

Power Electronics for Your Innovat!on

SANKEN REPORT 2023



SANKEN ELECTRIC CO., LTD.

Creating a Sustainable Future with Sanken Electric's Technologies and Products

Sanken Electric's mission is to provide optimal solutions in its core semiconductor businesses for power electronics and peripheral fields.

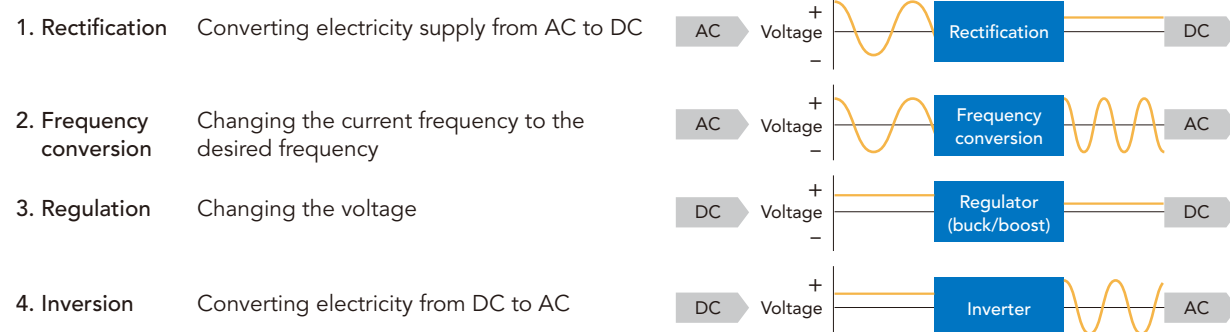
In working to realize a sustainable society, we strive to increase energy efficiency and provide a stable supply of electricity through the provision of products of assured quality. In this way, we help resolve global environmental and social issues, and contribute to the advancement of industry, the economy and culture.

What are Power Semiconductors?

Power semiconductors are devices capable of handling large voltages and currents, and are used in the conversion of electric power and to control motors and lighting.

Perhaps the most widely known application for semiconductors is in integrated circuits manufactured using large-scale integration (LSI) in devices such as CPUs and memory chips designed to process and store data. Power semiconductors, however, are used in the supply of electric power to operate motors, charge batteries, and run CPUs and other LSI devices. They convert alternating current (AC) to direct current (DC), for example, by stepping down voltage to three or five volts.

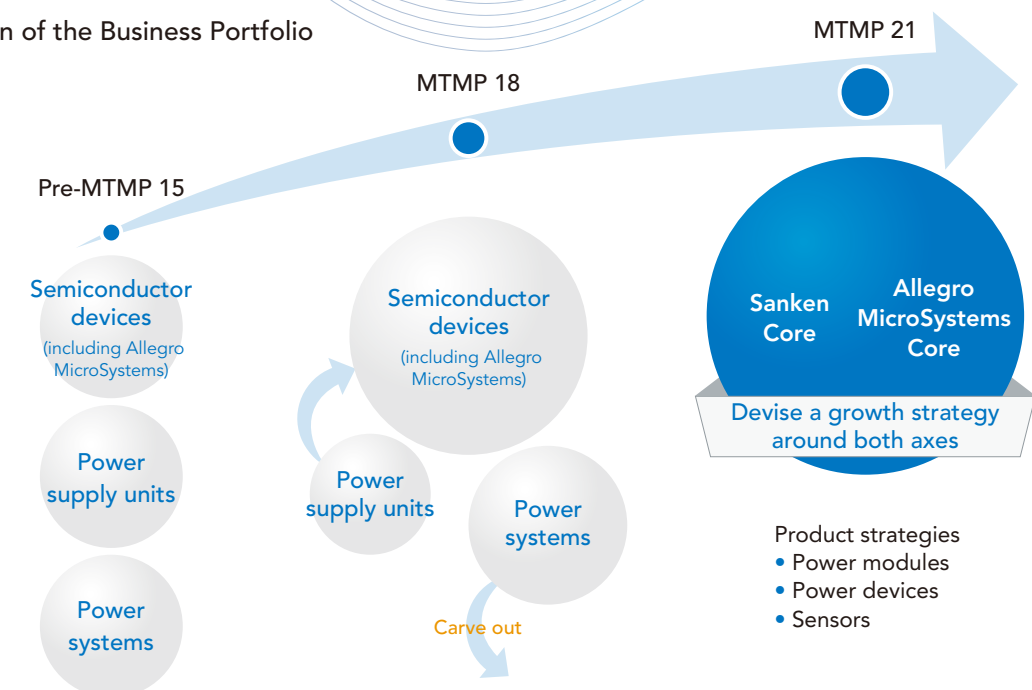
Tasks Performed by Power Semiconductors



The Sanken Group's Portfolio

Power modules, power devices, and sensors are the Group's three main growth drivers.

Evolution of the Business Portfolio



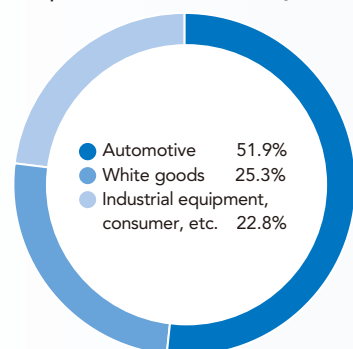
Our main business is the manufacture and sale of semiconductor devices and the provision of related services. Overseas sales account for over 70% of the Company's net sales, and as such we are focusing on eco-friendly, energy-conserving initiatives at the forefront of our industry and with the whole world as our market.

Consolidated Net Sales Composition

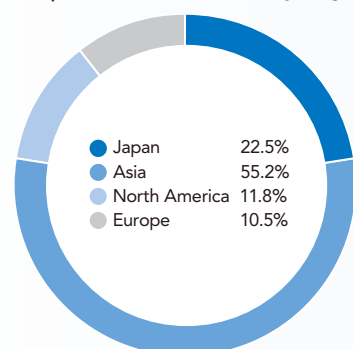
(By Market/Region/Product)

Net Sales
¥225.4 billion
(Fiscal 2022)

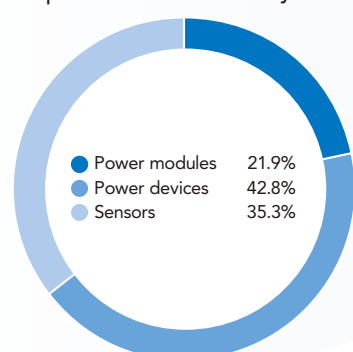
Composition of Net Sales by Market



Composition of Net Sales by Region

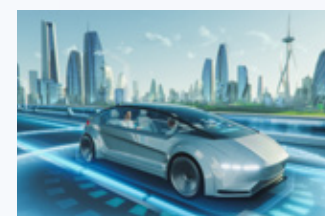


Composition of Net Sales by Product

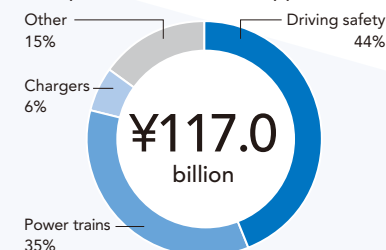


Main Commercial Applications

Automotive Market



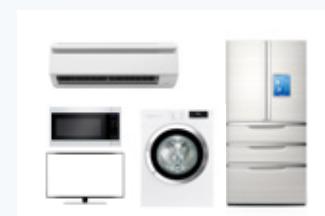
Composition of Sales by Application



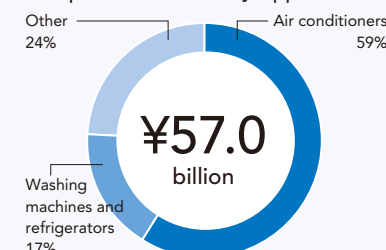
Our product portfolio in this market consists of power modules, power devices and sensors. The use of semiconductors in automobiles began with the adoption of power devices for internal combustion engines in the 1960s. Today, their fields of use are growing rapidly, from power trains and for driving comfort purposes, to the latest xEVs* and advanced driver assistance systems (ADAS). We are proud to offer a lineup that offers both reliability and robustness, supported by technological capabilities that enable us to confidently respond to increasingly sophisticated needs.

* xEVs: Umbrella term for electric vehicles including battery electric vehicles (BEVs), hybrid electric vehicles (HEVs) and fuel cell vehicles (FCVs)

White Goods Market



Composition of Sales by Application

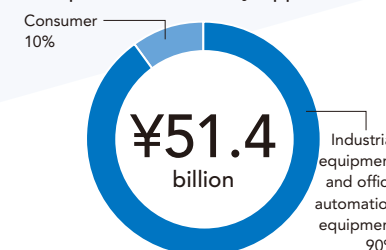


In this market, our portfolio mainly focuses on power modules but also includes a selection of power devices. We have significant experience in supplying products for room air conditioners, which account for a significant proportion of global electricity consumption, as well as washing machines and refrigerators. Against the backdrop of environmental issues, the shift toward use of energy-saving inverters is accelerating, and our intelligent power modules (IPMs) for household appliances have a top-ranking share of the global market and help to reduce power consumption in homes around the world.

Industrial Equipment and Consumer Market



Composition of Sales by Application



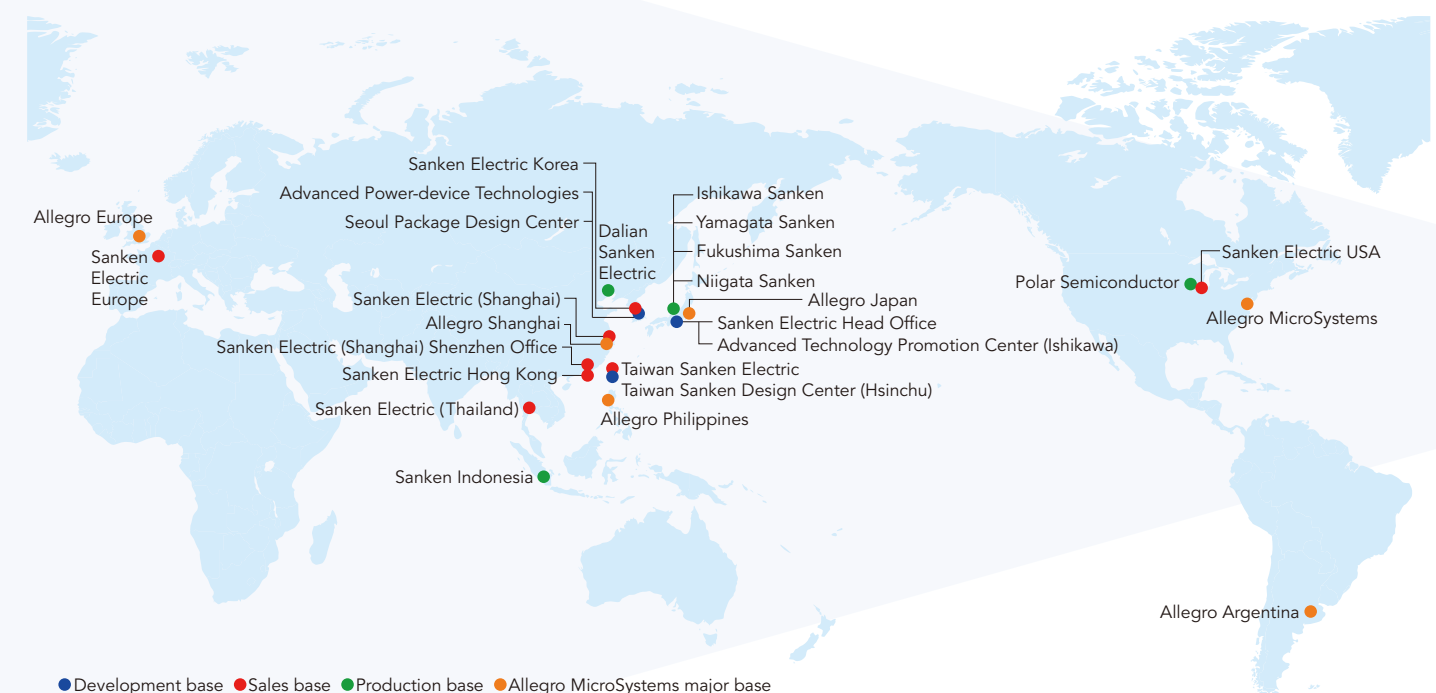
In the industrial equipment market, our lineup has traditionally focused on power devices for equipment power sources, but in recent years there has been major growth in power devices and sensors used in factory automation and clean energy applications. Furthermore, we expect continued growth in new products such as high-voltage power modules for large commercial HVAC systems and industrial motors. In the consumer market, our high-efficiency power devices have a high market share in large-size OLED TVs and other products.

Main Global Sites

Sanken Electric handles all processes through its expanding network of production sites in Japan and overseas, manufacturing high-quality, high-performance products and delivering them to customers around the world. We are also building out our global network of local subsidiaries, including in Japan, Asia, and Europe and the United States, to enable rapid product development and support.

33 companies
(Sanken Electric and its subsidiaries)

8,707 employees



Market Position

7th in power modules **1st** in magnetic sensors

Source: Omdia, August 2023

Source: Omdia, June 2022

Corporate Philosophy

Semiconductors Are Our Core Business

Our mission is to provide optimal solutions in our core semiconductor businesses for power electronics and peripheral fields, thereby contributing to the advancement of industries, economies, and cultures all over the world.

Develop Business Globally, Leveraging Our Proprietary Technologies

We will strive constantly to innovate our technological strengths and creative power as we pursue reliable quality. Moreover, we will share our customers’ values as we develop our business globally, leveraging our proprietary technologies.

Respect Each of Our Employees

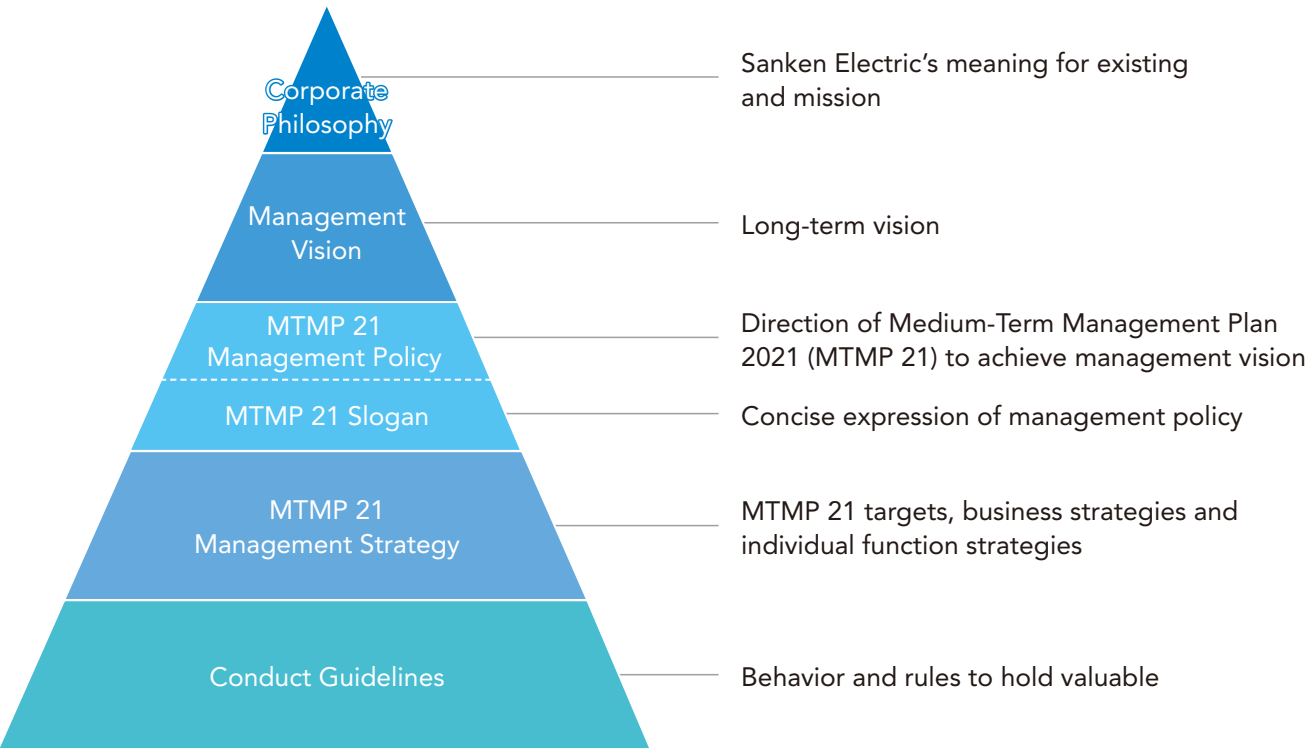
We will respect each of our employees and treat all of them fairly. Our employees will strive to grow as trustworthy individuals and as businesspeople.

Carry Out Duties with a Highly Ethical Perspective

We will carry out our duties with a highly ethical perspective as businesspeople who value technology and creativity. We will treat our customers and suppliers with fairness and integrity.

Social Responsibilities and Harmony with the Environment

We will strive to maximize our corporate value for the sake of our shareholders, while fulfilling our social responsibilities and striving for harmony with the environment.



MTMP 21 Slogan

Power Electronics
for Your Innovat!on

The slogan of our current medium-term plan is “Power Electronics for Your Innovat!on,” and is the same slogan expressing our hopes and expectations that we have used since Medium-Term Management Plan 2018. The slogan embodies Sanken Electric’s aspiration as a company to contribute through power electronics to the innovations of customers, employees, and society as a whole.

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Scope of Reporting

Reporting period: April 1, 2022 to March 31, 2023
(fiscal 2022)
(Some content includes matters after April 2023)
Reporting organization: Sanken Electric Co., Ltd.
("the Company")

Cautionary Note on Forecasts

The forward-looking statements in this report regarding Sanken Electric Co., Ltd. and its projected results are forecasts made at the time of compilation and involve potential risks, uncertainties, and other factors. Consequently, these projections are not guarantees of future performance, which may differ materially depending on a variety of important factors.

Editorial Policy

This report is published with the objective of deepening the understanding of all stakeholders regarding initiatives to enhance the Company’s corporate value over the medium to long term. The report was compiled with reference to the International Integrated Reporting Framework published by the IFRS Foundation.

Cover Design

The process of Sanken Electric’s growth to date and its commitment to further growth toward a sustainable future are represented using straight and curving lines that take inspiration from the waveforms of electrical signals.



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Inquiry Form

<https://www.sanken-ele.co.jp/corp/en/tousika/contact/form.htm>

Click on the icon in the top right to return to the contents page.

We will further enhance our performance as an organization, accelerate growth initiatives and sustainably increase corporate value.

In the electronics field, power semiconductors have supported the development of core industries such as the automotive, home appliances and consumer electronics industries, developing in step with a growing social awareness of the need for energy saving. By using the technologies that we have developed over many years to develop and supply products that meet customers' needs, we are contributing to innovations in society.

Evolution of Power Semiconductors and Sanken Electric's Strengths

The Steady Build-up of Trust and Technology

Over the 40 or so years since I joined Sanken Electric, power semiconductors have evolved tremendously, with the current models delivering many times the performance of their predecessors. In those days, the notion of a large automobile being driven by an electric motor was just a fantasy, but today it is a reality, and it would not be possible without the advancement of power semiconductors.

Throughout those times of great change, Sanken Electric has maintained its DNA of thoroughly responding to customers' needs, steadily building up trust through its dealings with automotive component manufacturers and home appliance/consumer electronics manufacturers in Japan and overseas to establish a solid customer base. In my own role as an engineer when I first joined the Company and then later on as a manager, I have always prioritized engaging in thorough conversation to figure out how to realize customers' demands, and then working to deliver solutions. It is important to listen carefully to what customers are seeking, identify underlying issues, enlist help from inside and outside the Company, and then do what needs to be done. In turn, this approach to making products leads to the next business opportunity as it enables us to gather feedback through further dialogue and then iterate the improvement process. In particular, when considering how to tackle issues that emerge in the product development process, it is important not to worry about them by oneself, but instead elicit ideas from a variety of people, and then evolve and expand on those ideas. This approach and set of values has been passed down to us, and indeed to me, by the people who came before us at Sanken Electric. While putting those ideas into practice and learning from setbacks, I continue to communicate the importance of this process to employees and to embed it as our Company culture.

Through such activities we have cultivated the Company's original "integral technologies." For example, in the field of power modules, we have developed products of outstanding durability and efficiency by optimally combining power chips, components, and circuits based on our technologies and analysis data, thereby contributing to innovations in society.

