

# Integrated Report 2022



STANLEY ELECTRIC CO., LTD.



STANLEY GROUP VISION

Outshining Light

STANLEY SPIRIT

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

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

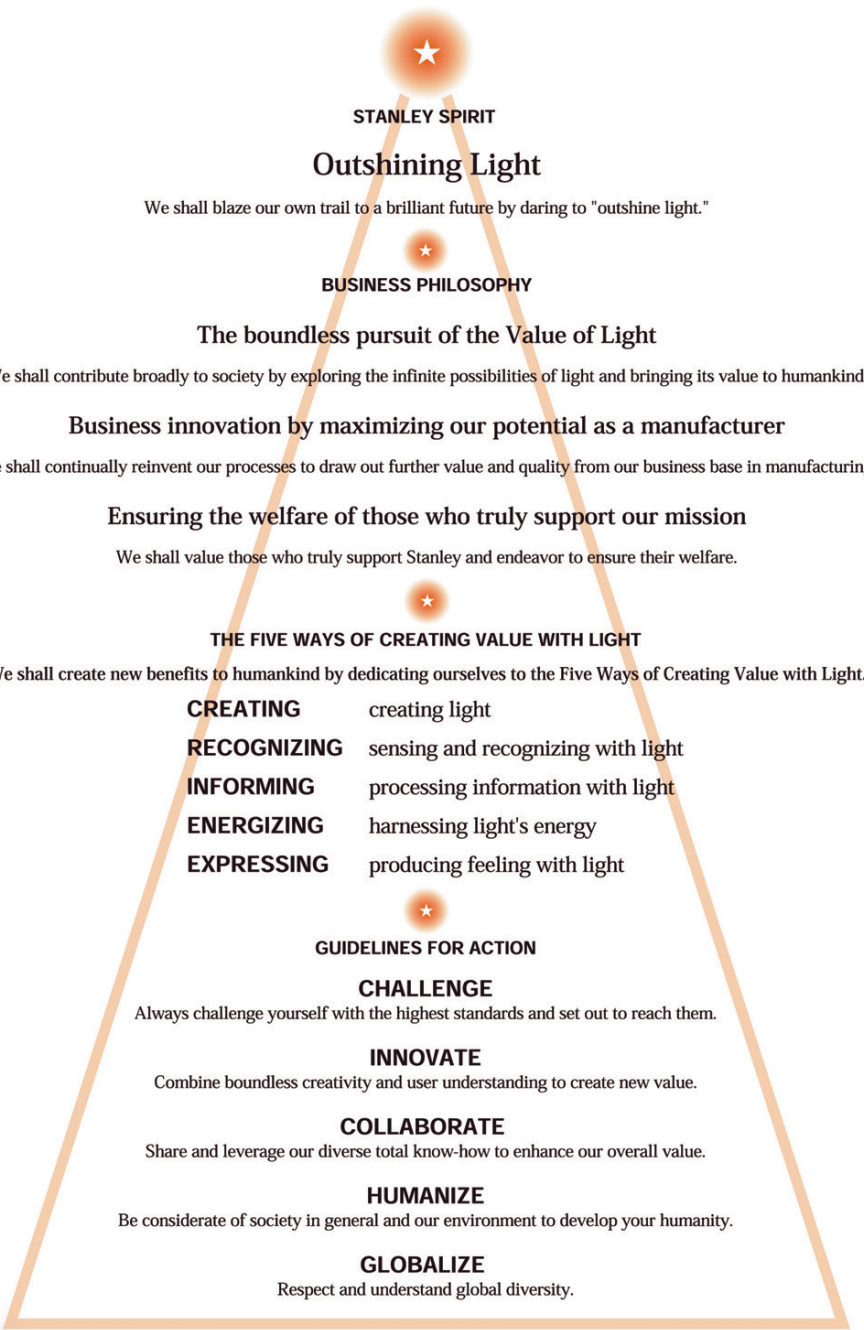
Daring to “outshine light” is the attitude of one who knows no fear, but it is precisely this kind of resolve and spirit that we all need to have as we blaze our own trail to the future.

