



Sanken Electric Co., Ltd.

Green finance framework

SANKEN ELECTRIC GREEN FINANCE FRAMEWORK

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Daiwa Securities served as the structuring agent for our green finance framework



1. Introduction

In September 1946, we took over and became independent from the Toho Industrial Research Institute, a research institute of electric power companies.

Last September, we celebrated our 75th anniversary.

In its Declaration of Foundation, the Company declared its commitment to contributing to the development of industry, economy, and culture. The spirit of the Declaration is also in its current Management Philosophy.

Our mission is to provide optimum solutions, including power electronics and peripheral areas, with semiconductors as our core business. This will contribute to the development of industries, economies and cultures around the world. This has been clearly stated and passed down. 2021 In the fiscal year, we began operations as a manufacturer specializing in power semiconductors, including power modules, power devices, and sensors.

Electricity has become an indispensable part of human life in modern times, but power semiconductors are a product that is always needed when using electricity. Sanken's products are used in automobiles, air conditioners, televisions, and other everyday things that are not usually visible, supporting people's daily lives for more than 70 years.

1.1 ESG Management Initiatives

As mentioned above, our Group's management philosophy states, "We will contribute to the development of industries, economies, and cultures around the world with our mission of providing optimum solutions, including power electronics and peripheral areas, with semiconductors as our core business." This expresses our basic stance on social issues.

In addition, the management policy of the 2021 Medium-Term Management Plan is to "expand sales and profits with products that are compatible with the future market, where electrification and digitization are accelerating." We have established a specific approach method for addressing social issues. We express these concepts under the slogan "Power Electronics for Your Innovat!on."

These are in line with SDGs goals of "7. Becoming a Cleaner and Greater Energy Company" and "9. Building a Foundation for Industrial and Technological Innovation." We believe that the promotion of our business will also contribute to SDGs. On that basis, I would like to deeply understand the goals of SDGs and link them to specific actions in order to reduce business risks and create new business opportunities.

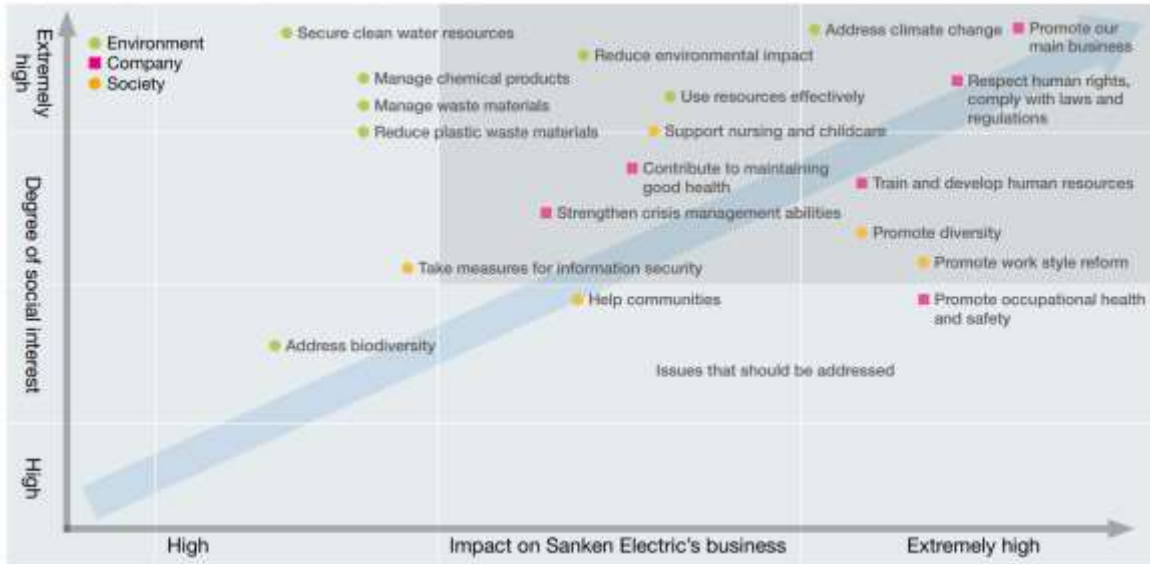
1.2 Identification of Materiality (Important Social Issues to Contribute)

In order to incorporate the realization of our Group's management philosophy and management policies and SDGs into our management measures, we examined the priority issues in our Group from a comprehensive perspective, such as a medium-term management plan, and analyzed the linkages between the measures of individual divisions and SDGs.