▶ Pages 12–13: Value Creation at Sanken Electric

▶ Pages 14–15: Our Value Creation Story

Hiroshi Takahashi

President and Representative
Director

Review of Fiscal 2022

Record Highs for Both Sales and Profit in the Second Year of Medium-Term Management Plan 2021

The Company has expressed its management vision as “Drive a focused organization to become a highly profitable company that contributes to innovation for our society through the development and implementation of unique technologies.” Toward achieving this vision, we have again adopted the slogan, “Power Electronics for Your Innovat!on” in Medium-Term Management Plan 2021 (MTMP 21), which launched in April 2021. The slogan embodies our aspiration as a company to contribute through power electronics to the innovations of our customers, our employees, and society in general.

In fiscal 2022, the second year of the plan, sales and profit both reached new record highs, with net sales of ¥225.4 billion (up 28.3% year on year), operating profit of ¥26.2 billion (up 90.6%), and profit attributable to owners of parent of ¥9.5 billion (up 197.5%). We further expanded our range of products for the automotive market in the areas of environmental performance and safety functions, including products for xEVs and electrification, and advanced driver assistance systems (ADAS). While products for the industrial equipment market saw a surge in demand in the clean energy and factory automation markets, products for the white goods market were affected by ongoing inventory adjustments at customers due to the impact of deteriorating market conditions in Europe, the United States and China.

▶ Pages 26–27: Analysis of Financial Position and Operating Results

Growth Strategy of the Sanken Core

Strategic Investment Looking to the Medium- to Long-Term Market Environment

The final year (fiscal 2023) targets initially set in MTMP 21 were an operating margin of 13% or higher, net sales of ¥170.0 billion or higher, and ROE of 12% or higher. However, in the second year (fiscal 2022), net sales reached ¥225.4 billion, surpassing the target by a wide margin.

We aim to finish implementing measures to enhance the profitability of the Sanken Core and to achieve further growth of Allegro MicroSystems, while promoting strategic investment for growth looking to the medium- to long-term market environment. Over the three-year period of the plan, we originally planned to make capital investments in the order of ¥40 billion, but we have increased this to ¥65 to 70 billion as we execute investments for further growth such as new production lines and capacity expansion at plants in Japan and overseas.

Initiatives to Enhance the Profitability of the Sanken Core

The Sanken Core’s business portfolio is centered on power semiconductors. A key value that they offer is robustness cultivated over many years, anchored in the management of quality, cost, delivery and development (QCDD). The Sanken Power-electronics Platform (SPP), a new development concept launched in fiscal 2018, is a means for shifting our focus from custom products to a platform-based approach. Promotion of SPP is driven by the Development Division and the Sales and Production Division, together with the Business Promotion Headquarters, which links the activities of the divisions. This initiative has enabled us to strengthen marketing, unify raw materials sourcing and production methods, achieve cost reductions, and shorten development and production lead times. Through our platform-based approach centering on SPP, we will be able to standardize practices, reduce development costs and deliver highly profitable products, which will enhance the overall profitability of the Sanken Core.

Furthermore, in our digital transformation (DX) initiatives, we began by envisioning what we want to achieve through DX. Now, DX activities have been incorporated into the day-to-day operations of all divisions, and we are implementing a transformation using digital technology and data. For DX in manufacturing, we are reforming our production lines by utilizing process data. In business process reforms, we aim to digitalize design, manufacture, sales, and work that spans all divisions by converting various information into data and passing it along to the next process. Doing so will facilitate downstream understanding and task execution, which will lead to efficiency gains.

In infrastructure security, which supports these DX initiatives, we have introduced state-of-the-art technology for countering cyberattacks.

▶ Pages 20–21: Growth Strategy Trajectory

▶ Pages 22–25: Growth Strategy

ESG Management Promotion

Promoting Activities with Every Employee Taking Responsibility

Given the rapidly changing demands of the era, Sanken Electric seeks to achieve a harmonious balance between social value creation and economic value creation. To that end, it is extremely important to steadily practice ESG management with a unified approach to increasing our value to society and enhancing the outcomes of our business activities. ESG initiatives are a mission that companies must carry out as participants in the economy. We incorporate the material issues that we have identified into management and

connect these with our contribution to society and the Company’s sustainable development to promote ESG management. Looking ahead, we aim to become a company where individual employees take personal responsibility for ESG management and initiatives for material issues, with an awareness starting from what they have the power to do and then taking self-driven actions.

▶ Pages 28–29: Materiality (Material Issues) / ESG Management

Environment (E)

We have identified the material issues that the Company should address in order to contribute to resolving social issues as “CO₂ reductions through promotion of our main business (energy savings, higher efficiency)” and “reduce the environmental impact of our business activities.” As part of addressing each of these issues, we recognize that responding to global warming, achieving carbon neutrality, and reducing plastic waste that is a cause of environmental pollution are urgent priorities from the perspective of handing on an abundant natural environment to future generations.

In our initiatives for the environment, we have set a target of reducing Scope 1 and 2 greenhouse gas (GHG) emissions by 33% in fiscal 2030 compared with fiscal 2020. Moreover, we are promoting the use of renewable energy at all of our plants with a view to reducing CO₂ emissions from manufacturing processes. Toward that end, we have entered into onsite power purchase agreements (PPAs) at Ishikawa Sanken and Fukushima Sanken, and introduced electricity generated from hydropower and geothermal power.

At present, there is increasing social demand for

initiatives targeting Scope 3 emissions. Dealing with Scope 3 is an important initiative that affects not just the Company (as it involves the entire value chain), from upstream to downstream. As such, we will continuously communicate the importance of this to all employees. Through power electronics, our business is helping to save energy by reducing the electricity consumption of our customers’ end-products, thereby contributing to sustainability. We believe that raising employees’ awareness of this fact will increase their motivation for work and sense of ownership. To this end, I will increase the frequency of my own communications.

▶ Pages 30–33: Environmental

Society (S)

Employees appreciate the value of a workplace where they can work with ease, and to create such an environment where all employees can feel motivated to expand and apply their capabilities we are promoting respect for human rights, health and productivity management, improvement of work-life balance, and diversity.

In working to ensure that employees can fulfill their potential and succeed, we use skill maps to track each individual’s skills and ability in the form of data. Looking at the data enables employees to understand objectively which areas need improvement, and the discussion of these issues with their supervisors can lead to detailed conversations about their career plans. Moreover, managers from other divisions can also look at skill maps and appoint human resources with abilities that can be put to use in their divisions.

“

In fiscal 2022, sales and profit both achieved new record highs. We will execute strategic investments for further growth.

”



In human resource development, in the past, next-generation leadership training was provided to employees after their new appointment as managers. Now, we have future leadership candidates take the training as well, so that they can develop a Company-wide perspective. We also focus on communication skills to enable smooth discussions, and to increase these skills we have started a group coaching program for department and section managers. Moreover, we plan to extend this training to non-management positions in the future.

New hires and outside stakeholders often comment on the diligent attitude of Sanken Electric's people. I think one defining characteristic of the Company is that our employees listen carefully to customers to identify needs and work earnestly to respond to them, seeing tasks through even when the going gets tough. Management will demonstrate leadership and create systems aimed at ingraining this kind of sincerity as part of our corporate culture, while encouraging employees to think and act autonomously to drive innovation as only Sanken Electric can.

Pages 34–37: Social

Governance (G)

In order to contribute to society through power electronics and enhance corporate value, the Company positions corporate governance as one of its material management

issues and continues to enhance its corporate governance system and functions. To create a governance structure that can support the next medium-term management plan, which will be the execution stage for the Sanken Core growth strategy, we transitioned to a company with an audit and supervisory committee by resolution of the Ordinary General Meeting of Shareholders held in June 2023. The Audit and Supervisory Committee comprises a majority of external directors and is responsible for auditing and supervisory functions with the aim of achieving greater transparency in management. In addition, under the supervision of the Board of Directors, decision-making authority over business execution is delegated to directors in order to accelerate management decision-making and business execution. The Board of Directors comprises thirteen directors (including directors who serve as Audit and Supervisory Committee members), of whom seven—the majority—are external directors. In addition, with the appointment of one non-Japanese director and three female directors, the Board is tapping into greater diversity in management. These reforms are intended to bolster corporate governance by ensuring transparency and fairness while realizing swift and bold decision-making that incorporates a variety of perspectives.

Pages 38–39: Messages from External Directors

Pages 40–45: Governance



Further Increasing the Value Created by the Company

Contributing to a More Comfortable Society by Strengthening Our Technological and Solution Capabilities

To date, the Company has been releasing a large number of products developed using SPP, a platform based on the concept of in-house development using information collected through dialogue with customers and marketing information that also takes into account analysis of the global situation. In addition to SPP products, we also provide custom development services, which is a high-profitability field, using our many years of accumulated expertise and experience in power semiconductors. However, looking to the near future and backcasting from social and market requirements, we need to constantly think about how to leverage our unique product proposal capabilities, and share these creative ideas with customers to evolve more suitable applications.

The power semiconductor market plays an essential role in energy saving and green innovation, and is expected to grow further going forward. In the automotive market, the transition to xEVs is accelerating and demand for safety functions such as ADAS is also expanding. Moreover, in the field of room air conditioners and commercial HVAC systems, which account for much of the world's electricity consumption, the shift to inverters and DC motors is progressing, while demand in the new market of heat-pump type hot water tanks is expected, mainly in Europe. It is important for the Company to consider how it can contribute to these technological innovations for realizing a more comfortable society, then strengthen its own technological capabilities to enhance product performance and thereby deliver the necessary functions. Japan is still a leader in power semiconductor technology, and Sanken Electric is one of the key companies in this area. As such, we will communicate our value to the world, with a focus on high efficiency, high voltage, high heat-dissipation power modules.

Dialogue with Employees

Creating Opportunities for Lively Discussions with Employees

I took office in 2021 in the midst of the COVID-19 pandemic, so I had to talk about my vision for the Company to all employees via video stream. In 2022, I began a series of face-to-face dialogues with groups of five or six employees. In fiscal 2022, we held 13 such events, and we plan to hold a similar number in fiscal 2023. The group size is optimal as it enables everybody to participate in the conversation, and groups are formed based on various combinations of attributes; for example, employees in their 20s and 30s across

all divisions, or only employees from technology divisions.

Employees often ask me about the future direction of the Company, and we have had extremely beneficial conversations and exchanges of opinion. I recall one particularly memorable exchange with an employee who told me forthrightly that a certain direction would be better for the Company. I explained my thoughts on the idea, and at the end of our conversation the employee expressed appreciation for being able to participate. The important thing is not whether any given opinion is correct or incorrect, but that we think for ourselves and express our thoughts. The Company will implement further communication measures with the goal of encouraging employees to do so.

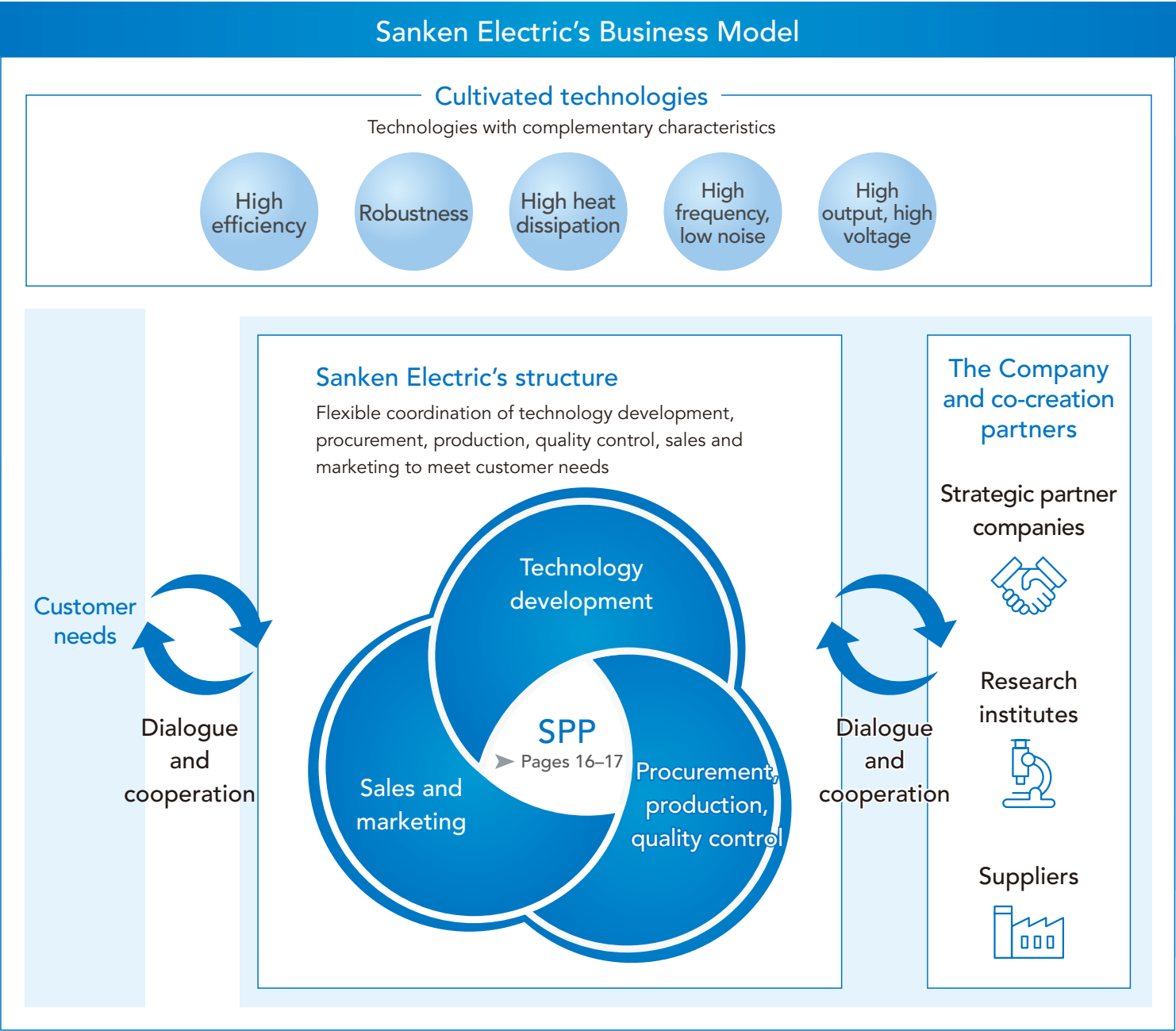
Co-Creation with Stakeholders

Promoting Understanding by Actively Communicating the Value We Create and Our Corporate Value

The Company's power semiconductor business could be called an unsung hero, as it plays an essential role in the world. One of my important missions is to widely publicize how we create this kind of value, as well as our corporate value. Based on an employee's suggestion, we established an official YouTube channel in 2021. Given that the videos we have uploaded include our manufacturing processes, there was concern that an expert might be able to derive some of our proprietary expertise from them. Nonetheless, we decided to publish this information to a wide audience because it is more important that we communicate the Company's appeal. In addition, we have received a large number of completely new ideas from employees, and have been actively incorporating them to communicate the Company's unique value to stakeholders. In this way, we are integrating the process of dialogue and co-creation with stakeholders throughout our corporate activities, while we aim to provide technologies and products that offer real value for society.

I ask for your continued support as we make every effort to live up to the expectations of our stakeholders.

We are generating value by refining Sanken Electric’s unique technologies as we contribute to solutions for social issues.



Since its founding, Sanken Electric has constantly responded to society’s demands and customer needs, refining its unique technologies and creating products. Based on interactions with our customers and partners, we work to constantly innovate our technological capabilities and provide products of assured quality to help resolve global environmental and social issues, and contribute to the advancement of industry, the economy and culture.



Vision

Help resolve global environmental and social issues, and contribute to the advancement of industry, the economy and culture



Origin of Value Creation

In 1937, Yasuzaemon Matsunaga, president of Toho Electric Power Co., Ltd., established the Toho Industrial Research Laboratory as a research facility for conducting new industrial development that would be useful to society. In 1939, a new Tokyo testing laboratory for the Toho Industrial Research Laboratory was established in what is now Saitama Prefecture, with six research laboratories (machinery, electricity, metallurgy, inorganic chemistry, organic chemistry, and minerals). In the laboratory of Hideo Tsutsumi, an engineering PhD who was in charge of electricity research, the Company’s future founder, Tetsuji Kotani, worked as head of the laboratory in a dedicated effort to research semiconductors. He focused his attention on basic research of semiconductor materials to enable more efficient use of electricity. In 1942, he discovered a manufacturing method for selenium rectifiers that would be among the best quality in Japan, and applied for two patents. Toho Industrial Research Laboratory was dissolved at the end of the Second World War, and in 1946, Tetsuji Kotani established Toho Sanken Electric Co., Ltd., aiming to commercialize the semiconductors that he had had successes with during his laboratory years. With its origins in a laboratory, the Company inherited a spirit of continuously taking on the challenge of developing new technologies.



Yasuzaemon Matsunaga



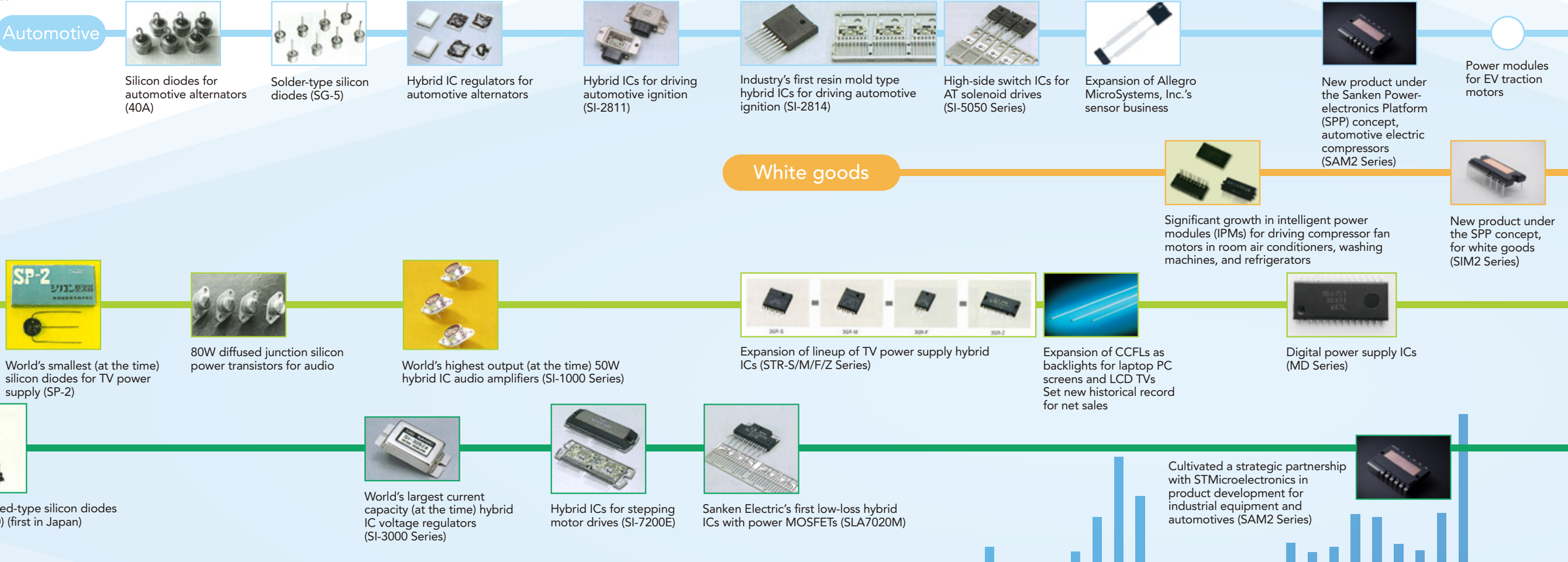
Tetsuji Kotani

Our Approach to Manufacturing

As key components, the characteristics of power semiconductors have a significant impact on the performance of automobiles and household appliances. For that reason, Sanken Electric carefully investigates the desired performance and issues of customers, and the manufacturing process begins after numerous conversations with suppliers and partner companies on how to realize the target performance and quality. When we set out to meet a social need, our design engineers never write something off as technologically impossible without trying to achieve it. On achieving mass production, we then make further improvements based on customer feedback. Throughout every stage of manufacturing we demonstrate Sanken Electric’s technological capabilities and ability to respond to every situation.

