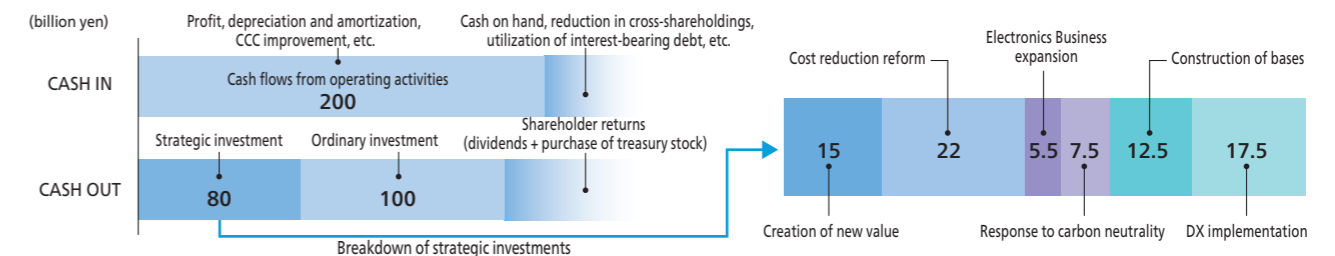


### Cash Allocation Based on Investment in Growth and Priority Areas

Our most important focus for cash allocation during our VIII MTP is investment in growth and priority areas to increase future corporate value. To this end, we need to focus management resources on businesses with high profitability, high growth, and high asset efficiency, while also identifying businesses and areas with low profitability. In short, it will be vital to perform "selection and concentration." In order to optimize our business portfolio, we will focus management resources in areas connected to solving societal issues where we can expect growth. This includes selecting strategic products within our businesses, refining our unique distinct light technology, and developing technologies to achieve carbon neutrality. At the same time, we will reduce and withdraw from areas in decline. By doing so, we will focus our management resources and optimize our portfolio to revitalize our business and efficiently generate profits. Our strategic investment plan from here out presupposes a yearly

investment of 30 billion yen or more and a three-year total of approximately 100 billion yen in regular investment for the operating cash flow of 200 billion yen expected during the three-year period of VIII MTP. In addition to this, we have positioned the investments that are essential to future growth and structural reform as "strategic investments," and aim to invest 80 billion yen by FY2025, and 140 billion yen by FY2030. To be specific, we will focus our investment in six areas linked to the three concepts highlighted in our VIII MTP, namely Manufacturing under TADAS concept, Developing new markets with distinct light technology, and Challenging with speed as "One Stanley." These six areas are Creation of new value, Cost reduction reform, Electronics Business expansion, Response to carbon neutrality, Construction of bases, and DX implementation. When investing, we will make selective investments with an even greater awareness of capital costs than in the past, while assessing their effectiveness and returns.

### 3-year estimated cash allocation

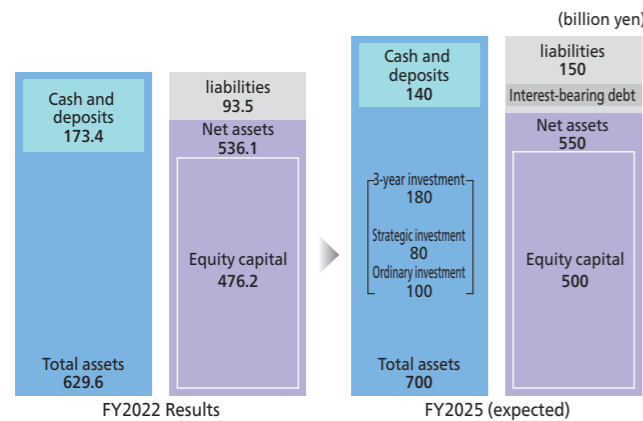


### Building a Strong Financial Position and Expected Balance Sheet

A key point of our VIII MTP, is that it outlines three indicators based on our conviction that building a strong financial position is essential for sustainable corporate growth. These indicators are: credit rating, liquidity on hand, and capital adequacy ratio. First off, with regard to our credit rating, which is an indicator of our overall creditworthiness, we currently have an R&I rating of "A+", and aim to maintain a rating of "A" or higher. Moreover, with regard to liquidity on hand, while there are some variable factors involved, we would like to maintain a level of 2 to 3 months our monthly sales ratio as a rule of thumb. In FY2022, we had about 4.8 months at our monthly sales ratio, but we have set up a commitment line as a back-up line, and from here out intend to strive to balance efficiency, mobility, and emergency preparedness while keeping less cash on hand than in the past. We want to target a capital adequacy ratio of 70%. In our most recent FY2022 results this had risen to 75.6%, but we will not

increase it further. We will manage our balance sheet to improve capital efficiency and maintain financial soundness, which is one of our strengths, while also being mindful of the cost of shareholder equity. Our investors sometimes look at this and ask, "Isn't 70% too high of a capital adequacy ratio?" But looking back over our 103-year company history, we see that the ability to make large-scale investments for future business expansion at the timing we choose has allowed us to overcome periods of financial instability and led us to the Stanley Group we have today. We believe that a capital adequacy ratio of 70% is a necessary requirement to continue that taking on new challenges over the next 100 years for growth, as well as to fulfill our responsibility as an automotive parts supplier providing safety and security, trusted by the automotive manufacturers who are our primary customers.