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

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

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

STANLEY GROUP VISION



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

When editing this report, we consulted a variety of guidelines, including the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC), and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation formulated by the Japanese Ministry of Economy, Trade and Industry (METI). The information in this report includes the basic values of the Stanley Group (the Stanley Group Vision), milestones of the 100-year history since our founding, sustainability initiatives (non-financial information including information on environment, society, and governance), and financial information with a focus on the information regarding enhancement of our corporate value.

Please see our website for additional information that could not be included in this report.

**Stanley Website:** <https://www.stanley.co.jp/e/>

**Period Covered:** FY2021 (April 1, 2021 to March 31, 2022)

\*This report also includes some activities from outside this period.

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

**Guidelines Consulted**

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

**Publication Information** Published October 2022

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



PRODUCT INFORMATION

Automotive Equipment Business

With autonomous driving progressing significantly, Stanley's automotive lamps have evolved into lamp systems which allow for improved vision and recognition, thus contributing to safety and security. Light sources have evolved from light bulbs to LEDs, and then to lasers, realizing new designs and power savings.

Automobile

Headlamps



Honda VEZEL



TOYOTA RAV4



MAZDA CX-60



MITSUBISHI OUTLANDER

Front combination lamps



PORSCHE 911 Turbo Models

Rear combination lamps



Honda CIVIC



TOYOTA bZ4X



SUBARU LEGACY OUTBACK

Motorcycle

Headlamps



Honda Gold Wing Tour



SUZUKI HAYABUSA

Tail lamps



YAMAHA NMAX



SUZUKI GSX-R150

Electronic Components Business

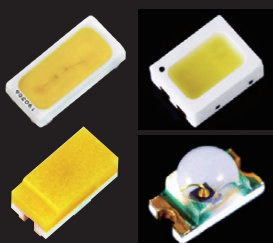
Our electronic devices, manufactured with the quality to withstand the severe environmental conditions of automotive applications, are used in various scenes in today's society. LEDs, our key technology, are expanding to ultraviolet and infrared ranges in addition to visible light, and will contribute to a safe and secure society.

Electronic Components

White color LED/Single color LED



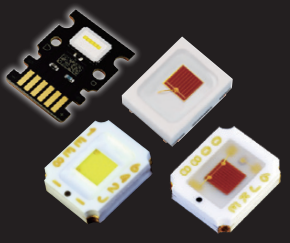
Vehicle interior



High power LED



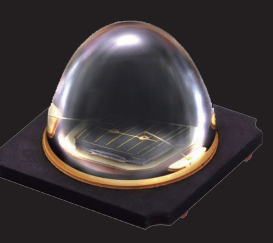
Vehicle exterior



Infrared LED



Surveillance camera



Car Electronics

LCD for automobile



Accessory & Device

Bicolor LED fog lamp



UV sterilization products

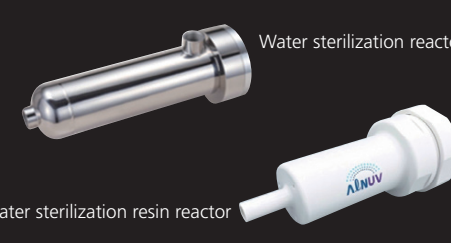
A&NUV\_Air



A&NUV\_Pure



A&NUV\_Aqua



Applied Electronic Products Business

Combining optical design, light distribution technology, durability and reliability cultivated in the automotive business, and light source technology in the component segment, as well as manufacturing knowhow, Stanley provides applied electronic products that meet a wide range of needs, such as car electronics, sensors, operating panels, backlight units, and various LED lighting.

Applied Electronics

Backlight units for LCDs



Backlight unit with privacy feature

Light guide film

Operating panels



Photo courtesy of FUJIFILM Business Innovation Corp.



Photo courtesy of Konica Minolta, Inc.