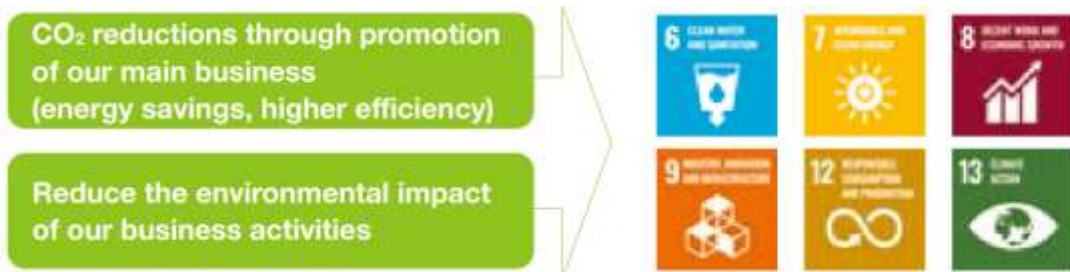


In this process, in order to identify the Group's "Material Issues (Materiality) that we are working on to solve social issues," we mapped and analyzed the Group's issues in terms of "Degree of public concern" and "Degree of impact on our business."

Organizing Materiality Priority and Impact

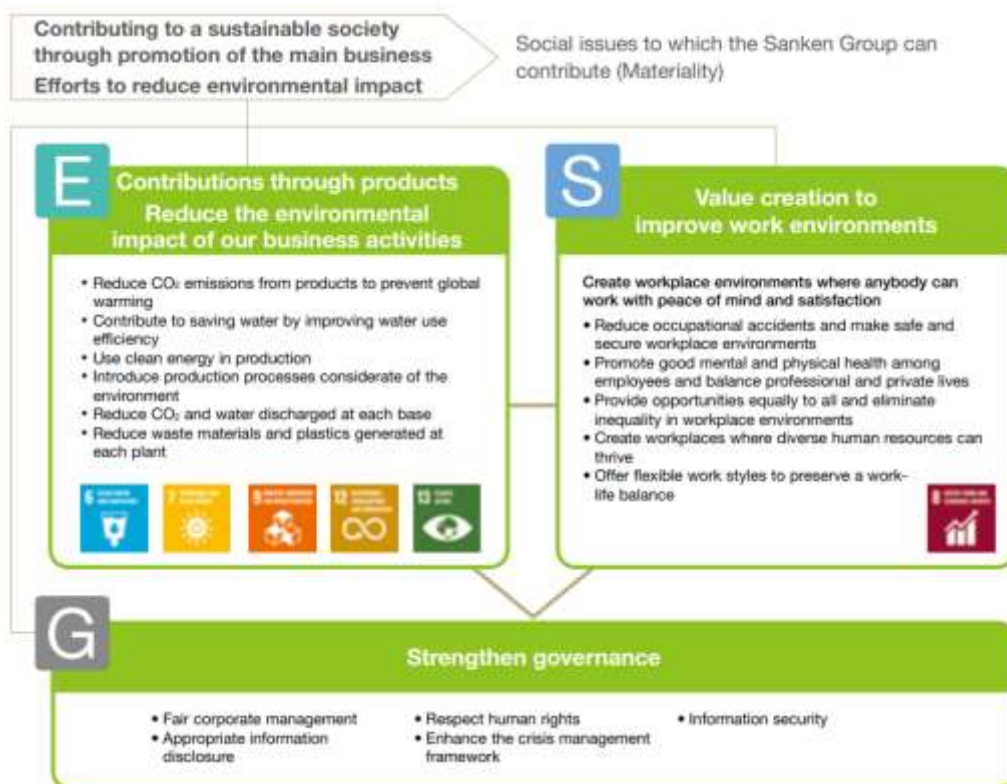


Through the process of confirming our management philosophy, confirming the link between SDGs and our various measures, and analyzing our priority issues, we have determined that the issues that our group should tackle to resolve social issues are "reducing CO₂ through the promotion of our core business (energy conservation and high efficiency)" and "reducing environmental impact through our business activities."



1.3 Developing Materiality for ESG Management

By incorporating the identified materiality into our management, we will link our contributions to society with our sustainable development and aim to realize both. We are developing ESG management based on the concepts of "Natural Relationships," "Social Relationships," and "Trustworthiness" based on our Connect with the Group and society.