#### Expected balance sheet



#### Primary indicators for building a strong financial position

	FY2022 Results	FY2025 Targets
Credit rating (R&I)	A+	Maintain A or higher
Liquidity on hand	4.8 months of monthly sales	2 to 3 months
Capital adequacy ratio	75.6%	70%
ROE	5.8%	8%

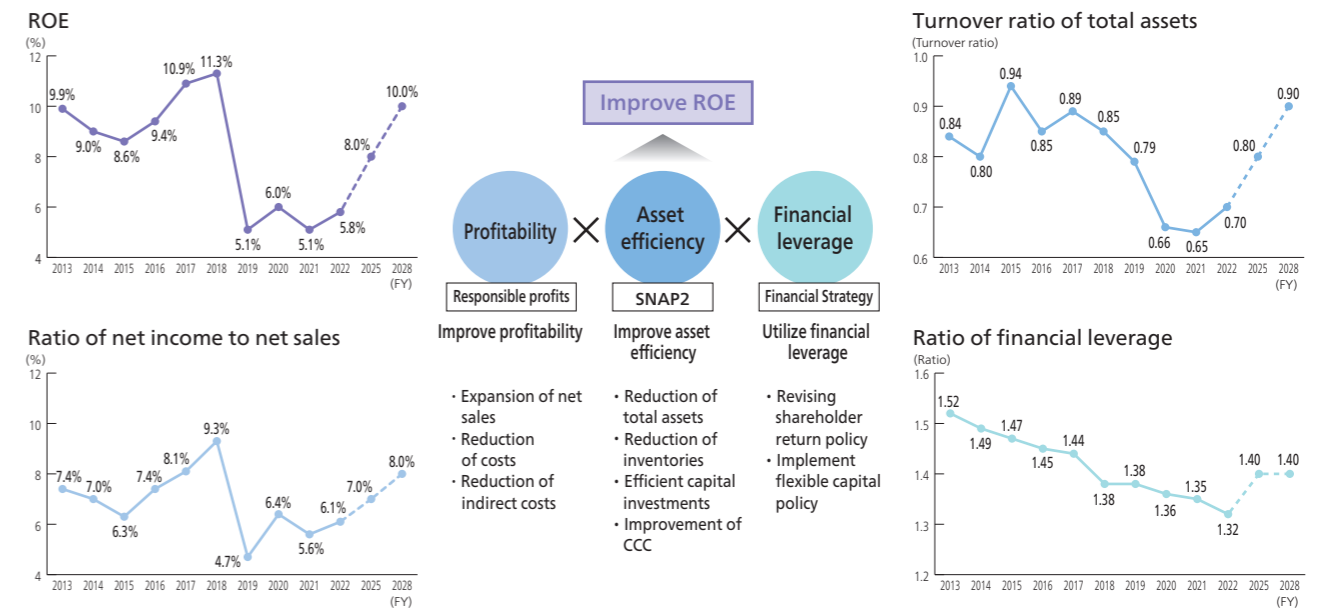
### Initiatives for Improving ROE

We are improving both profitability and asset efficiency, and strengthening management that is conscious of capital costs. We view ROE as one of the most important indicators for measuring a company's capital efficiency. We have set ROE targets which exceed the capital costs, at 8% in FY2025 and 10% in FY2028.

And we plan to break down our efforts to improve ROE into the three perspectives of profitability, asset efficiency, and financial leverage. First, we will increase profitability, or the ratio of net income to net sales, by raising the top line to 550 billion yen in FY2025 and making sure to achieve responsible profits of 10%

of our operating profit ratio. With respect to asset efficiency, we use the total asset turnover ratio (net sales / total assets) as an indicator, and work to reduce cross-shareholdings and improve our cash conversion cycle (CCC). We do so by reducing inventories and carefully selecting capital investments, while keeping the TADAS concept and our "SNAP2" production innovation activities in mind. We strive to optimize financial leverage (total assets / equity) by working to enhance shareholder returns, utilizing interest-bearing debt with consideration for the weighted average cost of capital (WACC), and the aforementioned efforts to improve asset efficiency.

#### Improve ROE



### Shareholder Returns through Stable Dividends and Flexible Share Buybacks

In an effort to enhance shareholder returns to an unprecedented level, we raised the consolidated payout ratio from the previous 20% or more to 30% or more in our VIII MTP. Also, we had previously set a target of 35% or more for our total return ratio including share buybacks, but while we want to actively invest for future growth in the VIII MTP, starting with strategic investments of 80 billion yen, we have not set specific numerical targets. However, we have a track

record of continual share buybacks that come to a cumulative total of 70 billion yen since FY2006. Going forward, we will maintain our basic stance of flexibly implementing share buybacks unconstrained by target levels, and with consideration for our investment position, financial soundness, capital efficiency, and other factors. We will continue to strive for the optimal capital structure for sustainably enhancing corporate value.

#### Total dividends, share buybacks, consolidated payout ratio and total return ratio