Car Electronics

Heater control panel



LED Lighting

Landscape lighting



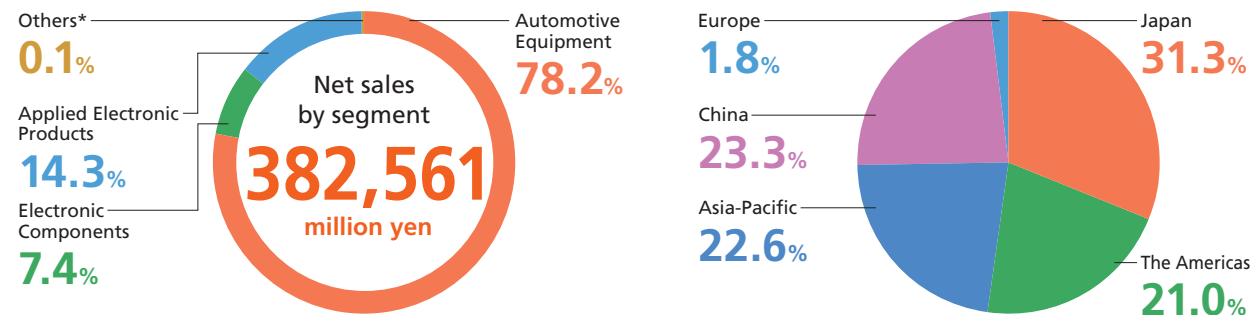
Rama VIII Bridge

# At a Glance

## Financial Data

(As of March 31, 2022)

### Net sales



In comparison with the previous consolidated fiscal year, which was heavily affected by the pandemic, sales increased because of an increase in automotive-related products as well as the positive impact of foreign currency exchange rates.

\*Project for promoting employment of the physically disabled, financial and management services provided within the Stanley Group, etc.

**Operating income**  
**27,743 million yen**

**Operating income to net sales ratio**  
**7.3%**

Profit decreased as a result of an increase in fixed costs incurred due to the fact that there was a drastic change in the automobile production plans because of the semiconductor shortage, pandemic, and other factors such as an increase in costs of procuring resin materials, parts and components and in expenses related to the quality assurance problems recorded in the past.

**Net income attributable to owners of parent**  
**21,445 million yen**

**Net income per share**  
**133.75 yen**

**Shareholders' equity ratio**  
**74.2%**

**ROE**  
**5.1%**

**Consolidated payout ratio**  
**37.4%**

**Total return ratio**  
**46.7%**

As part of the medium- to long-term management indicators of the Stanley Group Third Long-Term Management Goals, we are aiming for ROE of 15%; a consolidated payout ratio of 20% or more; and a total return ratio, including the acquisition of treasury stock, of 35% or more.

**Cash dividends per share**  
**50 yen**

**Free cash flow**  
**16,624 million yen**

This figure is comprised of net cash provided by operating activities of 36,881 million yen and net cash used in investing activities of -20,257 million yen.

**Capital expenditures**  
**29,763 million yen**

(Including intangible assets)

**Depreciation and amortization**  
**36,285 million yen**

**R&D expenses**  
**18,829 million yen**

**Ratio of R&D expenses to consolidated net sales**  
**4.9%**

Both R&D expenses and their ratio to consolidated net sales reached record highs.

## Non-Financial Data

(As of March 31, 2022)

### Group network

**17 countries worldwide**



**Consolidated subsidiaries** **37**

**Affiliated companies** **3**

### Production bases

**Domestic** **12 bases** **Overseas** **17 bases**



### R&D bases

**Domestic** **6 bases** **Overseas** **2 bases**

**Number of employees**

**Non-consolidated** **3,699** **Consolidated** **17,022**

**Average age**  
(Non-consolidated) **40.7**

**Average continuous years of employment**  
(Non-consolidated) **15.8**

### Ratio of independent Outside Directors in the Board of Directors

**40%** (As of July 2022)

We have appointed a new female Outside Director.