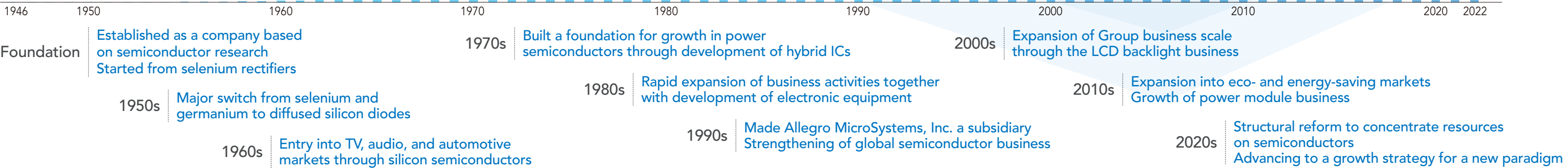
In this section we show how we have refined our core semiconductor technologies while navigating diverse paradigm shifts, as well as how the resulting value and successes have contributed to society.

Sanken Electric Products Supporting Society



Toho Industrial Research Laboratory main building

Selenium plant built in a converted poultry house

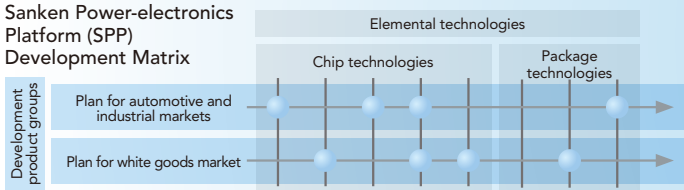




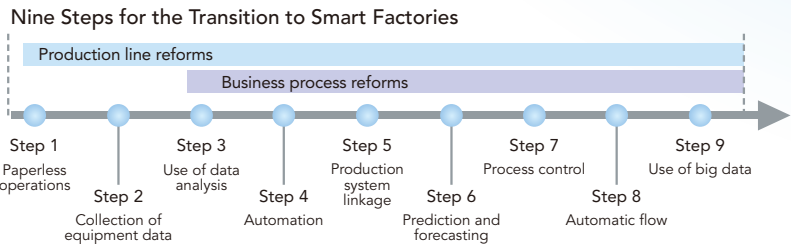
The Sanken Power-electronics Platform (SPP) Concept

The first step of the development reforms we initiated in 2018 was to list all the elemental technologies Sanken Electric had accumulated to that point, and all the elemental technologies we would need going forward. We then created a matrix of products under development and elemental technologies clearly showing which technologies were applicable for use, which could be standardized, and which could be repurposed. The matrix is designed to be easy to read, with the rows indicating product development projects and the columns indicating elemental technologies. The projects in each row are presented based on megatrend projections and market research. Technology ideas that one might call paradigm shifts emerge from the combination of the intersection points with each elemental technology. The essence of the Sanken Power-electronics Platform (SPP) is to guide us in developing and standardizing elemental technologies and new products from the upstream stage of the development process. Under this platform-based development concept and through high-level optimization using digital techniques, our accumulated technologies can find life as new products that will support the next generation. Furthermore, depending on the application, we also offer custom products developed jointly with customers. We expect our custom products, together with products developed through SPP, to become core parts of a portfolio that places greater emphasis on profitability.

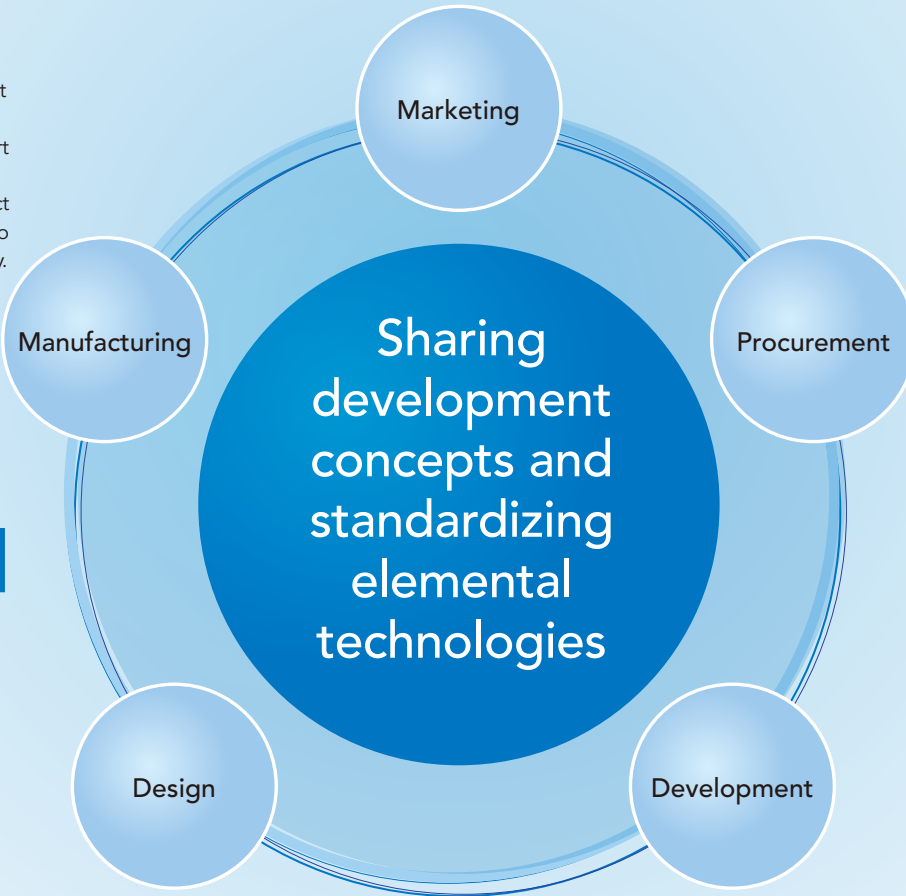
Mitsunobu Fukuda
Senior Corporate Officer
General Manager, Power
Module Development Division,
Engineering Development
Headquarters



Kazuo Akaishi
Senior Corporate Officer
General Manager, Production
Development Center,
Engineering Development
Headquarters



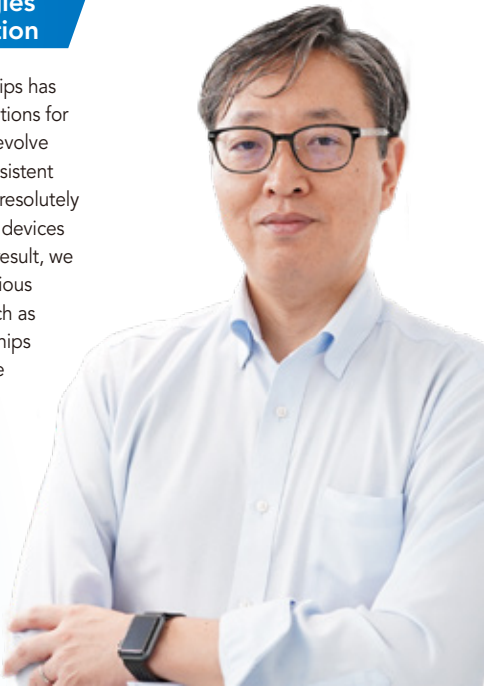
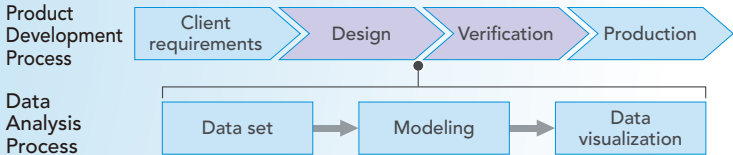
Sanken Power-electronics Platform (SPP) × DX



By transforming our development processes into a platform, we will streamline and standardize design and accelerate product development.

Combining Development of Elemental Technologies for Semiconductor Chips with Digital Transformation

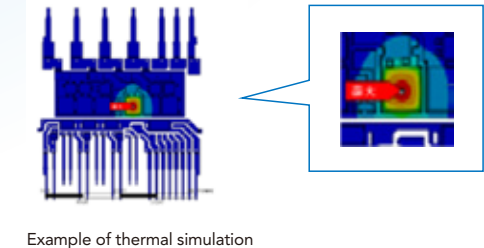
The Company's development of elemental technologies for semiconductor chips has continued generation upon generation since the late 1950s. While the applications for these technologies underwent a number of paradigm shifts, we continued to evolve technologies in the domain of high voltage power semiconductors, with a consistent focus on robustness. As this process has evolved, we have continued working resolutely to overcome difficult technical challenges, such as developing high-frequency devices with low noise, or high voltage and high heat dissipation characteristics. As a result, we have been able to create a portfolio of products with high reliability across various applications, including not only essential power chips for electricity supply, such as IGBTs, MOSFETs, and diodes, but also the control ICs that drive such power chips (manufactured using a high-density BCD process) and the MCUs (including the development of MCU firmware) that deliver versatile multi-output power and operate under high temperatures. We have coordinated and linked the development of these various semiconductor chips with the development of packages incorporating them and featuring high voltage and high heat dissipation characteristics. This combination has led to our platform-based product development approach in the form of SPP. In the future, when using large volumes of data such as evaluation data at the development stage and quality data at the production stage, we plan to achieve feedback through the data analysis process shown below, while also using AI in workbench and layout design, and thereby actively promote digital transformation to make our development processes even more efficient.



Keiji Hannuki
General Manager,
Process Engineering Division,
Engineering Development
Headquarters

Combining Development of Elemental Technologies for Packages with Digital Transformation

Throughout society, electrification has been progressing not only in energy-saving home appliances but also across a wide range of fields such as robots, drones, and the rapidly expanding BEV market. Furthermore, applications for power semiconductors have been increasing, with more demanding performance requirements in terms of high voltage and high heat dissipation characteristics. Development at Sanken Electric has two main driving forces. The first is the way we work to understand our customers and their expectations to create products to the best of our ability, which is indeed part of the Sanken Electric corporate DNA. The second is SPP, which we have built to be our technological cornerstone. While the elemental technologies underpinning SPP are diverse, I am responsible for package development, an area in which our development centers in Japan and South Korea are linked online and collaborating effectively. This dual-center development structure enables us to source talented human resources from each country and culture, generating synergies by leveraging the different experiences of those involved and enabling speedy development of excellent technologies. In addition, when customers are evaluating our products, we can rapidly provide them with the Simulation Program with Integrated Circuit Emphasis (SPICE) data they require for their design, as well as tools to support power circuit design. From the perspective of package technology, we are starting to see results from applying digital transformation in communication with customers utilizing thermal simulation data relating to heat dissipation performance.



Takashi Matsumoto
Senior Manager,
Assembly Development Department,
Manufacturing Development Center,
Engineering Development
Headquarters

1 Contributing to a Sustainable Future with High-Efficiency Digital Power Management ICs

Value Provided by the MD6750 Series

Sanken Electric aims to integrate its business activities with environmental activities in order to pass on the irreplaceable global environment in a healthy condition to the next generation. We are promoting product development and environmental activities under the slogan “Contributing to the global environment with cutting-edge eco-friendly, energy-efficient products,” and we aim to help bring about carbon neutrality, a circular economy, and a society that coexists with nature.

To this end, we have developed the MD6750 Series of high-efficiency digital power management ICs. We expect these ICs to be used in the home appliance, consumer electronics and various other fields such as industrial equipment. This product line, which brings together an MCU chip and a high voltage analog chip in a single package, offers both analog and digital benefits. In comparison to conventional analog power supply ICs, the MD6750 Series offers optimal control in accordance with operating conditions, allows for GUI-based development and evaluation (reducing adjustment workload and cost), and supports additional functions other than power supply control. Furthermore, in comparison to

general-purpose digital power supply MCUs, it requires no dedicated external power supply IC or gate drive IC for the MCU (reducing costs), and simplifies the design process by using dedicated circuits. With fewer components than a conventional analog control circuit, it facilitates easy configuration of high-efficiency, low-noise power supply systems that provide economical performance. Currently, we are developing a digital power management IC with low power consumption to improve the efficiency of the analog control power supplies used in most small- to medium-size power supplies. We have managed to reduce the number of components by 30%, decrease the power supply size by 20%, and increase conversion efficiency by 2% or more of the overall load. In the case of a TV, for example, it is important to raise efficiency under different conditions, such as when viewing and when on standby, and the product was developed in response to such needs. Given that there are almost no competing products, the MD6750 Series will be effectively “one-of-a-kind.” A key element of the Sanken Core growth strategy is to develop this product not only for the consumer and industrial equipment markets, but also for the automotive market.

Fiscal 2022 Energy Conservation Grand Prize Winner (Product & Business Model Category),
Minister of Economy, Trade and Industry Award
Recognition as an ISO 14001 Strong Point (Excellent Activity Award)

The MD6750 Series was a Fiscal 2022 Energy Conservation Grand Prize winner (Product & Business Model Category), receiving the Minister of Economy, Trade and Industry Award. The award was presented based on the recognition that power supply circuits are absolutely essential as the use of electronic products expands worldwide, and that increasing their energy efficiency will have a significant impact.

Moreover, in the certification process for the ISO 14001 environment-related standard, our digital power management IC development initiatives were recognized as a “strong point” (Excellent Activity Award). This award was presented in recognition of the conversion efficiency improvement of 2% or higher achieved by our ICs, which have the potential to make a significant contribution to the global environment. If used in all the 4.31 million large-screen televisions (OLED TVs: 850,000,

4K or higher TVs: 3.46 million) in Japan, our products would contribute to savings of an estimated 23.79 million kW (equivalent to 30,000 t-CO₂/year).

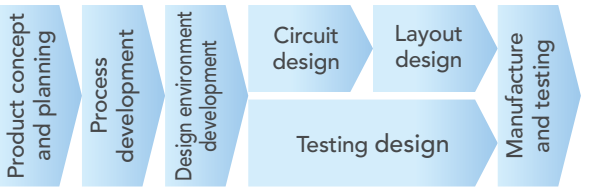


2 Sanken Electric IC Product Development Value Creation Process

Proprietary Development Process for Semiconductor Chips

Sanken Electric contributes to its customers and society through power electronics, developing essential IC products mainly used to drive power devices. To realize high-efficiency, robust IC products, we have established an effective system of coordination between individual processes, enabling us to optimize our overall process.

IC Product Development Value Chain



In process development, we simulate the device structure to ensure performance in line with the product concept, and develop optimal processes and requirements. Leveraging our bipolar/CMOS/DMOS (BCD) process for manufacturing integrated circuits, our lineup can support voltages from 60 to 1,200 volts.

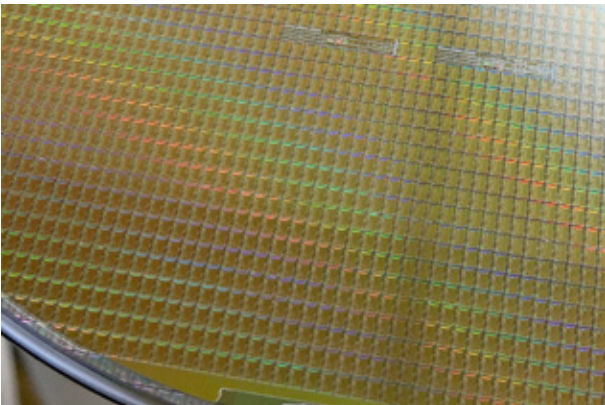


Layout design

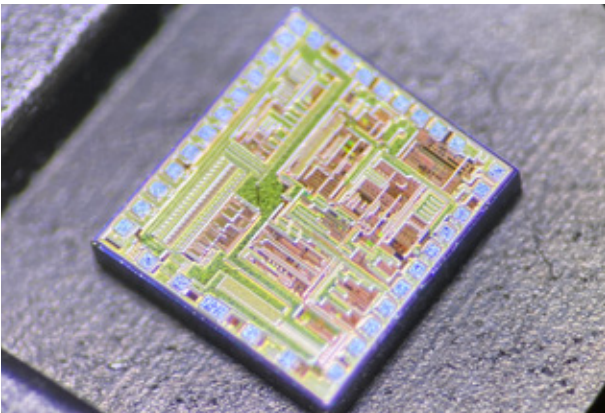
In circuit design, we design analog and digital circuits based on the devices conceived through process development to realize the target product performance. Layout design converts the completed circuit drawing into a photomask for semiconductor chip manufacturing. That process enables us to develop high voltage, high-efficiency ICs that fully utilize our technical expertise in integrated design of high voltage devices, cultivated through our experience in power supply development.

Furthermore, in IC product development, we design tests for quality selection. The testing design team is able to implement tests with excellent fault detection performance by coordinating with the process development, circuit design and layout design teams. Testing is the basis on which we are able to stably supply high-quality IC chips.

Throughout this series of development steps, we also develop a corresponding CAD design environment that can simulate characteristics at every level, from individual devices on the chip to entire circuits. Providing an environment capable of highly accurate and rapid simulations helps to reduce development lead time.



IC wafer

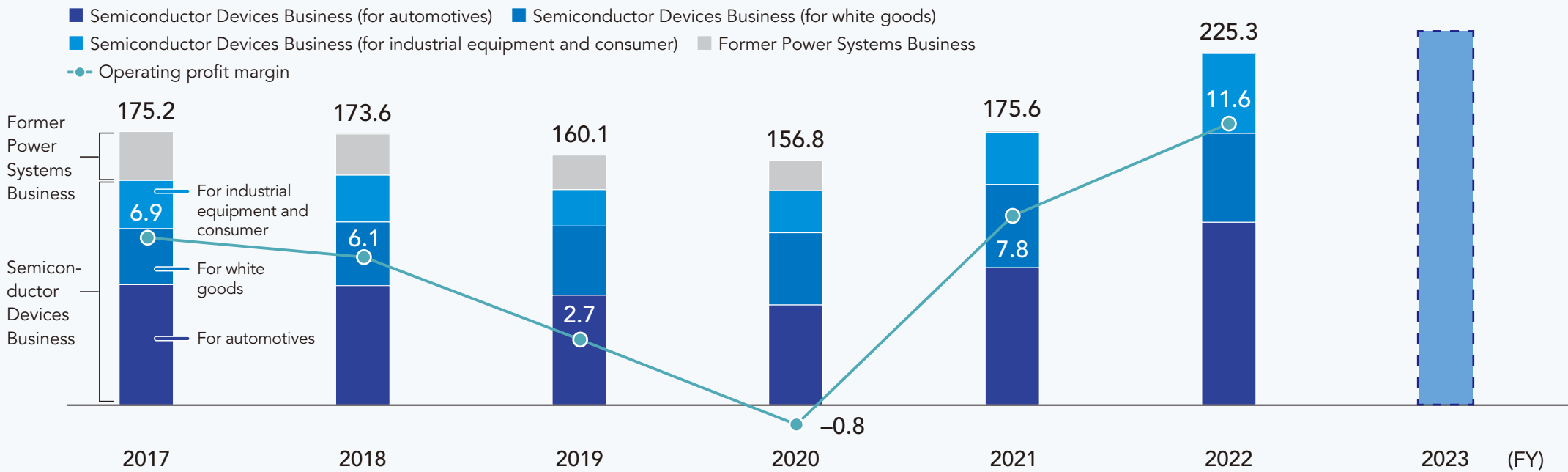


IC chip

Under Medium-Term Management Plan 2021 (MTMP 21), Sanken Electric is working to transform its business portfolio, concentrating management resources on its medium- to long-term growth strategy with the dual drivers of the Sanken Core and the Allegro MicroSystems Core, and embarking on a new journey as a dedicated semiconductor manufacturer.

Sanken Group's Growth Trajectory

Consolidated Net Sales (Billions of yen) / Operating Profit Margin (%)



Management Vision

Drive a focused organization to become a highly profitable company that contributes to innovation for our society through the development and implementation of unique technologies.