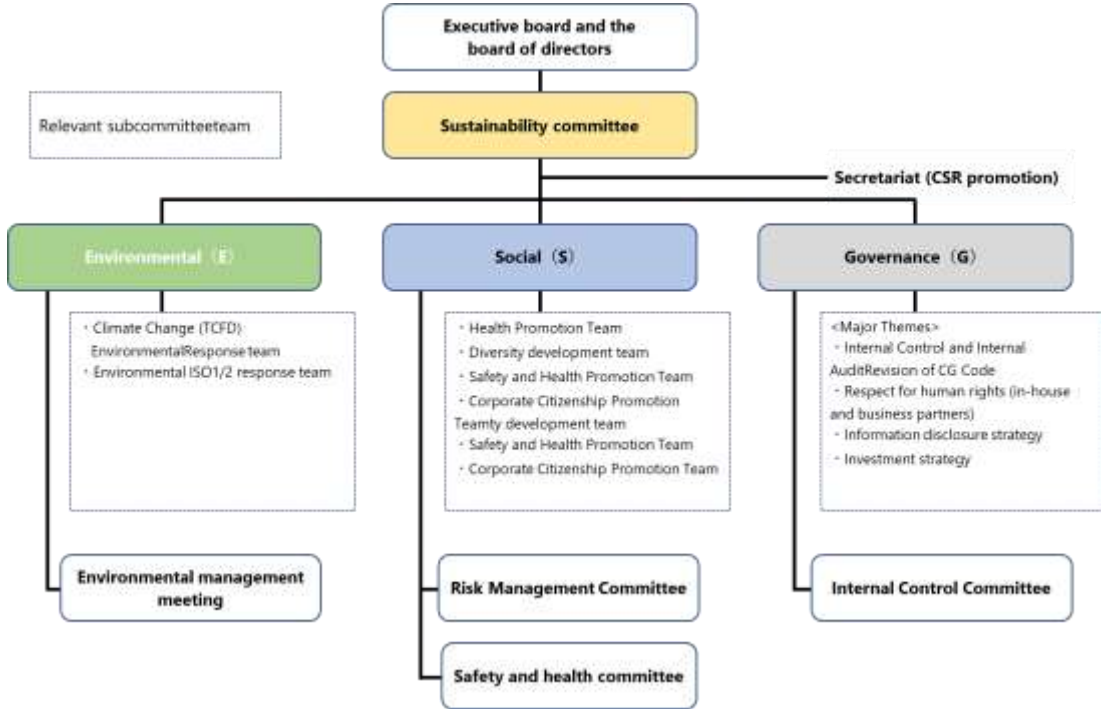


1.4 ESG Management Promotion System

After we decided to incorporate SDGs into our management in fiscal 2019, we set up SDGs Promotion Committee as the organizational unit for managing SDGs, examined specific measures and reported them to management, and promoted educational activities for all employees. In fiscal 2021, SDGs Promotion Committee was reborn as the Sustainability Committee, which has developed and succeeded the concept of further promoting ESG activities.



Under the leadership of the Sustainability Committee, we have subdivided the Group's priority issues into the Environmental (E), Social (S) and Governance (G) categories, and then develop team activities for each theme such as climate change in the three subcommittees of Environmental, Social, and Governance in response to these issues. This subcommittee and team activity is made up of members of our group, and it is a unified group activity system. Reports to the Sustainability Committee are made once every six months, and the results are escalated to the Executive Committee and the Board of Directors.



1.5 Background to the Formulation of the Green Finance Framework

Currently, environmental issues and energy conservation are urgent issues common to society from a global perspective. We have many products and technologies that contribute to high efficiency and power saving. We have conventionally contributed to global energy conservation through products for inverters used in air conditioners, washing machines, refrigerators, and other white goods, as well as products for low fuel consumption and high efficiency applications in automobiles. The Green Finance Framework (hereinafter referred to as the "Framework") was formulated as a framework for raising funds to further promote our efforts to resolve environmental issues and contribute to energy conservation.



2. Green finance framework

Our Green Finance Framework (the "Framework") is the Green Bond Principles 2021 established by the International Institute of Capital Markets (ICMA), the Green Bond Guidelines 2020 established by the Ministry of the Environment, and the Loan Market Association (LMA) Based on the "Green Loan Principles 2021" established by the Asia-Pacific Loan Market Association (APLMA) and the Loan Syndication and Trading Association (LSTA) and the "Green Loan and Sustainability-Linked Loan Guidelines 2020" established by the Ministry of the Environment, the following four elements have been established:

1. Use of proceeds from the current offering
2. Project evaluation and selection process
3. Management of Procured Funds
4. Reporting

2.1 Use of proceeds from the current offering

Funds raised through green financing will be used to fund new expenditures and refinance existing expenditures for projects that meet the following qualifying criteria (the "Qualified Projects"):

In the case of refinancing appropriations, only projects executed within 36 months retroactive to the issuance of green bonds or the execution of green loans.