### Ratio of female employees

**Non-consolidated** **15%** **Consolidated** **34%** (As of July 2022)

The non-consolidated ratio rose 0.2 points from the previous year (FY2020).

### Mid-career recruitment ratio (Non-consolidated)

**18.3%**

The ratio rose 2.1 points from the previous year (FY2020).

### Ratio of LEDs in automobile headlamps (Consolidated)

**78%**



The ratio of LED headlamps produced out of total production of automotive headlamps in the Stanley Group. The ratio rose 7 points from the previous year (FY2020).

### Ratio of ADB headlamps in automobile headlamps (Consolidated)

**6%**

The ratio of ADB headlamps produced out of total production of LED headlamps in the Stanley Group. The ratio rose 1 point from the previous year (FY2020).

**Streamlining effects from production innovation activities (Consolidated)** **6,170 million yen**



The monetary amount of the effects of cost reductions resulting from the Stanley Group's unique production innovation activity, "SNAP". This figure is comprised of component cost reductions of 4,320 million yen, productivity enhancements of 1,290 million yen, the effects of switching to in-house manufacturing of 390 million yen, reduction of defects of 60 million yen, and other factors of 110 million yen.

### Basic added value units of CO<sub>2</sub> emissions (Total CO<sub>2</sub> emissions)

**Domestic** **76.0 t-CO<sub>2</sub>/1 billion yen** **Overseas** **307.6 t-CO<sub>2</sub>/1 billion yen**

(53,443 t-CO<sub>2</sub>) (382,221 t-CO<sub>2</sub>)



CO<sub>2</sub> emissions per unit of value added increased 5.5 t-CO<sub>2</sub>/1 billion yen (+7.8%) domestically and 9.1 t-CO<sub>2</sub>/1 billion yen (+3.0%) overseas from the previous year (FY2020).



Message from the President

Enhancing Our Competitive Edge  
—Providing Value Through Products  
That Society Needs—

Yasuaki Kaizumi

President and Representative Director

President's Career Summary

- Apr. 1987 Joined the Company
- Apr. 2011 General Manager, Engineering Technology Center
- Jun. 2013 Executive General Manager, Integrated Components Division
- Jun. 2017 Director, Chief Advanced Technology Officer
- Jun. 2020 Chief American Business Officer
- Jan. 2021 Chief Engineering Officer (present post)
- Jun. 2021 Managing Director, Chief Environment Officer, Chief Information System Officer
- Apr. 2022 President (present post)

Opening Greeting

I am Yasuaki Kaizumi. I was appointed President in April 2022. With the sudden passing on January 26, 2021 of Takanori Kitano, who led the entire Group for approximately 20 years as President, the Stanley Group was enveloped by a deep sadness. However, with the help of the Outside Directors, we were able to rapidly rebuild our governance system, avoid major disruptions to the Group, and overcome this tragedy. I was appointed President under this new governance system amid our explorations of a new management structure for the VIII Medium-term Management Plan, starting in April 2023.

I joined Stanley Electric as an automotive headlamp engineer in 1987. At that time, we were in a period of transition, with design drawings shifting from 2D blueprint data to 3D. As automotive manufacturers moved forward with 3D design, together with designers from various companies, I was involved in the development of products connected directly to overall automotive design, such as headlamps and tail lamps.

Later, I was assigned to be part of a local development team in the United States, and resided in the U.S. for five years. When I returned to Japan in 2000, automotive manufacturers were highly conscious of costs amid the difficult, post-economic bubble business environment. There were many more people who had an extremely rigorous mindset that they must absolutely sell the cars they made. Previously, suppliers in the industry believed, in a sense, that they only had to do what they were told to do. Then, however, we were being asked not only to meet the needs of our customers but also to make proposals as professionals which satisfied the needs of society. It was during this time that my foundation as an engineer was solidified, as customers taught me various things and strengthened my skills.