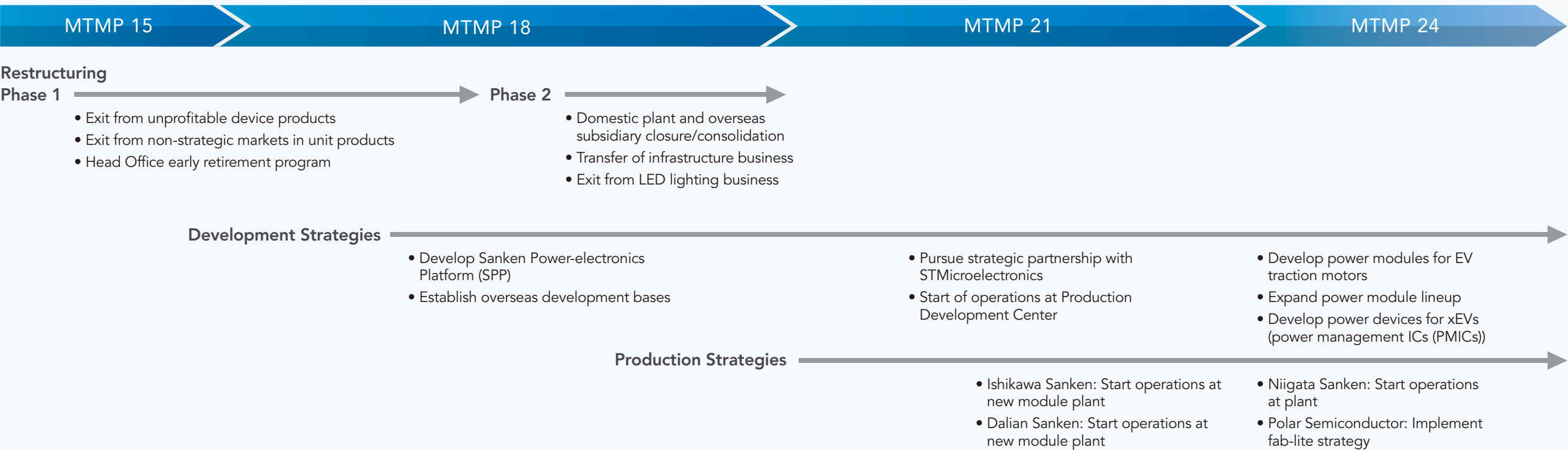
Power Electronics for Your Innovation!

Sanken Digital Vision

We will provide customers with innovative products and services and contribute to social innovation by reforming the operations of all employees to make them comfortable and highly productive through proactive use of digital technology.

DX

Key Strategies for Strengthening the Sanken Core



Demand for power semiconductors is expected to expand with the adoption of EVs and the enhancement of energy-saving functions in industrial equipment and white goods. Having organized its product portfolio in the power electronics domain into power modules, power devices, and sensors, Sanken Electric will concentrate management resources on these areas to achieve sales growth that outpaces that of the overall semiconductor market.

Overview of MTMP 21

Management Vision



During the period of MTMP 21 (fiscal 2021 to fiscal 2023), under the plan's slogan, "Power Electronics for Your Innovation," Sanken Electric aspires to contribute through power electronics to the innovations of customers, employees, and society as a whole.

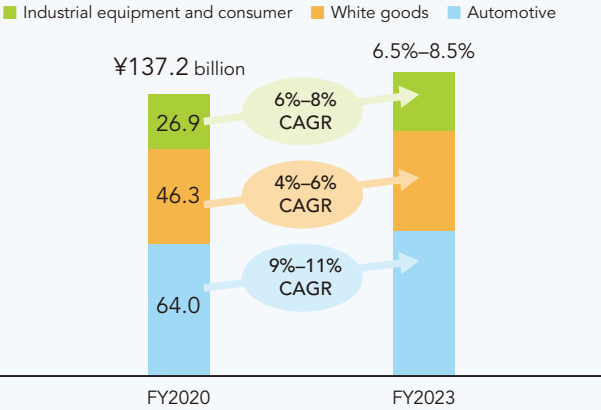
To achieve this, we will promote 1) restructuring, 2) development strategies, and 3) production strategies. At the same time, as the foundation for each of these measures, through ESG management we will work to integrate our business activities with enhancement of the Company's social value, while also focusing on digital transformation (DX) that contributes directly to management. Through these initiatives we aim to realize sales growth that outpaces the growth of the semiconductor market.

We are responding to changes in the business environment for power semiconductors through the aggressive use of digital technologies such as RPA and AI with the goal of achieving dramatic productivity gains in business processes through the adoption of advanced digital technologies.

Our employees share a passion for developing and providing power semiconductors to make people's lifestyles richer and more fulfilling. We will harness digital transformation to deliver on this passion and advance a step further as a company that serves the good of all.

Sanken Electric's promotion of digital transformation emphasizes four perspectives.

Growth Rate by Market Envisioned in MTMP 21



Initial Targets

FY2023 consolidated targets	Operating profit margin	13%
	Net sales	At least ¥170 billion
	ROE	At least 12%

- **Utilization of technology:** Reforming business processes through the application of digital technologies across the value chain
- **Establishment of appropriate environments:** Establishing safe, flexible, and robust IT infrastructure to support digital transformation
- **Development of human resources:** Building training environments to support digital upskilling for all employees
- **Management of measures:** Establishing and enhancing organizational structures for the comprehensive management of digital transformation throughout the Company

Among specific initiatives for increasing productivity, we are shifting to paperless operations through the use of digital technologies, automating sensory analysis by combining imaging devices and IT, and automating conveyance between processes by combining production facilities and IT, thereby reducing the numbers of both personnel and working hours required. Furthermore, making it possible to visualize IT data from production facilities in real time enables relevant departments to use that data in whatever form that they need to in their everyday operations. We will reform production processes with digital technology while strengthening our IT infrastructure. Furthermore, as part of efforts to strengthen the capabilities of our IT personnel, we will provide skill training on digital technologies and business process reforms in accordance with employee roles. We have also worked to optimize the selection of necessary IT measures to promote digital transformation. In these ways, we have put structures in place for practicing DX governance as an organization.

MTMP 21: Initiatives and Results to Date

The restructuring that began in 2017 to increase the corporate value of the Sanken Core was completed in fiscal 2021 (the first year of MTMP 21) with the closure of two plants in Japan. In parallel with the restructuring, we have been advancing a growth strategy that included establishing the Production Development Center at Head Office, thereby bringing together production technology development resources previously distributed among our various plants. In addition, as a next step toward realizing our smart factory concept, we introduced a next-generation production line using the mixed-model production method and the latest AI-based image inspection system at Ishikawa Sanken's new module plant.

One of the KPIs in MTMP 21 is to increase our new products' share of sales to 15%, and we have set the hurdle for greenlighting new product development at an expected gross profit margin level of 22% or higher. In line with these KPIs, under the SPP concept we have launched new power modules onto the market in the form of new packages such as SAM2

and SIM2. Moreover, given that we expect demand for power modules for EV traction motors to increase in the future, we constructed a production line at Dalian Sanken and started shipments in the fourth quarter of fiscal 2021.

In fiscal 2022, we achieved our target for new products' share of sales of 15%. However, in light of the yen's depreciation and continued high prices of raw materials and outsourced services, as well as historically high electricity prices in Japan, we also implemented cost control measures such as promoting energy saving in production, switching to low-cost materials, and revising prices upward. Looking ahead, we will continue working to strengthen our resilience as a company, and bolster risk management including through measures such as anticipating change and preparing contingency plans for responding to unexpected events. By strengthening our management of internal factors and building strategies for responding to external factors in this way, we aim to improve the profitability of the Sanken Core and enhance corporate value.

Progress of Plan (Revitalization of the Sanken Core)

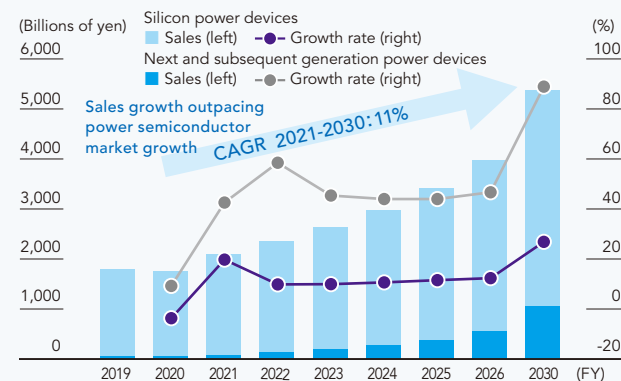
Main drivers influencing profit			
	+	↑	↓
Factor	New products' share of sales	Gross profit margin of developed products	Costs (materials, electricity, etc.)
Plan	15% or more	22% or more	Reduce costs
Progress	14% (result for first six months of fiscal 2022)	Requirements met	Costs increased
Evaluation	EXCELLENT: Currently raising the share	EXCELLENT: Outcome of SPP products	• Cost increases higher than anticipated • Emergence of new change factors

Toward Achievement of Plan (Revitalization of the Sanken Core)

Internal factors	New products' share of sales	15%–20%	Begin mass production centered on power module products	Enhance resilience • Predict changes • Handle unexpected circumstances • Prepare substitutes • Manage risk
	Costs	Formulate measures to minimize cost increases	Promote energy saving in production Transition to low-cost materials	
External factors	Market condition changes	Increasing risk of market decline	Carefully investigate demand for xEVs and internal combustion engine vehicles Examine global trends for white goods	
	Exchange rate	Historic changes	Minimize exchange risk	

Envisioned Future Growth

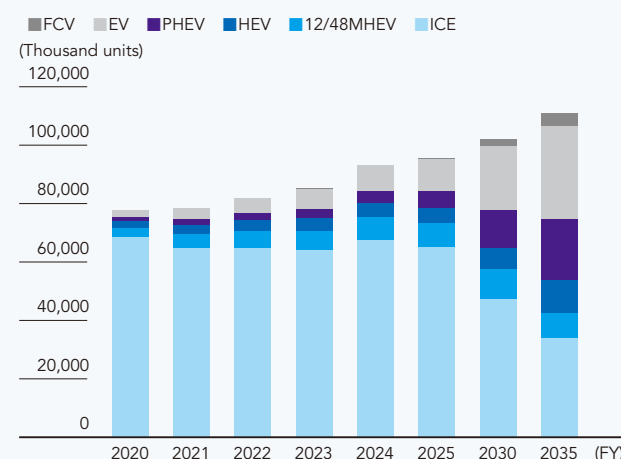
New Growth Scenario for Sanken Core



Going forward, in the electronics domain, we expect various energy-saving and green innovation advances, and given the essential role that power semiconductors play in increasing energy efficiency, we also expect related demand to increase further. The power semiconductor market is expected to have a compound annual growth rate (CAGR) of 11% between 2021 and 2030, and the Company is aiming to outperform this growth. Looking at the CAGR for Sanken Core sales for 2021 to 2026, in the automotive market, there is high growth potential in BEVs, the production of which is expanding rapidly, and in the area of motor control, such as for electric compressors. After also taking into account sales of products for internal combustion engine

Automotive Market

Growth of xEV Market



FCV: Fuel cell vehicle; EV: Electric vehicle; PHEV: Plug-in hybrid vehicle; HEV: Hybrid electric vehicle; 12/48 MHEV: 12-volt/48-volt mild hybrid electric vehicle; BEV: Battery electric vehicle; ICE: Internal combustion engine

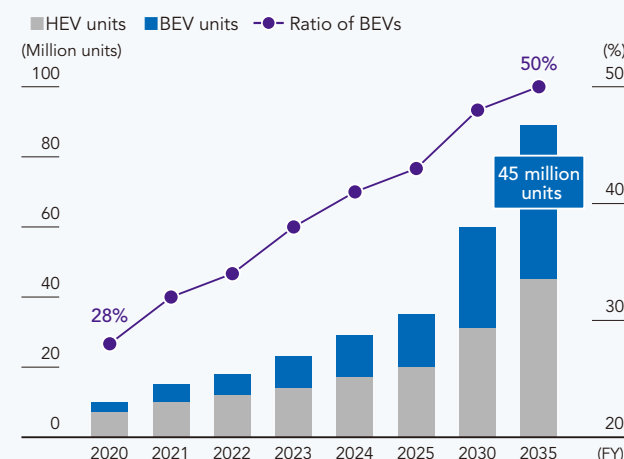
In the automotive market, where we are targeting a sales CAGR of 15%, we aim to outpace market growth by capturing growing demand for EVs and electrification, thereby increasing our market share. The share of BEVs in potential demand for inverter units

Sanken Core Sales Growth (2021 to 2026)

Automotive: 15% CAGR
Industrial equipment and consumer: 8% CAGR
White goods: 6% CAGR

vehicles that form the foundation of our business, we set a forecast for growth of 15%. As in automotives, in the industrial equipment and consumer market we will also be expanding into the motor control domain, and consequently the forecast is for growth of 8%. In white goods, which currently accounts for the largest portion of sales and provides a solid base for the Sanken Core's business, we have set a forecast of 6% growth. We aim to generate profits in this market by strategically updating our lineup with new products that offer higher profitability. We will further concentrate our resources in these growth fields, evolving the value that we provide and working to further expand the market and increase customer satisfaction.

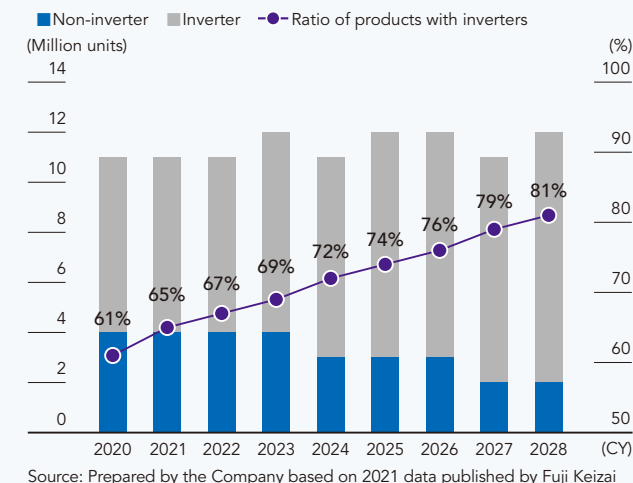
Potential Demand for Inverter Units for xEVs



for xEVs is forecast to increase from 28% in 2020 to 50% in 2035, as predicted demand expands to 45 million units. The Company will accelerate growth by focusing on inverter units for BEVs as a target market.

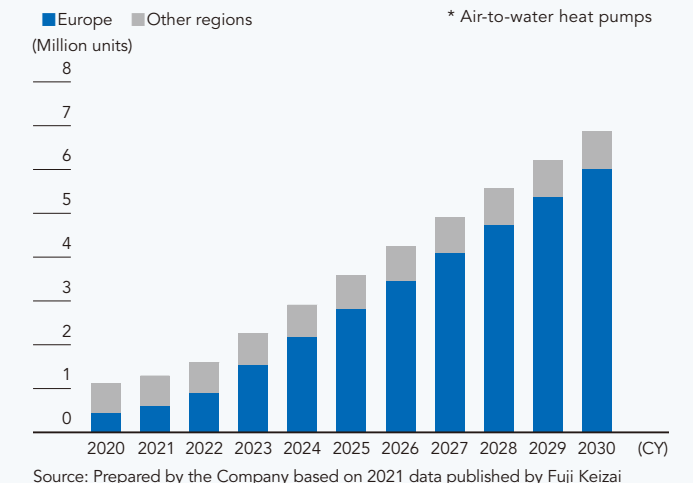
Industrial Equipment Market

Growth Forecast for Commercial Air Conditioner Inverters



In the industrial equipment market, we are targeting a sales CAGR of 8%. As demand for energy-saving solutions increases in the face of soaring energy prices, we have developed and launched new power module products for use in compressors

Demand Forecast for Heat Pump Hot Water Heating Systems (AWHP*)



and fans of commercial air conditioners and heat pump hot water heating systems through a strategic partnership with STMicroelectronics. We aim to cultivate these areas as new markets.

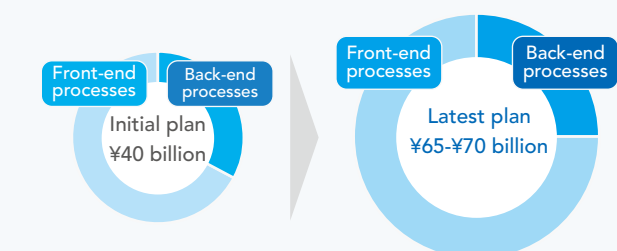
MTMP 21: Initiatives in Final Fiscal Year

Fiscal 2023 is the final year of MTMP 21, and we will execute initiatives to bring our growth strategies to fruition. In the area of CAPEX management, as a result of executing strategic capital investments in the foundations for supporting the realization of our growth strategies through new products, we have increased our target for cumulative capital expenditure during the period of MTMP 21 from the initial plan of ¥40 billion to ¥65-¥70 billion. In front-end processes, we plan to enhance main controller IC (MIC) and power chip processes. In back-end processes, we plan to install new lines and increase production capacity for new and existing products.

In production reform management, we are promoting a fab-lite strategy for front-end processes and a Neo Production

Strategy for back-end processes. Under the fab-lite strategy, we optimally allocate resources at in-house fabs and foundries to simultaneously secure wafer production capacity and restrict the need for investment. In our Neo Production Strategy, we are working to quickly start up operations at Niigata Sanken as a production site for power modules for EV traction motors. In the start-up process, we will utilize empty space in an existing plant to curb total investment while building the latest production system for back-end processes. We will steadily secure and expand production capacity in line with plans to launch new products during the next medium-term management plan.

Consolidated Capital Investment Plan in MTMP 21 (Fiscal 2021-2023)



Niigata Sanken Start-Up Plan

Set up production line on the premises of another company's existing plant

Period: 3 years $\gg$ 1.5 years

Initial investment: ¥8 billion

70% reduced cost compared to new construction

Financial Review of Fiscal 2022

With regard to the business environment during the fiscal year ended March 31, 2023 (fiscal 2022), uncertainty in the consumer economy continued due to the spread of global inflation and significant fluctuations in exchange rates and financial trends, China's zero-COVID policy and the resurgence of the pandemic after easing of the policy, and the impact of the prolonged Russia-Ukraine situation.

In this environment, products for the automotive market performed strongly on the back of growing demand for environmental friendliness and safety functions, as seen in the shift to xEVs, electrification and advanced driver assistance systems (ADAS). In contrast, the white goods market remained in an inventory adjustment phase, affected by the economic

slowdowns in the United States, Europe and China. Sales of products for the production machinery market, however, increased significantly due to strong growth in demand for clean energy and from the factory automation market.

Consolidated operating results for fiscal 2022 were as follows. We achieved record-high net sales of ¥225,387 million, up ¥49,727 million (+28.3%) compared to the previous fiscal year. As a result of the significant increase in sales, we also achieved record highs at every level of profit, with operating profit of ¥26,156 million, up ¥12,436 million (+90.6%), ordinary profit of ¥27,229 million, up ¥13,528 million (+98.7%), and profit attributable to owners of parent of ¥9,533 million, up ¥6,328 million (+197.5%).

Consolidated Operating Results for Fiscal 2022

(Millions of yen)

	FY2021	FY2022	Change	(%)
Net sales	175,660	225,387	+49,727	+28.3
Operating profit	13,720	26,156	+12,436	+90.6
Ordinary profit	13,700	27,229	+13,528	+98.7
Profit attributable to owners of parent	3,204	9,533	+6,328	+197.5
Profit per share (Yen)	132.79	394.87	+262.08	+197.4

Financial Position

Consolidated total assets as of March 31, 2023 were ¥301,951 million, an increase of ¥57,218 million from the end of the previous fiscal year. This was mainly due to increases in inventories of ¥17,258 million, property, plant and equipment of ¥13,945 million and investments and other assets of ¥9,838 million. Liabilities were ¥128,755 million, an increase of ¥21,427 million from the end of the previous fiscal year. This was mainly due to increases in bonds payable of ¥7,000 million, accrued expenses of ¥4,437 million, commercial paper of ¥4,000 million and notes and accounts payable-trade of ¥2,244 million. Net assets were ¥173,195 million, an increase

of ¥35,790 million from the end of the previous fiscal year. This was mainly due to increases in non-controlling interests of ¥19,671 million, foreign currency translation adjustment of ¥4,561 million and retained earnings of ¥8,804 million.

The Group sources funds through means such as issuances of bonds and commercial paper, commitment line agreements, and bank borrowings. The breakdown as of March 31, 2023 was ¥30,933 million in short-term borrowings and the current portion of long-term borrowings, ¥10,000 million in commercial paper, ¥12,000 million in bonds payable, and ¥26,372 million in long-term borrowings.

The Group basically uses internal funds as operating capital and for capital investment. However, at times, the Group may need to supplement operating capital and funds for capital investment that will be needed in the future to sustain the Group's growth. In such cases, in addition to funds from operating cash flow, the Group may procure funds through unused commercial paper facilities of ¥20,000 million, unused overdraft facilities of ¥21,900 million, and commitment line agreements of ¥16,600 million, among others.