[Qualified Projects]

Green bond principles Business classification	Qualified criteria	Examples of Qualified Products
Clean transportation	<ul style="list-style-type: none"> • Capital Expenditures and R&D for Semiconductor Products for Electric Vehicles (EV) 	<ul style="list-style-type: none"> • Power Modules for EV Traction Motors • Silicon carbide (SiC) for EV Devices



2.2 Project evaluation and selection process

Target projects are selected by the Finance & Accounting Division and the Marketing Division based on the materiality of the Group. Compliance with eligibility criteria for selected projects is escalated to and finally approved by the Executive Committee after review by the Sustainability Committee. The results are reported to the Board of Directors.

For all eligible projects, we confirm that the following measures are in place to reduce environmental and social risks.

- Compliance with environmental laws and regulations required of the national and local governments where the project is implemented and implementation of environmental impact surveys as necessary
- This is an effort that complies with our basic CSR policy.

2.3 Management of Procured Funds

Procurement funds are allocated to and managed by the Finance & Accounting Division for qualified projects. The proceeds are expected to be fully allocated to qualified projects within approximately three years.

The Financial Control Department uses an internal management system to track and manage the balance of the proceeds every six months so that the amount is equal to the appropriated amount for eligible projects.

In the event of an unappropriated fund, such as a sale or failure to satisfy eligibility of the fund, the fund will be reallocated to other projects that satisfy eligibility criteria as soon as possible.

Unappropriated funds will be managed in cash and cash equivalents until the proceeds are fully appropriated to eligible projects and while unappropriated funds are incurred.

2.4 Reporting

To the extent that it is reasonably practicable, we plan to disclose the appropriation of funds and the details we have established as environmental improvement effects on our website.

(1) Fund appropriation reporting

Until the proceeds are fully appropriated, we plan to disclose the following content on our website on an annual basis.

- ① Amount appropriated for the project and the amount not appropriated
- ② Percentage of new financing and refinancing
- ③ In the case where an unappropriated amount has occurred, the expected timing of such appropriation

The Company will disclose in a timely manner any material events, such as a major change, after the full appropriation of the proceeds.



(2) Impact reporting

We plan to disclose the following indicators related to environmental improvement effects on our website on an annual basis until the Green Bonds are redeemed.

[Impact Reporting]

Green bond principles Business classification	Indicators related to environmental improvement effects
Clean transportation	<ul style="list-style-type: none"> • Overview of technologies and products <ul style="list-style-type: none"> ➤ When appropriated for research and development, it includes progress status and expected final products, etc. in addition to the above. • Qualified product deliveries and the number of EV equipped with our products (estimated) <ul style="list-style-type: none"> *1)、 And CO₂ emissions reductions (estimated value*2)

*1: Calculation of the number of EV (estimated) is as follows.

$$\frac{\text{Qualified products (power modules for EV traction motors, etc.) delivered}}{\text{Average number of eligible units required for EV1}}$$

*2: CO₂ emissions reductions (estimated figures) refer to greenhouse gas reductions in CO₂ equivalents. Calculation methods are as follows. The difference between the annual CO₂ emissions of EV and gasoline (GS) vehicles equipped with our products is calculated based on our own calculations based on the concept of the Green Bond Guidelines. This is different from the formula for reducing CO₂ emissions, which we announce as our environmental targets.

$$\begin{aligned} \text{Reduced CO}_2 \text{ emissions (estimated)} = & \\ & (\text{Number of GS vehicles}^{*3} \times \text{Yearly mileage} \div \text{GS fuel economy averages} \\ & \quad \times \text{GS calorific value} \quad \times \text{GS carbon emission factor} \times \text{carbon CO}_2 \text{ conversion factor}) \\ & - (\text{Number of EV (estimate)} \times \text{Annual mileage} \div \text{EV power cost} \times \text{Electricity CO}_2 \text{ emission factor}) \end{aligned}$$

*3: The number of GS vehicles is the same as the number of EV (estimated).

Or more