A few years later, I transferred to the Quality Control Department in part on the recommendation of my boss. Up until that point, I had been on the side of "I'm the developer; make it like the blueprint tells you to". However, in my new role, I worked with people on the factory floor, making the decision to fix part of a blueprint or realizing that something wouldn't work and so we'd ask the suppliers to fix it, experiencing successes in improving quality slowly and steadily by implementing such minor adjustments.

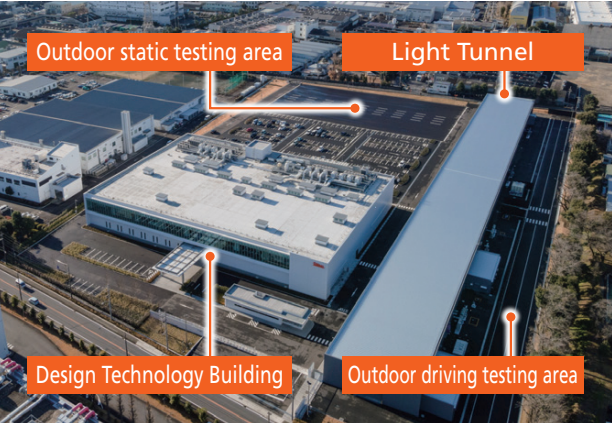
What is manufacturing-based development? People working on the factory floor showed me that making something really good means "making it easy for the people who make things to make them."

Thereafter, I became the General Manager of the Engineering Technology Center. Then, suddenly, I was appointed to the top position of the division in charge of electronic component assembly. It was completely out of

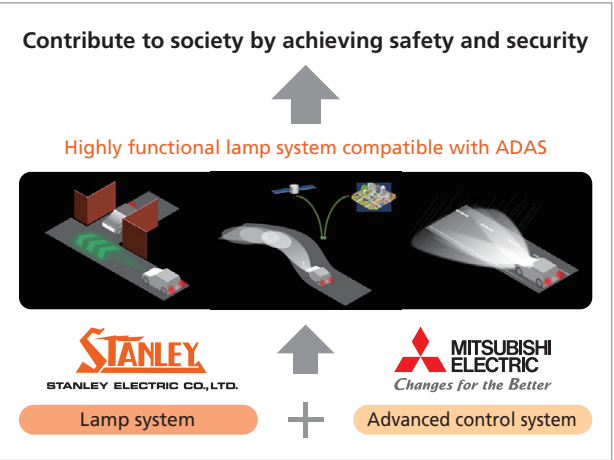
the blue, but through this appointment, I became aware of a major problem for the Stanley Group—that the automotive and electronic departments seemed to be integrated but in reality were not. Accordingly, I came up with a plan to fix this problem and presented it to then-President Kitano. He gave me his approval to do it, and so we began our transformation into a lamp system manufacturer.

Right around that time, the market was entering a once-in-a-century period of upheaval in the automotive industry. People from the Ministry of Economy, Trade and Industry encouraged us to make this a time of revolution in which automotive manufacturers would incorporate the products devised by component manufacturers. In the five years since I assumed the office of Director and Chief Advanced Technology Officer, I have considered how to permeate this idea throughout the Company. Now, as stated above, I have been appointed President. I will effectively leverage my diverse experiences to manage the Stanley Group and pursue its strengths.

Measures to Transform into a Lamp System Manufacturer



Measure 1: Opening the Hatano Technical Center



Measure 2: Business alliance with Mitsubishi Electric Corporation



Message from the President



Aiming to Enhance Our Competitive Edge to Be Chosen by Customers and Society in FY2022

For FY2022, I have established “enhancing our competitive edge” as my management policy. By “competitive”, I do not mean beating rival companies in competition. Our existential value is contributing to society by maximizing the value of light. Accordingly, what I mean is being competitive in order to be a corporation which is chosen by customers and society.