Consolidated Balance Sheets (Millions of yen)

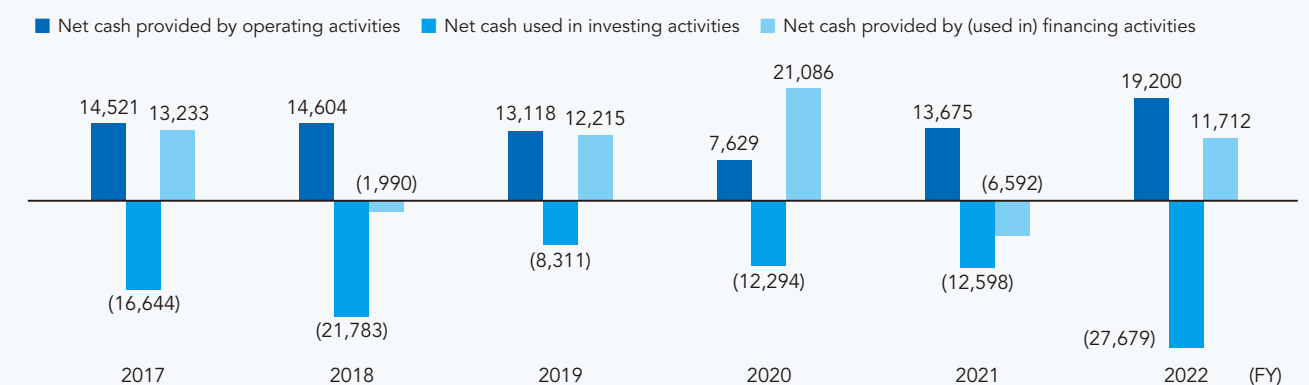
FY2021		FY2022	
Total assets and net assets	244,732	Total assets and net assets	301,951
Current assets	148,729	Current assets	179,069
Non-current assets	96,002	Non-current assets	122,881
Liabilities	107,327	Liabilities	128,755
Net assets	137,404	Net assets	173,195

Cash Flows

Looking at the Group's cash flow position, net cash provided by operating activities was ¥19,200 million, an increase of ¥5,524 million compared with the previous fiscal year. This was mainly due to an increase in profit before income taxes. Net cash used in investing activities was ¥27,679 million, an increase of ¥15,081 million compared with the previous fiscal year. This was mainly due to an increase in expenditures for the acquisition of property, plant and equipment. Net cash provided by financing activities was ¥11,712 million, a change of ¥18,304 million compared with the ¥6,592 million used in

the previous fiscal year. The difference was mainly due to the redemption of bonds in the previous fiscal year and proceeds from the issuance of bonds in fiscal 2022. Due to the above, interest-bearing debt at the end of the fiscal year stood at ¥82,090 million, with the Company's dependence on interest-bearing debt (interest-bearing debt/total assets) at 27.2%. As a result, the balance of cash and cash equivalents as of the end of the fiscal year was ¥63,814 million, an increase of ¥6,370 million compared with the end of the previous fiscal year.

Cash Flows (Millions of yen)



Approach to Shareholder Returns

We have positioned the return of profits to our shareholders as a priority management issue. Our basic policy is to pay stable and steady dividends while retaining the internal reserves necessary to improve profitability and enhance our financial position through aggressive business development, as well as to strengthen the foundations of our overall management.

Our basic policy is to pay dividends from retained

earnings. We issue dividends twice yearly in the form of an interim dividend, which is determined by the Board of Directors, and a year-end dividend, which is determined by the General Meeting of Shareholders.

In accordance with this basic policy, the dividend for fiscal 2022 has been set at ¥30 per share (consisting of an interim dividend of ¥15 and a year-end dividend of ¥15).

At the Sanken Group, we consider ESG management initiatives as much more than simply “social contribution activities,” but rather as part of the mission that a company should pursue for the benefit of the economy and society. We incorporate material issues into our management so that we can contribute to society through power electronics while increasing our corporate value. In effect, promoting ESG management by making contributions to society leads to our own sustainable development.

Identifying Materiality (Material Issues)

It is increasingly difficult to anticipate the rapid changes going on around us and in the business environment, with trends including globalization, digitalization, increasingly severe disasters, greater demand for environmental conservation around the world, the need to be more inclusive of diversity, and response to the COVID-19 pandemic. In order to keep pace with such changes and realize sustainable growth for the Sanken Group, we discussed materiality from a comprehensive perspective, which included revisiting our Corporate Philosophy and considering our medium-term management plan.

In this process, we mapped the degree of social interest against the impact on Sanken Electric's business to identify the Sanken Group's material issues. The issues we identified are: “CO₂ reductions through promotion of our main business

(energy savings, higher efficiency)” and “reduce the environmental impact of our business activities.” We are promoting initiatives to address these issues.

Furthermore, we will regularly reconfirm our material issues and revise them as necessary in accordance with changes in the external environment and other factors, as well as to promote effective initiatives.



ESG Promotion Structure

For our sustainability initiatives, we have incorporated the SDGs into our management since 2020 and built a promotion structure that includes establishing the Sustainability Committee in October 2021. We are also clarifying measures to implement for ESG management and defining relevant key performance indicators (KPIs).

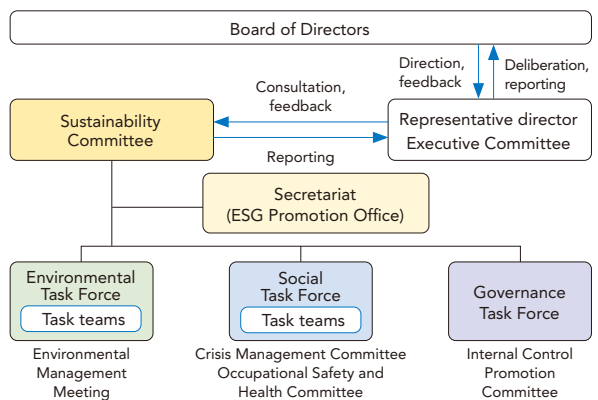
In promoting ESG management, the Sustainability Committee plays a central role in overseeing the activities of three task forces, one for each of environmental, social, and governance areas, as well as team activities for specific themes, such as climate change. Members from throughout the Group participate in these task forces and team activities, thereby providing a structure for unified Group activities.

The results of these activities are reported to and discussed by the Executive Committee (the Company's highest decision-making body on business execution), with the representative director and president having ultimate responsibility, and are

also reported to the Board of Directors. The discussions and resolutions undertaken at the Executive Committee are fed back to the Sustainability Committee and its task forces and teams.

The chairperson of the Sustainability Committee is Satoshi Yoshida, the director in charge of ESG.

ESG Management Promotion Structure Chart



Status of Activities in Fiscal 2022

- Sustainability Committee meetings: 3
- Task force meetings: 4 each
- Team meetings: 50
- Reports made on sustainability-related matters to the Executive Committee: 13
- Cumulative number of participants in Group-wide activities and meetings: 734

Materiality (Material Issue) KPIs

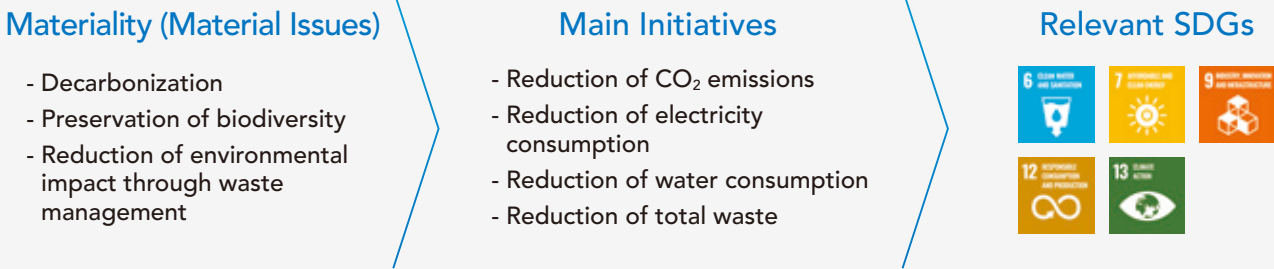
We are incorporating the materiality that we identified into our ESG management to further our contribution to society and sustainable development as a company. For each activity theme under those issues, we set and manage key performance indicators (KPIs). KPIs are revised as necessary giving consideration to factors such as changes in the business environment and social conditions.

Materiality	Activity themes		Targets (KPIs)	Initiatives to achieve KPIs	Progress on KPIs (FY2022)	Relevant SDGs
Environment	Decarbonization	Reduce CO ₂ emissions	• 33% reduction in Scope 1 and 2 emissions by FY2030 (FY2020 standard) ¹	• Introduction of internal carbon pricing ¹ • Acquisition of third-party verification (Scope 1, 2, and 3) ¹ • Introduction of onsite PPA, self-consignment mode ¹ • Introduction of environmental data management system (for CO ₂ , electric power, water and waste products) ¹ • Increased efficiency through equipment renewal ¹ • Development, production and sales of energy-saving products (products with energy-saving specifications, products with energy-saving functions)	• Scope 1 and 2: 75,681 t CO ₂ (~7,913 t CO ₂ (~9.5%) compared with FY2021) • Fukushima Sanken: Switched to renewable energy for majority of purchased electricity (from April 2022) • Electricity consumption: 143,655,463 kWh (~4,163,134 kWh (~2.8%) compared with FY2021) ¹ • Developed the MD6750 Series of high-efficiency digital power management ICs (if adopted for all OLED TVs in the world, would save 70.5 million kWh/year); winner of FY2022 Minister of Economy, Trade and Industry Award	  
		Reduce electricity consumption	• Electricity consumption: Reduction of 1.5%/year per unit of net sales			
	Biodiversity	Reduction of water consumption	• Water consumption: Reduction of 1%/year per unit of net sales	• Prevention of water leaks by renewing equipment ¹ • Reuse of cooling water in production equipment (reduction of overflow water) ¹	• Water consumption: 1,990,970 t (~10,953 t (~0.55%) compared with FY2021) ¹	
	Waste management	Reduction of total waste Reduction of plastic waste	• Total waste: Reduction of 1%/year per unit of net sales • Plastic waste: Reduction of 1%/year per unit of net sales	• Promotion of 3R (Reduce, Reuse, Recycle) activities for waste • Reduction in packaging materials (reduction in packaging of materials received, such as raw materials, unprocessed materials and documents) • Reuse of plastic packaging materials (sticks, reels and wafer cases) ¹ • Promotion of sustainable material use (renewable materials)	• Total waste: 3,318 t; Per unit of net sales: 14.72 kg/million yen ¹ • Plastic waste: 0.0002 t/million yen ¹	  
Social	Diversity	Women's success, life events, etc.	• Percentage of managerial positions held by women: 4% (FY2023) ² , 11% (FY2025) ³ • Rate of eligible men taking childcare leave: Increase year on year ² • Harassment and human rights training: Once a year ³ • Percentage of female employees: Increase year on year ²	• Implementation of diversity management training (for management positions) • Implementation of leader candidate development, training following management appointment • Implementation of e-learning for all employees regarding childcare leave for men in FY2023 • Implementation of in-house education (e-learning, etc.) • Enhancement of effectiveness of recruitment for new graduate and mid-career hires	• 4.5% (+1.3 pts. compared with FY2021 (FY2021: 3.2%)) ² , 6.3% ³ • Rate of eligible men taking childcare leave: 53.8% (+6.7 pts. compared with FY2021) • Conducted unconscious bias training for all Group employees in Japan via e-learning (FY2022) • 20.1% (+0.7 pts. compared with FY2021) ²	  
		Improvement of employment rate of people with disabilities	• Employment rate of people with disabilities: Increase year on year ²	• Provision of a suitable work environment and enhancing effectiveness of recruitment for people with disabilities	• 2.5% (+0.12 pts. compared with FY2021) ²	
		Reduction in rate of findings requiring health check follow up	• Reduction in rate of findings requiring health check follow up: Decrease year on year	• Visualization of data through implementation of health management system, interviews with persons who have findings requiring health check follow up • Implementation of questionnaires and awareness surveys, etc. regarding lifestyle habits	• Rate of findings requiring health check follow up: 74.8% (+2.5 pts. compared with FY2021) ² • Exercise habit rate: 25.33% (+0.75 pts. compared with FY2021) ^{2,4}	
	Health management	Reduction in smoking rate	• Smoking rate among total employees: Bring in line with nationwide average of 16.7% (lead by top management)	• Measurement and data management of the number of smokers ³ • Management of participation rates in e-learning course for smokers and smoking cessation program ³	• Smoking rate: 17.8%; Number of smokers: 479 (~169 compared with FY2021 (~5.5 pts.)) ³ • Participation rate in e-learning course for smokers: 88.4%; Participation in smoking cessation program: 66.7%	
Social		Mental health	• Regular consultations: Once a year ² • Improvement of rate of paid annual leave usage: Increase year on year ²	• Ensuring regular consultations • Implementation of workplace environment improvement program after stress check (management training)	• Held twice during the year • 59.2% (+2.2 pts. compared with FY2021)	
	Occupational safety and health	Number of workplace accidents	• Reduction in frequency of workplace accidents from the previous year: Continue record of zero accidents resulting in lost workdays at Sanken Electric and domestic Group companies	• Internal communication of occupational safety and health policies and annual plan • Ascertaining number of workplace accidents	• Workplace accident frequency rate: 0.00 (+0.00 compared with FY2021) ² • Number of workplace accidents: 3 (~2 compared with FY2021) ²	
	Social contributions	Visualization of social contribution activities	• Number of social contribution activities: 76 (FY2022 target) • Social contribution activity participation rate: Cumulative total of 1,200 hours, 1,900 people (FY2022 target)	• Formulation and execution of social contribution plan • Group-wide promotion of activities based on four pillars (regional revitalization, support for people with disabilities, educating the next generation, and volunteering)	• Number of social contribution activities: 71 (+18 compared with FY2021) ¹ • Social contribution activity participation rate: 2,385 hours, 3,477 people (+517 hours, +524 people compared with FY2021) ¹	
		Raising compliance awareness	• Number of compliance training sessions: At least once a year for all officers and employees • Number of communications regarding compliance: At least once a month to establish compliance study as a regular monthly habit	• Implementation of compliance training and education including for officers, employees, temporary employees and other personnel • Implementation of in-house education (e-learning, etc.)	• Held Company-wide compliance education month (e-learning) once in the year ² • Number of communications regarding compliance on internal social media: 12 ²	
Governance		Understanding of the internal reporting system	• Disclosure and management of number of internal reporting system consultations (including harassment): Operation of a system that is more likely to be used through disclosure and awareness raising	• Implementation of internal training for all officers and employees • Internal promotion through Company bulletin, intranet, etc.	• 6 consultations (~1 compared with FY2021) ³ • Revised and formulated internal reporting rules in line with revision of laws (June 2022) and conducted Company-wide training	
		Improvement of external evaluations	• Evaluation from external evaluation organizations	• Implementation of measures for improvement of external evaluations • Timely and appropriate communication of data for external release	• Continuously selected for inclusion as a constituent stock of the SOMPO Sustainability Index by SOMPO Asset Management Co., Ltd. since 2012 • Ranked 232nd in the Toyo Keizai CSR Survey (up 134 positions compared with FY2021; FY2021 position: 366th)	
		Internal promotion and raising awareness of human rights due diligence	• Implementation of human rights education: At least once a year	• Formulation and disclosure of Human Rights Policy • Internal promotion and awareness raising of human rights due diligence	• Formulated Human Rights Policy, promoted it internally and published it on the website • Held human rights seminars (for management team and Sanken Group company officers)	  
		Enhancement of information security and cybersecurity	• Acquisition of DX certification • Holding of cybersecurity drills: At least once a year	• Implementation of internal cybersecurity audit • Holding of information security education and cyberattack drills	• Established systems and implemented audit in fiscal 2023 ³ • Held cybersecurity drill once in the year ²	

1. Sanken Core: Sanken Electric, Ishikawa Sanken (Horimatsu, Shika, Noto), Yamagata Sanken, Fukushima Sanken, Sanken Plaza, Semi Devices Reliability Evaluation Center and Dalian Sanken
2. Sanken Electric Co., Ltd. (non-consolidated)
3. Sanken Group in Japan: Sanken Electric Co., Ltd., Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd. and Fukushima Sanken Co., Ltd.
4. Exercise habit: Exercise for 30 minutes or longer, at least twice a week (ages 40 and above)

Basic Approach

The Sanken Group has defined “decarbonization,” “preservation of biodiversity” and “reduction in environmental impact through waste management” as activity themes for its material issues. Our efforts to address global issues relating to climate change, biodiversity and creation of a circular economy will include working to reduce CO₂ emissions through our core business (i.e., through energy saving and higher efficiency), and lowering environmental impact through our business activities. In this way, we will expand business opportunities and help to resolve social issues, thereby realizing a sustainable society and environment.



Climate Change (Disclosure in Accordance with the TCFD Recommendations)
Governance System

The Company has established the Sustainability Committee as a body to take responsibility for ESG management of the whole Sanken Group, in accordance with the Governance element of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which calls for the establishment and disclosure of a governance system for responding to the risks and opportunities presented by climate change.

The Sustainability Committee conducts climate-related scenario analysis and identifies and assesses risks and opportunities related to climate change, holds discussions and

deliberations to consider possible responses and confirms the progress of initiatives that are being implemented. The Sustainability Committee reports at least twice a year to the Board of Directors regarding the proposals it submits for discussion and deliberation to the Executive Committee, and engages in information disclosure as appropriate.

In answer to the demands of global institutional investors, purchasers and industry initiatives, Sanken Electric discloses information regarding environmental activities in response to climate change via the CDP platform.

The committee discusses the following climate-related matters.

- Climate-related scenario analysis
- Identification and importance assessment of short-, medium- and long-term climate-related risks and opportunities
- Strategic policies for addressing the significant climate-related risks and opportunities it has identified
- Consideration of specific responses to climate-related risks and opportunities
- Progress management of responses adopted for climate-related risks and opportunities



Strategy

The Sanken Group is engaged in the business of designing, developing, manufacturing and selling semiconductors and products for other electronic applications, and envisages climate change having an impact on it in many ways. As such, we have identified climate change risks and opportunities from a medium- to long-term perspective, used scenario analysis to ascertain and assess the climate-related impacts on the Group's businesses, and to incorporate appropriate countermeasures into our management plan. In fiscal 2022, in addition to our existing analysis based on a 4°C scenario, we conducted an analysis using a 1.5°C scenario from the perspective of a low-carbon economy. This revealed risks such

as transition risk from the introduction of a carbon tax and a financial risk from soaring electricity prices. To respond to potential changes in the social and business environments brought on medium- to long-term climate change (i.e., by 2030 and by 2050), the Sustainability Committee identified climate-related risks and opportunities by deliberating on climate-related issues affecting the Company's products and its entire supply chain, as well as the potential impact of social responses to those issues. Since climate change risks and opportunities also have a direct impact on our business activities, they are addressed along with other risks in our management plans.

Method for Identifying Risks and Opportunities

The Company identified climate change-related risks and opportunities through the following procedure.

Step 1	Listed possible risks and opportunities.
Step 2	Department managers from Head Office and each plant analyzed the degree of importance of each item in terms of the following five criteria using a three-level classification. - Magnitude of impact if risk materializes (Financially/strategically) - Duration of impact (How long will it last or will the impact be ongoing?) - Frequency of occurrence (How often will risk materialization have an impact?) - Possibility of materialization (What is the likelihood of the risk materializing?) - Timing of materialization (If the risk were to materialize, how far into the future is the impact likely to be felt?)
Step 3	Collated results (also considering the degree of importance and frequency) and grouped similar items, identifying five risks and three opportunities, and evaluated and classified their importance as “high,” “medium” or “low.”

Risks

The results of the scenario analysis indicated that our performance could be significantly affected by increases in energy costs and other factors due to the introduction of policy measures to promote climate change countermeasures, such as the introduction of a carbon tax, and the strengthening of regulations.

Category		Major risks	Measures	Degree of importance
Transition risk	Measures and regulations	Higher fossil fuel prices lead to soaring electricity costs and higher operating costs	Reduce CO ₂ emissions - Energy-saving activities - Switching electricity sources to renewable energy	High
		Introduction of a carbon tax raises operating costs	- Increased efficiency during production - Optimization of transport - Promotion of recycling	High
		Decrease in sales due to lower demand for existing products as a result of new climate change-related regulations	Expand sales by developing new energy-saving and high-efficiency products under the medium-term management plan	Medium
	Reputation	Delays in the introduction of climate change countermeasures reduce stakeholder confidence and market reputation	Formulate and implement a plan for realizing carbon neutrality	Medium
Physical risk	Acute	Decrease in sales due to the impact on production caused by natural disasters, the shutdown of suppliers, and damage to logistics functions	Strengthen risk management such as by enhancing the crisis management system	Low

Opportunities

The results of the scenario analysis indicated that the efficient use of energy resources and the provision of products that meet the low-carbon needs of society and customers could have a significant positive impact on our performance.