In FY2022, prior to being appointed President, we had recovered from the chaotic economic circumstances of the pandemic but had been unable to fully absorb the soaring prices of items such as resin materials and electronic components by reflecting this in unit prices and reducing costs. It had always been our aim to enable stable supply in any environment by possessing a certain degree of reserve capacity in our facilities. At the same time, we made arrangements to earn profits even in situations in which sales were poor. In the previous fiscal year, however, we were made keenly aware of the insufficiencies of conventional management by the effects of environmental changes exceeding these measures. Accordingly, in re-engaging in a detailed calculation and revision of the operation rate of our existing facilities, the reserve capacity they should have, and the state they should be in based on our most recent business strategies and order plans, we found that we could still further improve efficiency and increase income while maintaining stable supply. In turn, premised on the current difficult environment, we are focusing on thoroughly increasing the operation rate of our facilities in order to maximize worldwide facility efficiency with a renewed, even more proactive attitude.

The Stanley Group is also not only increasing facility operation rates, but also engaged in continuous cost-cutting activities from all aspects for years, working on the production innovation activities we call “Stanley New

Approach for Higher Productivity (SNAP)” to promote thorough cost reductions. In FY2022, we will be engaging in even more substantive discussions to further elevate our production innovation activities. In order to pursue thorough cost reductions through analyses conducted down to the level of individual components, we established a new cost reduction project and appointed a dedicated Director.

It is also important to develop high value-added products. However, such products tend to be sold for high prices. I was once asked by a person from a car manufacturer, “If good products are expensive, does that mean you don’t care about the lives of people who can’t afford good products?” I was stunned and realized what he was saying was right. In bringing this topic to our engineers and during discussion about it, a new concept emerged: Fully utilizing our capabilities to provide a new kind of safety without costing money. We named this concept “TADAS”, adding a “T” to our existing “ADAS” concept and creating a play on the Japanese word *tada*, meaning “free”. Under this unique Stanley concept, we will provide highly safe products at reasonable prices for all vehicle classes, from light motor vehicles to luxury cars.

T A D A S

We introduced our concept of “TADAS” out of a desire to ensure safety and security equally to everyone, by providing high-quality products affordable for all.

Fully utilizing our capabilities, we will deliver products to everyone from which all waste has been eliminated.

The “TADAS” product manufacturing concept was born out of a desire to deliver safety and security to everyone

In addition, we anticipate increased sales for the devices which are our strength, particularly in the field of invisible light. For example, in the field of infrared light, we are developing light sources for autonomous driving in-car monitoring system sensors. Further, in the field of ultraviolet light, in addition to our existing A&NUV sterilization products, we are engaging in research to expand applications and solve other sanitary problems, such as mold. There are other companies besides ourselves working on using UV light for sterilization. My intention is not for one single company to have a monopoly but rather for everyone to work together to create a market and environment which produces safety and security through UV light.

In the future, my plan is to successively engage in the development of new technologies to give us the competitiveness which customers and society will choose; the development of an environment to achieve this; and, further, strategic investments, including those which support measures concerning IT development as well as the environment (carbon neutrality).

500 Billion Yen Net Sales as a checkpoint for New Medium-term Management Plan

Our VIII Medium-term Management Plan will start in FY2023. We will formulate the plan’s outline by the end of 2022 and release the plan in 2023. When we release the plan, we will disclose quantitative targets for areas such as net sales and operating income more than ever before. The plan will also incorporate a checkpoint for net sales of 500 billion yen as well as a target to recover back to a 10% operating income to net sales ratio. We expect to achieve these without large-scale capital expenditures by increasing the operating rate of our existing factory facilities.

In order to expand sales, we are developing sales activities aimed not only at domestic car manufacturers but also those of other countries such as the United States and China. The results of these will appear during the VIII Medium-term Management Plan period. To date, we have developed products based on customer requests. However, by shifting to a policy of systematically proposing our own products to customers, we will proactively develop markets. Further, we have also begun working on organizational reform to strengthen coordination between our sales and engineering functions and create a structure enabling us to offer customers the best proposals from the start.