Category	Description	Measures	Degree of importance
Products and services	Increase in sales due to the market expansion of products for a low-carbon society (automotive, white goods, etc.)	- Development of products for inverters - Development of intelligent power modules (IPMs) - Development of high-efficiency power supply devices - Development of next-generation semiconductors	High
Efficiency of resource use	Energy and resource conservation in production lines and in-house infrastructure	Introduce digital transformation and smart factories	High
Reputation	Earn greater trust from stakeholders by promoting carbon neutrality at the production stage	Formulate and implement a plan for realizing carbon neutrality	Medium

Risk Management

Climate change-related risks are discussed by the Sustainability Committee, and the content of the discussions is communicated to the Executive Committee and reported to the Board of Directors.

In addition, under the Sustainability Committee, we have established task forces specializing in Environmental (E), Social (S), and Governance (G) areas. Under the Social (S) Task Force, we have established a Crisis Management Committee to respond to natural disasters, information management risks, and other issues. In addition, by establishing the Internal

Control Promotion Committee under the Governance (G) Task Force, we support the inspection of operations in each division of Sanken Electric and Group companies, and review and evaluate the effectiveness of control measures at the Group level and at the business process level. The content of this risk management is reported to the Sustainability Committee, where all business risks, including climate change-related risks, are managed in an integrated manner.

Indicators and Targets

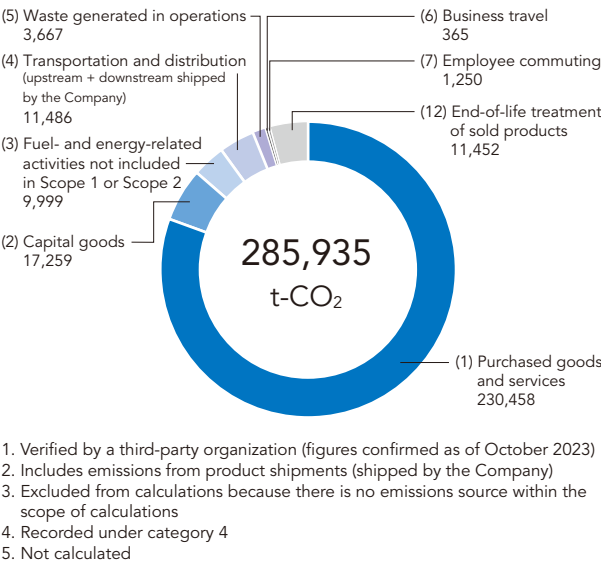
Based on the commitments of the 2015 Paris Agreement, we conducted a scenario analysis. The major risks revealed by the analysis were as follows. Under the scenario where the average temperature increases by 4°C due to climate change, we identified financial risks, including those resulting from physical risks such as flooding of sites due to increased risk of disasters. Under the 1.5°C scenario of shifting to a low-carbon economy, we identified transition risk due to the introduction of a carbon tax and financial risks such as soaring electricity prices. On the other hand, we also saw that under the 1.5°C scenario the adoption of EVs will present sales opportunities for semiconductor devices manufactured by the Group for use in xEVs.

Among these climate-related risks and opportunities, the

most significant is the financial impact of a carbon tax, and we have identified it as the highest priority climate change-related issue that the Company should address. Based on these results, we have set medium- to long-term reduction targets for greenhouse gas (GHG) emissions, namely a 33% reduction in Scope 1 and 2 emissions from 2020 levels by fiscal 2030 and carbon neutrality by 2050. We have already started initiatives toward these targets. For example, in April 2022 we switched to renewable-energy sources for most of the electricity used at Fukushima Sanken. At the Ishikawa Sanken Horimatsu Plant, we are promoting measures to introduce renewable energy and conserve energy, aiming for zero CO₂ emissions from electricity usage by 2025.

Fiscal 2022 Scope 3 Emissions by Category¹

Category	Total (t-CO ₂)
(1) Purchased goods and services (procurement of main materials for manufacturing and indirect materials only)	230,458
(2) Capital goods	17,259
(3) Fuel- and energy-related activities not included in Scope 1 or Scope 2	9,999
(4) Transportation and distribution (upstream + downstream shipped by the Company) ² (procurement of main materials for manufacturing and indirect materials only)	11,486
(5) Waste generated in operations	3,667
(6) Business travel	365
(7) Employee commuting	1,250
(8) Upstream leased assets ³	—
(9) Downstream transportation and distribution ⁴	—
(10) Processing of sold products ³	—
(11) Use of sold products ⁵	—
(12) End-of-life treatment of sold products	11,452
(13) Downstream leased assets ³	—
(14) Franchises ³	—
(15) Investments ³	—
Total	285,935



Initiatives from Fiscal 2022 (Ongoing)

- **Third-party verification of Scope 1, 2 and 3 emissions:** Verified in October 2023. The Company's GHG emissions (Scope 1 and 2) and supply chain-related GHG emissions (Scope 3) are to be verified by a third-party verification organization to certify the reliability of disclosed information.
- **Introduction of international carbon pricing (ICP):** Scheduled to begin from fiscal 2024. We are considering the introduction of ICP to promote reduction of GHG emissions and to achieve the 2030 reduction target, which is predicated on the Company's business growth.
- **Introduction of environmental data management system:** Scheduled to begin in fiscal 2024. Enhanced management and greater accuracy of various important environmental indicators is essential amid increasing demand for disclosure of environmental data, including CO₂ emissions.

- Introduction of the environmental data management system will enable fast and highly accurate provision of environmental data.
- **Reuse of packaging materials:** Scheduled to begin in fiscal 2024. Part of the plastic case used for product packaging known as the “stick” is to be reused, reducing the purchase amount of new sticks and the amount of plastic used. The Company estimates a reduction of as many as 477,600 sticks per year.
 - **Consolidation of environment-related ISO activities:** Full-scale start scheduled from fiscal 2024. Unify the environment-related ISO activities conducted separately by the four Sanken Group companies in Japan. This will lead to more streamlined activities, more efficient application through sharing of Group-wide resources, and greater unification of Group environmental activities due to the merging of ESG initiatives with SDG initiatives, effectively creating a new environmental management system (EMS) predicated on Group integration.

Fiscal 2022 Highlight

Use of Renewable Energy: Reduction of GHG Emissions

The Sanken Group promotes utilization of renewable energy to help reduce GHG emissions. At Fukushima Sanken, we switched to renewable energy for most of our electric power usage from April 2022. From fiscal 2023 we have installed solar power systems, mainly utilizing onsite PPAs.* We are also introducing renewable energy at the Horimatsu Plant and Noto Plant of Ishikawa Sanken as we work toward our medium- to long-term reduction targets for GHG emissions.



Fukushima Sanken

* Power purchase agreement: A system in which power producers (PPA operators) install power generation equipment on the customer's premises and supply power to them.

Use of Onsite PPAs

Business site	Onsite PPA electricity ratio	Equivalent in terms of average household consumption
Horimatsu, Ishikawa	19%	Equivalent to the annual electricity consumption of approximately 1,500 households
Noto, Ishikawa	9%	
Fukushima	5%	
Total	12%	

METI Energy Conservation Grand Prize
MD6750 Series High-Efficiency Digital Power Management IC

Sanken's high-efficiency digital power management ICs—MD6750 Series—won the Minister of Economy, Trade and Industry Award (in the Power-saving Field), as the highest award in the Product & Business Model Category of the FY2022 Energy Conservation Grand Prize. The MD6750 Series achieves a 30% reduction in the number of circuit components, a 20% reduction in size, and a 2% or higher increase in conversion efficiency at all load ranges.



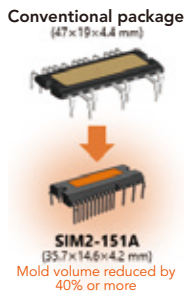
Minister of Economy, Trade and Industry Award presentation ceremony

ISO 14001 “Strong Point” Recognized by the Japan Quality Assurance Organization

In the regular ISO 14001 audit, the Company's digital power management IC development initiatives were recognized as a “strong point.” If our ICs were used in the 4.31 million large-screen televisions (OLED TVs: 850,000, 4K or higher TVs: 3.46 million) in Japan, an estimated annual reduction in electricity consumption of 23.79 million kW (equivalent to 30,000 t-CO₂/year) would be achieved. We expect them to contribute significantly to power management going forward.

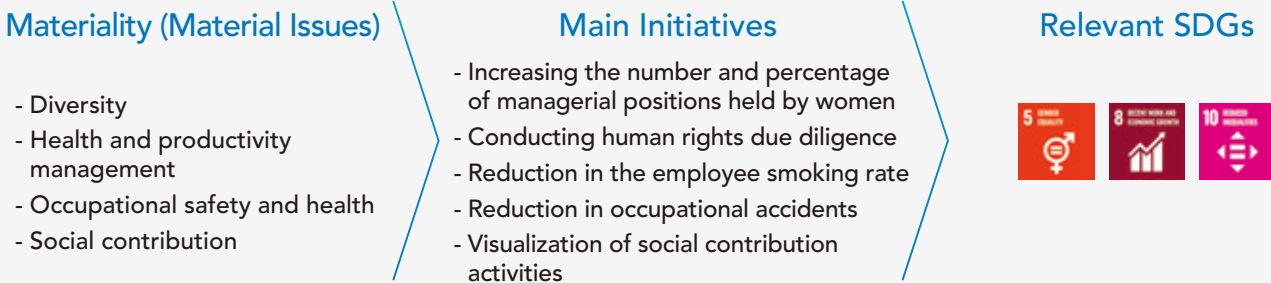
SIM2-151A High Voltage 3-phase Motor Driver
—More than 40% Smaller Mold Volume than Conventional Models

The SIM2-151A is a high voltage 3-phase motor driver in which transistors, pre-drive circuits, and bootstrap circuits (diodes and resistors) are highly integrated. Along with the lower-loss power elements, we successfully reduced the product's mold volume by 40% or more compared to our conventional package by using a direct copper bonding (DCB) structure, which offers excellent heat dissipation. The product is of the smallest class in the industry, but has the heat dissipation equivalent of a conventional package.



Basic Approach

To fulfill its responsibilities as a company and ensure management sustainability, the Sanken Group has identified “diversity,” “health and productivity management,” “occupational safety and health” and “social contribution” as activity themes for its material issues. We respect the diversity and values of our employees, and as a corporate group where people can fully demonstrate their capabilities we aim to co-exist with all stakeholders involved in the Sanken Group as well as to sustainably develop and revitalize local communities through our business activities.



Human Rights

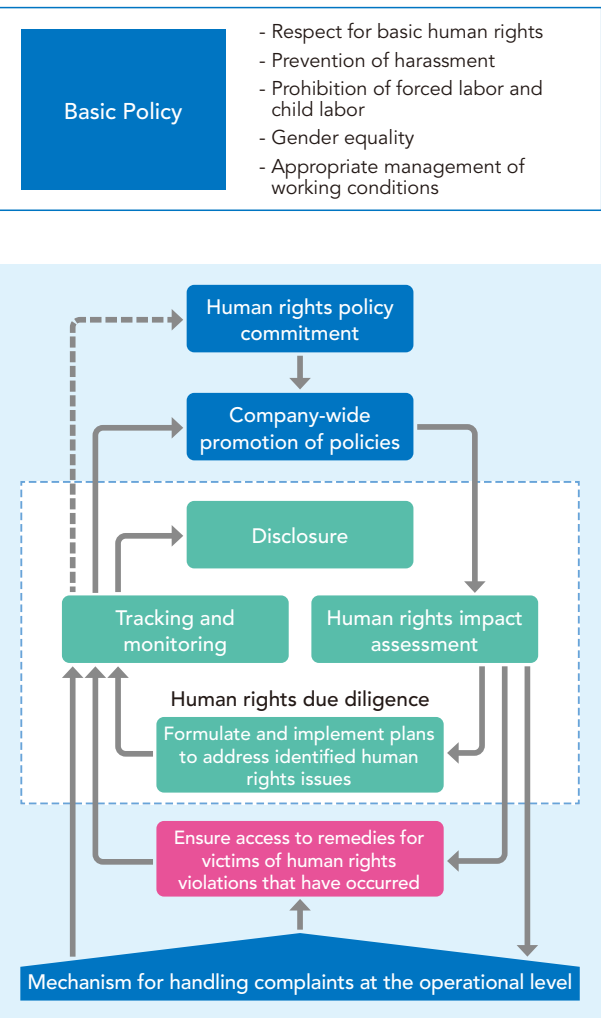
Basic Approach to Human Rights and Work

In addition to the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the International Labor Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work, the Sanken Group also adheres to other international norms and principles related to human rights including the Children’s Rights and Business Principles (developed by UNICEF, the UN Global Compact and Save the Children), and is committed to respecting human rights. In November 2022, we formulated the Sanken Group Human Rights Policy and revised the Conduct Guidelines. We have also been working to ensure they are known and practiced throughout the entire Group in Japan and overseas.

In order to promote activities to ensure respect for human rights, we will build and strengthen a PDCA cycle centered on human rights training, risk assessment and countermeasures, and assessments. The Sanken Group’s approach to human rights and actions will be clearly communicated to all stakeholders, including customers, shareholders and employees.

Human Rights Due Diligence

The Sanken Group has established a due diligence process for human rights, based on the UN Guiding Principles on Business and Human Rights. In moving forward, we will prioritize addressing human rights risks in supply chains, addressing human rights risks with regard to employees, and ensuring access to remedies. In these efforts, we will follow the abovementioned international norms and principles related to human rights, while taking measures in compliance with the Responsible Business Alliance (RBA) Code of Conduct, which is the international CSR standard for electronic component supply chains, and other standards and procedures.



Efforts to Respect Human Rights

The Sanken Group regularly conducts human rights seminars for senior management, as well as education on harassment prevention for managers and general employees in order to ensure the greater reliability of its efforts to respect human rights.

In fiscal 2022, the Company used an intranet human rights policy training seminar for officers, employees and other personnel, to promote understanding of the Human Rights Policy throughout the Group. We also undertook awareness-raising activities about human rights and compliance matters for all officers and employees.



Human rights seminar for senior management

Countermeasures against Harassment

In June 2022, the Amendment to the Whistleblower Protect Act came into effect in Japan. To confirm understanding of the act, Sanken Electric and its domestic Group companies held online

lectures targeting those in managerial positions (six lectures with 250 participants from the Company and Group companies) and employees and other personnel (2,300 participants in total from the Company and Group companies). We also used an internal social media platform to offer regular training seminars on the intranet aimed at establishing compliance study as a regular monthly habit.

Responsible Mineral Procurement

The Sanken Group is in agreement with international efforts to address the issue of conflict minerals, and strives to obtain the latest information, making reference to the Seminar on Responsible Mineral Procurement and Surveying held by the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA). We will also cooperate with our business partners to ensure supply chain transparency and promote procurement of components and materials that does not allow human rights violations.

Diversity Promotion

In the Sanken Group, diversity promotion is a management strategy for creating a resilient company able to grow sustainably. We promote the creation of work environments where individuals are able to fully achieve their potential. We do so by ensuring respect, inclusion and fairness, regardless of attributes such as nationality, culture, gender, age, disability status, work history, and values. This in turn leads to the creation of new value.

Basic Values of Diversity

In the Diversity Promotion Team, which is one of the task force teams under the Sustainability Committee, representatives responsible for promotion who have been selected from each business location have formulated a set of core values to serve as the foundation for daily conduct and business execution, and are working to further promote diversity.

Core Values

To Sanken Electric, diversity means aiming to have all employees (regardless of nationality, gender, age, or occupation) understand the objectives of diversity, and to have each individual be respected equally. For that reason, it values the following ways of thinking.

- Mutual respect for one another
- Exchanging positive words to achieve mutual growth
- Valuing work-life balance

Diversity, Equity & Inclusion Management Training

As part of our diversity promotion activities, in February 2023, we implemented Diversity, Equity & Inclusion Management

Training for management personnel of the Sanken Group, starting with senior management, with 69 people participating in total. We will continue to hold this training in 2023, aiming for participation from another 205 management personnel.

Enhancement of Men’s Childcare Leave System

From April 2023, the Sanken Group has enhanced its systems for encouraging male employees to take childcare leave, including offering male employees one month of paid leave for childcare. In another related effort, the Group has introduced an e-learning course, which has been taken by 2,861 people across the entire Sanken Group (96% participation rate; as of June 2023).



Employees designed an in-company campaign to promote greater support for colleagues who take childcare leave.

As companies that are supportive of employees’ engagement in childcare, Ishikawa Sanken was the first company in Ishikawa Prefecture to receive Kurumin Plus accreditation, while Yamagata Sanken has received Kurumin accreditation. Yamagata Sanken and Fukushima Sanken have also received Eruboshi Certification (3 Stars) and Ishikawa Sanken has received Eruboshi Certification (2 Stars).

Human Resources

Human Resource Development

It is said that “a company is its people,” and in truth, people are the source of creative ideas and cutting-edge technologies.

Sanken Electric has a strong commitment to developing human resources and various abilities, and advances multi-faceted and multi-stage plans for development when formulating employees’ career plans based on individual skill maps. We have created an organization where individual employees take charge of their own learning and improvement, and under a policy of supporting personal growth we have established a system for providing the necessary training, which is implemented according to a yearly plan and periodically revised.

Human Resources Development Policy

- The Company provides growth opportunities, and based on self-improvement, OJT and other training sessions, actively supports the growth of each individual employee while fostering a corporate culture of learning and developing.
- Managers have a responsibility to support the growth of their team members. They work to foster a desire for growth, provide growth opportunities, give feedback, lead by example, and strive for self-growth.
- Employees shall take responsibility for self-growth, and undertake initiatives in an independent and systematic manner.
- Support the enhancement of managers’ abilities to help their team members develop, and support the growth and independence of employees.

Training System

In fiscal 2023 we revamped our training system and we actively conduct training seminars with the view that employee growth leads to company growth.

	Basic training flexible study	Technical training Nexus School	Stratified training	Management	Global	Other
Managers		Development		Next-generation leader training, etc.		
Team leaders			Specialization practice	Trainers Coaching Career Leadership Strategy, etc.	GCD	Language learning
General employees	Basic	Introduction				Women's careers and overseas study
New employees			New employee training			Digital transformation (DX) Correspondence education and self-improvement, etc.

Training Content and Number of Participants (Fiscal 2022)

Education and training	Content
Basic training	Flexible study: A program targeting junior employees that uses digital learning content and videos. Participants are able to enjoy learning and progressing anytime and anywhere, as well as to develop effective study habits, with the aim of increasing the overall level of basic business skills. The program has been implemented from fiscal 2023.
Technical training	Sanken Nexus School (N School): A technical school that opened in fiscal 2023 to provide technical training that supports growth, with the philosophy of “creating a nexus for individual employees to connect the next generation of individuals with the Company’s growth and success.” Sanken Nexus School will provide basic training where employees can learn about power semiconductors, the Company’s core business, regardless of whether their background is in the sciences or humanities. The school will also offer practical training for technicians to acquire more specialized technical knowledge.
Selected training	Next-generation leader training: Future candidates for managerial positions are selected, and training is conducted continuously and systematically in order for these candidates to obtain the knowledge, perspective, and leadership, etc. necessary to become managers. Participants: 10
Global Career Development (GCD)	The Company works to develop global human resources and global leaders. In addition to language study, overseas training is conducted so that employees can learn about business customs in different cultures, technologies, and other relevant knowledge. Participants (cumulative): 29
Female career support training	As part of diversity promotion, since March 2013 in a joint effort with the rest of the Sanken Group, the Company has held career training to support the success of women and has been working to develop female leadership candidates. Participants: 16
Stratified training	This training enables employees to acquire knowledge as appropriate for their career level. The Company conducts training when employees are promoted in order to support their smooth career advancement.
New employee training	Training begins by encouraging new graduates to think of themselves as working members of society, and with the acquisition of basic business manners. Classroom seminars and hands-on training in manufacturing help deepen employees’ understanding of the Company.
Language learning	The Company provides language learning in order to develop human resources who can support global business development. In addition to English, employees can learn various other languages as well.
Career training	Training is conducted at critical turning points, such as when employees enter their 30s or 50s, in order to identify a future career plan that best suits each employee.