Analyzing Sustainable Growth Opportunities and Risks to Identify Five Material Issues (Materiality)

From among a large number of social issues, the Stanley Group has identified five material issues (materiality). In

identifying these issues, we selected social issues believed to be of high importance in the environment surrounding the Group. We then scrutinized these for sustainable growth risks and opportunities to identify material issues from two viewpoints: Solving social issues through business development leveraging our strengths, and strengthening our management foundation to support sustainable growth.

Among our material issues, I would particularly like to focus on the “creation of new value in harmony with the environment” and “individual welfare and growth”.

The “creation of new value in harmony with the environment” is a social issue which all companies should tackle. The Stanley Group has long been engaged in the reduction of CO<sub>2</sub> emissions, but policies which are mere extensions of these efforts will never lead to carbon neutrality. I believe there are still many, many things we can do in terms of materials and structure and, with regard to products. Because we are a corporation providing LEDs, one thing I believe we must absolutely do is to reduce power consumption. In turn, we will be proactively making the necessary investments.

With regard to “individual welfare and growth”, I would like to actively introduce the initiatives of various companies as best practices. When I assumed office as President, I was given the following advice on this topic by a senior manager from another company: “First, it is necessary for the President him- or herself to show that they are serious about improvement”. I will be keeping these words firmly in mind as I steadily implement measures which will lead to improved employee motivation.

■ Five Material Issues (Materiality)

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



Message from the President

Understanding the Importance of ESG from My Time in the U.S.

The other day, I was discussing the importance of ESG (environmental, social, and governance) with an investor. I was told, “ESG is a question of whether a corporation is sensitive to the needs of society”. At that moment, I remembered that when I worked in the United States, I had been obligated to donate a certain amount out of my salary, and I realized that the values from which ESG originates had permeated into European and American societies long ago. Based on such experiences, I have decided that Stanley will also position ESG as an important issue and address it as a key management matter.

As one might expect, the focus of our “E” (environmental) initiatives will be carbon neutrality. In addition, we are planning on disclosing information in line with the TCFD recommendations in June 2023.

The focus of our “S” (social) initiatives will be promoting the active participation of women. The ratio of female employees for the entire Group is 34%, while the ratio of female managers is 16%. Circumstances differ in every country and as such there are differences in these ratios for each of our bases, but we are moving forward with the development of a working environment which will enable women across the entire Group to actively participate even further. As an example, we are planning to establish woman-focused sales teams.

Alongside our efforts to develop an environment for women’s active participation, we are also promoting health and productivity management that is conscious of the health and productivity of all employees.

With regard to our “G” (governance) initiatives, we will be reforming our Board of Directors to make it a venue which enables even more open discussion. As a step toward this goal, we decided to hold advance Officers’ Meetings so that Board of Directors topics will be discussed more freely and thoroughly. In Officers’ Meetings, thorough discussion will be held in which the experiences and expertise of our Outside Directors are also incorporated. The results of these discussions will then be resolved at Board of Directors meetings.

Prioritizing Investment in Growing Fields and Maintaining Profit Return Targets

For our shareholder return policy, we will be maintaining our current targets of a consolidated payout ratio of 20% or more and a total return ratio of 35% or more. In turn,

with regard to post-return internal reserves, we will be prioritizing active investment in growth fields. In addition, in expanding our businesses, it is likely we will encounter situations which will be difficult to overcome by ourselves alone. When such a time comes, I believe it will be necessary to build alliances with venture businesses and other companies, and that we will need the investment funds to realize such alliances.

To Our Stakeholders

The possibilities of light are truly endless. As I have discussed, there are a great many things that can be quickly realized to enrich your life using light by fully and effectively leveraging the Stanley Group’s assets. Further, by accelerating new research and development, we could also produce products which would present to you a whole new dimension of possibilities for light.

You will be able to experience them only once these are realized as products and, as such, it is my intention to see them realized as quickly as possible. We will be periodically and actively disclosing information on our progress in this area.

Striving to be a group which will be chosen by customers and society, and in order to come together as one to solve social issues, I will be giving my all to lead the Stanley Group each day. I look forward to your continued support and guidance.



STANLEY’s Value Creation

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