Promoting Health and Productivity Management

The Sanken Group views proactive initiatives aimed at the health and health maintenance of employees as a critical element that impacts the sustainable growth of an entire company, and works together as a Group to advance workplace health promotion.

Sanken Electric appointed its president as Chief Health Officer (CHO), and established a Health Promotion Council comprised of the manager of the Human Resources Division, industrial physicians, and the president of the Health Insurance Association. The Company and the Health Insurance Association work together on various measures to promote health and productivity management, which is positioned as a core strategy of management.

Organizational Structure



Initiatives to Reduce Smoking Rate

The Sanken Group declared its intention for the “Realization of a Non-Smoking Company” in fiscal 2021, and as part of those efforts, since April 2022 it has taken steps such as establishing a ban on smoking outdoors at Group premises, and having

senior management set an example for quitting smoking in order to promote the cessation of smoking during work hours.

The smoking rate as of June 2023 was 17.8% (down 5.5 percentage points compared with May 2022; consolidated figure for the Sanken Group in Japan).

Social Contribution Activities

The Sanken Group has clarified its basic policy regarding its relationship with society in the Basic CSR Policy.

As a good corporate citizen, the Group will strive to work in harmony with local communities while respecting their cultures and customs in all of its business activities, building

relationships of mutual trust through educational activities, volunteer activities, and businesses that revitalize local economies, and undertaking various social contribution activities to contribute to the sustainable development of local communities.

Environmental Education

The Sanken Group uses its own product, PETBOTAL, which it has positioned as a community contribution product, when Group companies hold regular environmental lessons at elementary schools and community centers throughout Japan. In fiscal 2022, these lessons were attended by 1,054 elementary school students. We are promoting these activities with the belief that communicating the importance of the value of the environment, the promotion of ecological and energy-saving activities, activities to reduce waste, and other related topics to young people who will lead the next generation is a priority CSR issue.

[Website](#) Local recovery support through PETBOTAL



We held environmental lessons and practical lessons to make PETBOTALS at Tohoku University's Science Campus. They were attended by 23 grade-four through grade-six elementary school students.

Fiscal 2022 Highlight

Conducting Safety Education through Experiential Device

The Sanken Group has set a management target of zero occupational accidents and zero occupational illnesses. In fiscal 2022, we conducted safety training using the experiential device Bibirase-kun. We will continue raising safety awareness by demonstrating the experience of being caught in equipment, in addition to holding lectures.





Noriharu Fujita
External Director

Takaki Yamada
External Director

Yoko Sanuki
External Director

Hideki Hirano
External Director

Yumi Ogose
External Director

Atsushi Minami
External Director, Audit and
Supervisory Committee Member

Yumiko Moritani
External Director, Audit and
Supervisory Committee Member

Sanken Electric transitioned to a company with an audit and supervisory committee (with a majority of external directors) following approval at the General Meeting of Shareholders held in June 2023, and is strengthening governance, including increasing the representation of women on the Board. As they take up their roles under the new structure, Sanken Electric's seven external directors talk about their ambitions for the Company, as well as the issues it faces.

This is my eighth year as an external director. During this time, I have offered advice as the Company went through various phases, including two structural reforms, the sale of a non-strategic business unit, and the listing of a U.S. subsidiary. The Company fully understands the important role of external directors, and the General Meeting of Shareholders in June 2023 approved a proposal to transition to a company with an audit and supervisory committee and to adopt a Board structure with a majority of external directors. There are now seven external directors, and we are truly a diverse group in terms of industry backgrounds, areas of business knowledge and experience, and gender. As external directors, we will continue to maintain a sense of vigilance as we engage with the Company's executive team, and encourage the Board of Directors to seek reforms with a sense of urgency so as to enhance the profitability of the Sanken Core.

Noriharu Fujita
External Director

Two years have passed since my appointment as an external director. Enhancing the profitability of the Sanken Core is crucial for the Company to further increase corporate value. After examining this task from a variety of perspectives, a number of issues have been identified. If those issues can be thoroughly resolved, I believe the Company will be able to build a strong framework moving forward.

To promote the growth of the Sanken Core, the Company must look to increasing its product development capabilities and the speed of development. There is also the option of external alliances to complement existing development resources. Amid a general trend of upscaling and fab automation in the semiconductor industry, the Company has envisaged a fab strategy that is based on competitive advantage, while also aiming to achieve more stable procurement. As an external director, I would like to support speedy reforms and meet the expectations of employees and shareholders.

Takaki Yamada
External Director

June 2022 marked one year since my appointment as an external director. Previously, I have served as an external director and external Audit & Supervisory Board member at several companies in industries including pharmaceuticals, food and finance. The speed of change in the semiconductor industry is particularly remarkable, and as such, while I have a solid sense for how the Company has been growing sustainably, I nonetheless dedicate considerable focus to monitoring based on trends in the industry. When I had the opportunity to observe the Company's plants, I saw people working earnestly and making a determined effort to reduce costs. I think that the Board of Directors needs to quickly find an answer to how to lift earnings for the Sanken Core overall.

Yoko Sanuki
External Director

In addition to my current role as external director, for the preceding four-year period I also had the responsibility of being an external Audit & Supervisory Board member of Sanken Electric, and provided advice on management from the perspectives of various stakeholders. Even within the Company's long history, I felt it was a challenging four years. At meetings of the Structural Reform Committee, comprising three external directors and the president, we had vigorous discussions and made decisions with unprecedented speed to select and concentrate the Company's businesses. Following such reforms, anyone would expect earnings to make a V-shaped recovery; however, the situation remains challenging in terms of the Sanken Core's profitability. All of the Company's officers and employees have a common understanding that this is a make-or-break year for the Company, and I will carry out my responsibilities as an external director to support increasing the profitability of the Sanken Core.

Hideki Hirano
External Director

My name is Yumi Ogose, and I have recently been appointed as an external director. For 20 years at the Japan Patent Office I was involved in evaluating and granting patents in a range of fields, including those relating to semiconductors, as an examiner and director. I then switched career and spent two decades as a university professor and attorney. Throughout this time, I continued to observe the latest technology trends through my activities on various review committees and evaluation committees. Recently, I have witnessed firsthand the efforts of the Japanese government to restore industrial competitiveness, with semiconductors leading the way. Upon reading the 50-year corporate history published by Sanken Electric, I was surprised to learn that from the very beginning the Company took into consideration the optimal shareholder structure for preventing management from getting ahead of itself. Indeed, part of Sanken's DNA is "co-creating with stakeholders." In my new role, I will strive to help increase the Company's corporate value.

Yumi Ogose
External Director

Over the previous six years, I served as an external Audit & Supervisory Board member, and following the change of governance structure, I have been appointed as an external director also serving as an Audit and Supervisory Committee member. From my experience as a corporate legal advisor, I have seen that companies that consistently grow their business earnings always have not just strong sales and development divisions, but also strong corporate divisions, and these divisions coordinate activities appropriately. Sanken Electric's corporate divisions carry out their tasks with sincerity and precision, provide Company-wide support and leadership, and promote reforms from novel perspectives to drive the development of the Sanken Core. Going forward, I will audit business execution by officers and employees in terms of legal compliance, checking that it is acceptable and appropriate and fulfilling my responsibilities as a Board member. I believe that the Company is on the cusp of a great leap forward.

Atsushi Minami
External Director, Audit and Supervisory Committee Member

My name is Yumiko Moritani, and in June 2023 I was newly appointed as an external director also serving as an Audit and Supervisory Committee member. For 38 years, I have worked at a bank and its affiliate companies, and experienced the front lines of both head office and sales divisions. I have worked in management in both supervisory and execution roles. I served as an Audit & Supervisory Board member at the bank, and as a senior executive director at one of its affiliates. Subsequently, I became an outside director at a listed company involved in systems.

I have had a great interest in manufacturing for some time, and I will strive to familiarize myself with Sanken Electric's business as quickly as possible. Moreover, I will leverage my experience to carry out my responsibilities as an external director and Audit and Supervisory Committee member at the Company following its transition to a company with an audit and supervisory committee.

Yumiko Moritani
External Director, Audit and Supervisory Committee Member

Corporate Governance

Basic Approach

In order to contribute to society through power electronics and enhance corporate value, the Company positions corporate governance as a material management issue and works to enhance its corporate governance system and functions. Effective corporate governance enables us to consider demands from a wide range of stakeholders and take timely and appropriate actions across our global businesses, which are increasingly diversified and complex, and make speedy and bold decisions while ensuring transparency and fairness. To this end, we will implement the necessary measures and ensure accountability, and actively engage in dialogue with a wide range of stakeholders to further improve corporate governance. Looking ahead, we will continue to examine appropriate internal systems while giving comprehensive consideration to the demands of stakeholders and matters such as the requirements of society regarding corporate governance.

Changes in the Corporate Governance System

- (1) Transition to a company with an audit and supervisory committee
- By resolution of the 106th Ordinary General Meeting of Shareholders, held on June 23, 2023, the Company transitioned to a company with an audit and supervisory committee.
 - Comprising a majority of external directors, the Audit and Supervisory Committee ensures the transparency of management and reflects the expectations of stakeholders in Japan and overseas more accurately by taking responsibility for auditing and supervising the legality and appropriateness of business execution.
 - Delegating broader decision-making authority to directors will enable even faster management decision-making and execution under the appropriate supervision of the Board of Directors.
- (2) Independent external directors make up the majority in the Board of Directors
- Among the 13 directors, the Company has appointed 7 independent external directors (2 of whom are Audit and Supervisory Committee members).
 - This ensures objective and neutral management supervision.

Board of Directors

The Board of Directors meets approximately nine times a year, and has the function of deliberating the Company's material business execution and supervising the execution of duties by directors. Furthermore, we have adopted a corporate officer system that separates management decision-making and supervision functions from business execution functions, thus establishing a structure able to rapidly respond to changes in the business environment. As of June 30, 2023, Sanken has 13 corporate officers, 4 of whom concurrently serve as directors.

We conducted pre-meeting briefings for external directors regarding important agenda items, providing information about proposals as necessary, including background, objectives and content. In addition, we also held regular meetings outside of the Board of Directors to facilitate discussion with external directors about important themes.

- Composition: 13 members (7 of whom are independent external directors)
- Chairperson: Representative director, president
- Meetings in fiscal 2022: 9
- Main matters discussed: Matters related to the transition to a company with audit and supervisory committee, activity status of the Sustainability Committee, setting the period of the stock compensation plan for officers, setting indicators for the performance-linked compensation plan, results of the Board of Directors effectiveness evaluation, important capital investments, and other matters

Audit and Supervisory Committee

The Audit and Supervisory Committee sets the audit policy, audit standards, and audit plan. As necessary, it also revises the internal audit regulations and pre-approvals of the audit plans of the Internal Auditing Group. The committee also audits the legality and appropriateness of the directors' execution of duties in cooperation with the Internal Auditing Group by conducting on-site audits of the Company's divisions and Group companies and surveying the status of matters such as the Company's operations and assets and its use of internal control systems.

The Company transitioned to a company with audit and supervisory committee by resolution of the 106th Ordinary General Meeting of Shareholders, held on June 23, 2023. Please see the Annual Securities Report (in Japanese only) for information on the status of audits in fiscal 2022.

- Composition: 3 standing members (2 of whom are external directors)
- Chairperson: Yasuhisa Kato, Audit and Supervisory Committee member

Nomination Committee

The Nomination Committee's purpose is to enhance the independence and objectivity of the function of the Board of Directors as well as its accountability regarding the nomination of representative directors, directors, corporate officers, etc. The committee deliberates on successor candidates for the position of president and representative director, makes plans for the development of successor candidates, the appointment of directors and corporate officers, and other matters, and reports the results of its discussions and provides advice to the Board of Directors.

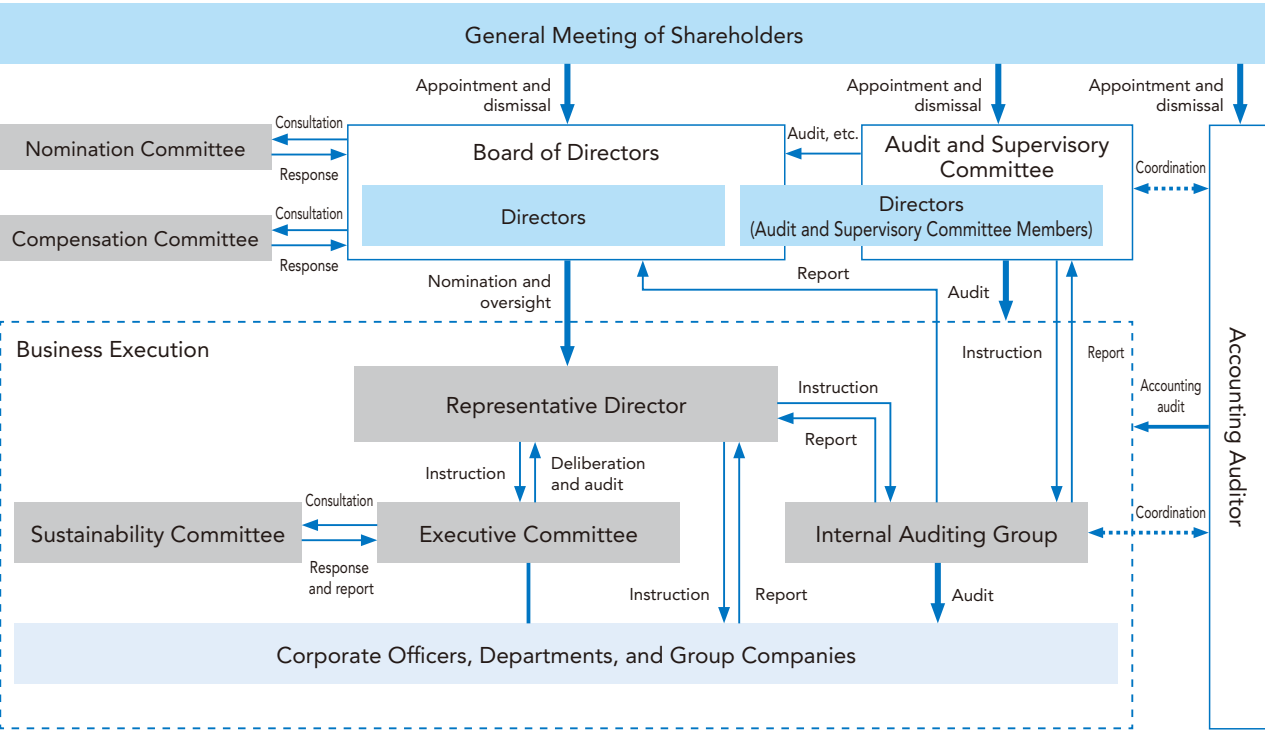
- Composition: 4 members (the majority of whom are external directors)
- Chairperson: Hideki Hirano, independent external director
- Meetings in fiscal 2022: 3
- Main matters discussed: Discussion of the status and direction of the Board of Directors, and based on that, the composition of the Board of Directors and related matters, confirmation of the requirements for the successor to the president, deliberation of the appropriateness of a development plan utilizing the skill matrix

Compensation Committee

The Compensation Committee's purpose is to enhance the independence and objectivity of the function of the Board of Directors and its accountability regarding compensation for Directors, etc. The committee deliberates on the Company's compensation plan for directors and corporate officers, compensation for individual directors, and other matters, and reports the results of its discussions regarding directors (excluding directors who are Audit and Supervisory Committee members) and corporate officers and provides advice to the Board of Directors.

- Composition: 5 members (the majority of whom are external directors)
- Chairperson: Hideki Hirano, independent external director
- Meetings in fiscal 2022: 4
- Main matters discussed: Review of performance-linked compensation, discussion on revision of indicators, exchange of opinions on issues and items for examination in director compensation for increasing corporate value, determination of recommendations to Board of Directors regarding director compensation

Corporate Governance Structure



Views on Balance, Diversity and Size of the Board of Directors

In terms of the number of members of the Company's Board of Directors, the Company's basic view is that the Board of Directors should comprise an appropriate number of members to ensure an effective management structure and substantive discussions in meetings of the Board of Directors, which are essential to Group management. Furthermore, we select individuals with knowledge of corporate management and international experience, those qualified as attorneys and those with knowledge of finance and accounting to serve as external directors and external Audit and Supervisory Committee members. In addition, we endeavor to ensure diversity and specialization through such means as appointing non-Japanese individuals to serve as directors.

Policy and Process for Nominating Officer Candidates

In order for the Board of Directors to perform its duties and responsibilities effectively, the Company believes it is important that a certain number of members of the Board of Directors should be well-versed in the Company's businesses and related issues. Furthermore, in order to ensure the independence and objectiveness of the Board of Directors, independent external directors should comprise the majority of the Board, and when nominating such candidates it is important to select individuals who are not only independent but also diverse from the standpoints of gender, nationality, knowledge, experience and skills. In this context, candidates for executive director positions who are well-versed in our businesses and related issues are nominated in order to align management in the same strategic direction. For candidates for external director positions, individuals who are independent, have diverse knowledge and backgrounds and are able to contribute to ensuring fairness in business execution from an objective standpoint are nominated. These candidates are expected to provide advice that will lead to improvements in corporate value. Based on these policies, the Nomination Committee, which comprises a majority of independent external directors, is consulted to advise on candidates for director and corporate officer positions. The committee deliberates and reports to the Board of Directors, which makes decisions while paying the utmost respect to the committee's report. For Audit and Supervisory Committee member candidates, individuals with the skills, experience and knowledge necessary for audits of the Company are nominated, and decisions are made by the Board of Directors after obtaining the agreement of the Audit and Supervisory Committee.

■ Main Fields of Experience of Directors (Skills Matrix)

The Company prepares a skills matrix to examine whether the Board of Directors as a whole possesses the necessary skills in light of the Company's management strategy. When selecting candidates for directors, after the Nomination Committee deliberates on the candidates, the Board of Directors deliberates and decides on the candidates based on the specifics of the skills matrix. Given the important role of external directors in reflecting changes in the business environment in management strategies, we select semiconductor industry professionals with experience in corporate management to serve as external directors.

	Name	Corporate management	Finance and accounting	Industry knowledge	R&D and manufacturing	Sales and marketing	ESG and SDGs	DX and IT	Global operations	Intellectual property	Legal affairs and risk management
Director	Hiroshi Takahashi	●	●	●	●		●	●	●	●	
	Satoshi Yoshida	●		●		●	●		●		
	Myungjun Lee	●	●	●	●	●			●	●	
	Katsumi Kawashima	●	●	●			●				●
	Mizuki Utsuno	●	●	●	●	●		●		●	
External director	Noriharu Fujita		●	●					●		
	Takaki Yamada	●	●	●	●	●			●	●	
	Yoko Sanuki						●				●
	Hideki Hirano	●	●								
	Yumi Ogose	●			●					●	
Director (standing Audit and Supervisory Committee member)	Yasuhisa Kato			●	●		●				
External director (Audit and Supervisory Committee member)	Atsushi Minami									●	●
	Yumiko Moritani	●	●					●			

Policy on Training of Directors

The Company conducts training programs for newly appointed directors and future senior management candidates so that officers can obtain the knowledge needed to perform their duties and responsibilities as well as other expertise. In the future, we will seek to offer these programs to a broader range of personnel and develop more sophisticated programs. Moreover, we will make every effort to provide and facilitate training opportunities targeting individual directors, encourage self-improvement by each director and assist with the necessary expenses.

Analysis and Evaluation of Board Effectiveness and Summary of Results

● **Evaluation Methods**
In February and March 2023, to evaluate the effectiveness of the Board of Directors, the Company distributed a questionnaire to all directors and Audit and Supervisory Committee members on (1) the functions and composition of the Board of Directors, (2) the management of the Board of Directors, (3) the provision of information to external officers, (4) the status of improvement from the previous year, and (5) overall evaluation, and conducted interviews with external officers. The Board of Directors deliberated on the aggregated responses and analysis results of the questionnaire, as well as the interview findings.

● **Summary of Evaluation Results**
The Company considers that there has been an improvement in efforts to ensure gender diversity and provide more training opportunities for Directors, which were identified as issues in the previous Board of Directors' effectiveness evaluation. The results of this latest evaluation indicate that the overall effectiveness of the Board of Directors has generally improved from the previous year. Specifically, in the questionnaire survey and interviews with external directors, respondents expressed favorable views regarding regularly held deliberations on major themes and discussions intended to communicate information to external directors, pre-meeting briefings for external directors about major Board of Directors meeting agenda items, and meetings held among external directors only. Meanwhile, some respondents asked for more reports on business execution, while others suggested that the Board should further shift its focus to supervision. The Board of Directors shared and deliberated on these results.

● **Future Measures**
Based on the evaluation results, the Board of Directors will continue to hold discussions on matters such as building a shared awareness of issues and considering improvement strategies as it strives to enhance its effectiveness even further.

Officer Compensation

The Company recognizes the officer compensation system (system for compensating executive officers) is an important item in corporate governance, and has adopted the following basic approach.

- The system should contribute to the recruitment and retention of outstanding human resources
- Compensation should be appropriate for the rank and role of the officer, and the scope of his/her responsibility
- The system should be a motivator in improving Sanken Electric's corporate value and sustainable growth
- The system should ensure transparency and objectivity in procedures for deciding compensation

Overview of Compensation Plan for Officers

Based on the above basic approach and taking into account the results of deliberation by the Compensation Committee, which comprises a majority of external directors, the Board of Directors decides on the policy for determining the details of compensation for individual directors, with a summary of that policy as follows.

- Compensation for directors (excluding directors who are Audit and Supervisory Committee members) consists of basic compensation in a fixed amount decided on in accordance with rank and role and paid monthly, and performance-linked compensation that changes depending on the degree of achievement of business performance targets. Performance-linked compensation is structured to provide short-term incentives that vary based on short-term performance and are paid each fiscal year, and stock-based compensation (stock delivery trust type), which varies based on medium- to long-term performance and is, in principle, a long-term incentive in which the Company's shares are granted upon retirement.
- In regard to setting the level of compensation for directors (excluding directors who are Audit and Supervisory Committee members), a standard amount of compensation is stipulated for each rank, and to ensure market competitiveness, the results of a compensation survey in which the largest companies in Japan are used as a benchmark and the

appropriateness of the level of the standard amount is verified each year. Performance-linked compensation indicators and ratios are set according to the basic approach outlined above and based on the results of deliberation by the Compensation Committee. The ratio of performance-linked compensation is designed to be roughly 40% if all performance targets are achieved.

- Compensation for external directors (excluding directors who are Audit and Supervisory Committee members) consists only of basic compensation, and is not linked to performance, in accordance with the nature of responsibilities for the position. Also, compensation for Audit and Supervisory Committee members consists solely of basic compensation paid after obtaining the agreement of the directors who are Audit and Supervisory Committee members, and is not linked to performance, in accordance with the nature of responsibilities for the position.

Fixed component	Variable component	
Basic compensation	Performance-linked compensation 40%	
60%	Short-term incentives 27%	Long-term incentives (stock-based compensation) 13%

Short-term incentives vary within a range of 0–150% of standard pay, in principle, and are linked to performance indicators for individual fiscal years in order to further raise the motivation of directors to achieve the Company's performance targets for that fiscal year. The performance-linked indicators for all directors are determined through deliberations by the Compensation Committee, and include consolidated operating profit, which is the Company's key performance indicator. Additional individual indicators are set depending on the results expected of each director. The results of performance indicators for short-term incentives for fiscal 2022 were as follows.

	Target value	Actual value	Rate of achievement
Operating profit	¥21.0 billion	¥29.9 billion	143%

Note: Consolidated operating profit, used as an indicator, is based on non-GAAP figures excluding one-time expenses.

Cross-Shareholdings

The Company may hold the shares of suppliers and other partners for the purpose of maintaining and strengthening business relationships and increasing its corporate value over the medium and long term. Our policy is to decide whether to make such investments by considering a comprehensive range of factors, such as the profits that the Group can generate by strengthening relationships, and the amount of investment. Every year, the Board of Directors verifies the rationale for owning each individual cross-shareholding from a medium- and long-term perspective by comprehensively

With regard to long-term incentives, a stock remuneration plan has been introduced to enhance the incentive to contribute to medium- and long-term corporate value, align the interests of directors with those of shareholders and raise the motivation to achieve such goals as performance targets and structural reform stated in the Company's medium-term management plan. Long-term incentives vary within a range of 0–150% of standard pay, in principle, and are linked to rank and performance indicators for the duration of the medium-term management plan. Performance-linked indicators for all directors are determined in deliberations by the Compensation Committee, and operating profit and ROE have been designated as performance indicators to emphasize raising business profitability over the medium and long term. In addition, as an expression of our commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (relative performance against TOPIX Electric Appliances (IELEC.T)) has been set as a performance-linked indicator. Furthermore, with the aim of enhancing ESG management, we added “ESG items” as performance indicators from April 1, 2023.

The comparison of target values, set in fiscal 2020, and actual values achieved for fiscal 2022, as part of long-term incentives, are as follows.

	Target value	Actual value	Rate of achievement
Operating profit	¥16.8 billion	¥29.9 billion	178%
Consolidated ROE	9.0%	9.3%	103%
Relative TSR	Relative performance against IELEC.T	275	274%

Notes: 1. Consolidated operating profit, used as an indicator, is based on non-GAAP figures excluding one-time expenses.
2. The period covered by relative TSR is three consecutive fiscal years (April 1, 2020–March 31, 2023).

considering factors such as the benefits gained from maintaining and strengthening business relationships with the issuing company. In cases where we cannot confirm the rationale for the cross-shareholding, our policy is to reduce ownership of such shares.

	Stocks held (Companies)	Total balance sheet amount (Millions of yen)
Unlisted stocks	7	68
Stocks other than unlisted stocks	10	774

Policy on Constructive Dialogue with Shareholders

The Company emphasizes constructive dialogue with shareholders, with senior management leading efforts to engage in such dialogue through various mediums. Through engagement in such dialogue, we strive to obtain shareholders' understanding of our management policies. Concurrently, we absorb and reflect their management analysis and opinions, as we work to achieve the Group's sustainable growth and

improve corporate value over the medium and long term. Based on this belief, the Corporate Design Headquarters leads efforts to conduct financial results briefings and investor relations activities. In meetings with institutional investors, our policy is for the president and representative director and the head of the Corporate Design Headquarters to attend such meetings, as necessary.

Internal Control System and Compliance System

The Company has drawn up Conduct Guidelines for adhering to ethical standards, laws and regulations, in addition to its Code of Conduct governing employee behavior. We are also working to establish rules and systems for ensuring an effective compliance system, and these include an internal reporting system (the Helpline Desk) through which officers and employees can report or consult about internal matters.

- System for ensuring that the directors and employees perform their duties in accordance with laws, regulations and the Articles of Incorporation
- System for the storage and management of information with regard to the execution of duties by directors
- Rules and other aspects of the system for managing the risk of loss
- System for ensuring that the duties of the directors are efficiently performed
- System for ensuring appropriate business operations within the Company and within each Group company
- Matters regarding employees appointed for the support of the Audit and Supervisory Committee when so requested by the Audit and Supervisory Committee
- System for reporting to the Audit and Supervisory Committee
- Policy for handling expenses and debts incurred from the execution of duties by Audit and Supervisory Committee members (limited to only those pertaining to the execution of duties by the Audit and Supervisory Committee)
- Other systems for ensuring effective auditing by the Audit and Supervisory Committee

For our internal reporting system, we have set up the Helpline Desk as a means for employees make reports and consultations, and we make concerted efforts to improve rules and systems in order to maintain our compliance structure. This system is intended for use when employees find it difficult to report or consult about a matter in their workplaces.

Operation of the internal reporting desk is entrusted to an external third-party organization to ensure anonymity, and reports are forwarded to the Internal Audit Office anonymously. The Internal Audit Office investigates reported incidents, and, if a problem is identified, strives to resolve it by applying corrective measures. Furthermore, in operating the system, the Company considers the protection of informants and persons cooperating with investigations. It prohibits, for

example, any unfavorable treatment of informants and persons cooperating with investigations on the grounds that they filed an internal report using this system.

As necessary, officers are dispatched to Group companies to assume the position of director and work to instill the Sanken Group's management policies, make decisions about important business execution and promote efficient management. The Affiliated Company Management Regulations and Management Guidelines serve to clarify the scope of responsibilities and authorities of Sanken Electric and Group companies. We determine responsible organizations at Group companies and closely share information for the purpose of providing necessary guidance for managers and business performance management at each Group company.

Key Risks and Responses

The Sanken Group has identified the following risks that could affect its business performance, financial position, and other aspects.

The forward-looking statements in this section are based on information available as of March 31, 2023 and contain uncertainties. Therefore, actual results may differ significantly from these statements.

Risks	Risk description	Responses to risks
Business Risks		
International conditions	Risk of disruption to supply of products to customers due to restrictions on production, logistics, and sales activities caused by factors such as increased geopolitical risks, including the Russia–Ukraine situation and increasing complexity of United States–China relations, as well as changes in legal and regulatory systems, energy shortages, and rising prices of raw materials and logistics	The Company oversees each department and conducts information gathering and monitoring, and ensures legal compliance through local subsidiaries regarding political and economic conditions, market trends, taxation, and legal trends. Emergency manuals set out internal systems for responding to unexpected situations, based on the nature of the incident, its seriousness, and the level of impact, and the status is reported to the Crisis Management Committee. With regard to human safety management at overseas bases, we have formulated the International Crisis Management Manual and gather and share information during normal times, enabling us to respond swiftly in times of emergency, and minimize negative impacts on business activities.
New product development	Risk of the Sanken Group being unable to introduce products in a timely fashion or its products being rejected by markets	The Company promotes information gathering by each business division regarding market trends, customer needs and competing products. We also propose and manage marketing strategies based on information analysis by marketing departments, and the planning of next-generation products. In tandem, we are working to accelerate new product development activities by promoting development reforms centered on the Production Development Center at Head Office, drive product development that anticipates customers’ latent needs, bring products to market promptly, and improve productivity.
Price competition	Risk of reduced profitability due to the appearance of low-priced products from competitors that surpass the Company's ability to price match, changes in customer demand, and significant increases in energy and raw material prices, among others	The Company will respond by striving to reduce costs further, while also launching high-value-added products that leverage its proprietary technologies and enacting procurement reforms, such as by ensuring from the design stage that components can be shared between products and working to lower the cost of materials.
Foreign exchange rates	Risk of the Sanken Group's business performance being impacted by the conversion of US dollars, in which a large ratio of its net sales is denominated, to yen for consolidated accounting purposes, depending on the exchange rate at the time of the conversion	The Company hedges such risks with a balanced approach, hedging as appropriate on receivables, payables and transaction volumes arising from increasing overseas procurement of products and raw materials, as well as foreign exchange forward contracts and so forth. These measures are aimed at minimizing the negative impacts of short-term fluctuations in the exchange rates between major currencies, including the US dollar and the Japanese yen.
Capital procurement	Risk of a decrease in credit from the securities markets or financial institutions, leading to fewer capital procurement options or an increase in the cost of capital procurement	The Company works to maintain financial discipline in its business activities by formulating capital plans based on predicted future cash flows, constantly ascertaining and reporting the status of progress on these plans, and making appropriate management decisions. Moreover, we aim to reduce risk by diversifying the means of capital procurement and giving consideration to the periods and maturities of our asset holdings. Going forward, we will realize stable capital procurement by increasing the transparency of our disclosure and maintaining appropriate communication regarding our business and financial position with markets, financial institutions and ratings agencies.
Intellectual property	Risk of a third party using the Sanken Group's intellectual property to manufacture similar products Risk of restrictions on developing and selling products if a third party establishes intellectual property rights that the Sanken Group is unaware of	The Company aims to differentiate its products from those of competitors by using technologies and expertise that it has developed itself. To protect these proprietary technologies, we apply for and register intellectual property rights as necessary and to the fullest extent possible, mainly in Japan, the United States and China.
Information security	Risk that in the event of a breach of information security or other type of misconduct, there could be a negative impact on the Sanken Group's brand image and reputation or businesses	Through the System Management Group, the Company takes damage prevention measures, such as responding to cyberattacks, preventing and detecting attempts at unauthorized access, introducing data access restrictions and implementing response training. In addition, the Internal Auditing Group's audits include confirmation of information management methods, in particular the status of document storage, and we also conduct routine training to strengthen information management. Compliance training conducted each fiscal year also includes a component on information management to raise awareness of its importance.

Risks	Risk description	Responses to risks
Disasters	Risk that suspension of business activities and disruptions in supply chains due to abnormal weather events such as torrential rain, record-breaking rainfall, major typhoons, major earthquakes, and heavy snowfall, could impact business performance	The Crisis Management Committee conducts assessment and countermeasures of risks related to natural disasters and similar threats, prepares supplies and conducts disaster drills. Furthermore, the committee works to further strengthen systems through close cooperation with each business location. Many of the Sanken Group's production sites are located in Japan, where there is a relative high risk of earthquake, and as a basic policy in the case of a major earthquake, Sanken Electric and Group companies are working on planning and the practical implementation of earthquake countermeasures to minimize direct damage from an earthquake and enable the rapid and smooth resumption of operations. Our routine initiatives include the preparation of disaster readiness manuals to prepare for the event of a disaster (such as earthquake, flood, lightning damage, electricity outage or fire). Moreover, we are continuing efforts to enhance our ability to respond to major disasters. For example, in disaster evacuation drills, we have revised our conventional department-based roll-call checks and division of roles since the adoption of free-address office seating and the flextime system, and we have built a system for a new method of roll-call checks in evacuation situations. We have also implemented an emergency communications system (ECS) as part of a system for rapidly confirming employee safety and swiftly providing assistance if a crisis occurs. Our business continuity initiatives include preparation of business continuity manuals at our production sites in Japan and overseas, as part of an effort to minimize damage when a disaster occurs and enable the rapid and smooth resumption of operations.
Laws and regulations	Risk of business performance being impacted by restrictions on business activities or a decline in social trust due to failure to adhere to various legal regulations in effect in each country and region	To ensure legal and regulatory compliance, the Company has built a system for gathering, analyzing, and discussing information in the supervising departments for each business, Group companies and the Legal Department, consulting and receiving advice from attorneys and other external experts as necessary. We have also established internal regulations, such as the Sanken Conduct Guidelines, which are a code of conduct for officers and employees, and we work to promote these internally and raise awareness of these regulations through regular training. For matters where the impact that can be expected is serious, we discuss our response through deliberation by the Board of Directors or the Executive Committee.
Infectious disease	Risk of negative impact on economic activity from spread of infection in the case of a resurgence of COVID-19	The Company will continue providing alcohol spray dispensers throughout its buildings as a basic measure to prevent the spread of infection. Should there be a resurgence in infections, we will mobilize the Special Countermeasures Committee, comprising members of the Executive Committee, to discuss measures for minimizing impact and continuing business operations. Moreover, Group companies have been working to cooperate and share relevant information with the Company.
Quality and Environmental Risks		
Quality problems	Risk of business performance being impacted by significant costs and a decline in social trust due to product defects that lead to major product recalls	The Company has obtained the international standard ISO 9001 and IATF 16949 certifications for quality management. We also obtain UL certification and other product safety certifications as necessary. In addition, we plan and implement quality improvement activities, including human resources development, and monitor progress on such activities.
Environmental problems	Risk of restrictions on business activities or impacts on business performance if the Sanken Group is unable to comply with environmental regulations, or prohibited substances that impact the environment cannot be eliminated from products	The Company has established Environmental, Social, and Governance Task Forces under the Sustainability Committee. The Environmental Task Force manages risks associated to the environment and climate change, gathering information on these and reporting it to the Sustainability Committee, which undertakes overall management of business risks, including climate change-related risks.
Treatment of Listed Subsidiary		
Treatment of listed subsidiary	Risk of being unable to generate anticipated benefits toward maximizing corporate value due to changes in the economic and business environment	The Sanken Group believes that it should continue to implement unified management of its listed subsidiary to realize its growth strategies, including its business portfolio and development strategies. We believe that these efforts will result in the maximization of the Group's corporate value.

Key Consolidated Financial and Non-Financial Data (11 Years)

												(Millions of yen)
Financial data	(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Results of operations												
Net sales		¥126,386	¥144,467	¥160,724	¥155,919	¥158,772	¥175,209	¥173,650	¥160,217	¥156,795	¥175,660	¥225,387
Operating profit (loss)		4,625	7,777	11,199	6,803	5,930	12,026	10,531	4,309	(1,198)	13,720	26,156
Operating margin (%)		3.7	5.4	7.0	4.4	3.7	6.9	6.1	2.7	(0.8)	7.8	11.6
Profit (loss) before income taxes		4,099	5,468	11,575	2,068	4,582	(6,505)	9,028	(1,638)	(7,197)	13,275	26,250
Profit (loss) attributable to owners of parent		2,272	5,029	7,942	171	1,739	(11,421)	3,967	(5,559)	(6,952)	3,204	9,533
Cash flows												
Net cash provided by operating activities		6,339	10,658	9,973	7,799	19,237	14,521	14,604	13,118	7,629	13,675	19,200
Net cash provided by (used in) investing activities		(6,390)	(11,176)	(14,234)	(11,344)	(10,931)	(16,644)	(21,783)	(8,311)	(12,294)	(12,598)	(27,679)
Net cash provided by (used in) financing activities		1,294	2,714	5,692	5,044	(3,360)	13,233	(1,990)	12,215	21,086	(6,592)	11,712
Financial indicators												
Return on assets (ROA) (%)		2.8	4.8	5.8	2.0	2.7	6.4	4.9	1.4	(1.6)	5.7	10.0
Return on equity (ROE) (%)		6.3	11.4	14.3	0.3	3.2	(20.8)	7.0	(10.3)	(10.4)	3.6	9.3
Per share*												
Total net assets per share (yen)		322.92	401.75	516.22	441.96	448.87	2,283.31	2,405.01	2,063.21	3,463.44	3,934.87	4,601.59
Profit (loss) per share (yen)		18.73	41.47	65.50	1.41	14.35	(471.22)	163.70	(229.83)	(287.96)	132.79	394.87
Cash dividends per share (yen)		6.00	6.00	6.50	3.50	3.50	30.00	30.00	30.00	0.00	30.00	30.00

* Figures for fiscal 2017 onward have been adjusted to reflect a 5:1 stock consolidation implemented on October 1, 2018.

Non-financial data	(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Scope 1 CO ₂ emissions ¹ (t)		6,722	5,261	5,844	6,688	7,286	7,650	6,606	6,312	6,343	5,838	6,223
Scope 2 CO ₂ emissions ¹ (t)		84,188	84,755	97,511	97,029	95,302	96,174	91,600	87,773	82,923	77,756	69,458
Power consumption												
└ Sanken Electric (kWh)		8,082,164	8,173,302	7,769,256	7,668,870	7,564,602	7,069,500	4,703,184	3,110,784	3,194,934	3,835,146	3,900,330
└ Ishikawa Sanken (kWh)		63,051,628	61,761,829	62,566,302	62,112,358	62,123,150	62,750,541	63,937,630	61,116,674	56,214,491	61,606,203	56,894,935
└ Yamagata Sanken (kWh)		57,042,789	55,228,588	56,341,888	55,171,078	55,208,678	56,205,078	58,015,966	58,865,217	57,969,267	58,732,367	57,307,047
└ Fukushima Sanken (kWh)		9,072,695	9,885,143	7,980,988	10,550,358	11,160,127	11,965,254	13,462,756	13,800,156	12,966,175	12,942,227	12,544,887
└ Group total power consumption ¹ (kWh)		158,558,465	150,003,130	148,572,485	148,562,564	148,941,439	150,476,696	153,401,607	149,347,690	143,510,114	145,162,372	143,655,463
Water usage												
└ Sanken Electric (m ³)		108,643	118,644	110,262	123,816	115,116	126,252	112,176	46,041	39,486	38,881	34,466
└ Ishikawa Sanken (m ³)		909,942	857,245	787,495	867,816	958,649	918,982	884,502	769,711	735,289	761,595	802,855
└ Yamagata Sanken (m ³)		894,994	914,904	999,380	1,010,875	1,055,959	1,093,539	1,099,354	1,117,710	1,065,264	1,129,439	1,061,949
└ Fukushima Sanken (m ³)		46,478	54,657	45,114	35,566	36,079	36,066	40,169	42,772	39,790	51,128	41,099
└ Group total water usage ¹ (m ³)		2,186,795	2,118,552	2,191,922	2,269,128	2,405,022	2,364,990	2,333,727	2,193,787	2,084,644	2,018,547	1,990,970
Waste emissions ² (t)		4,567	4,891	5,146	4,417	4,623	5,277	5,127	4,620	4,507	4,045	3,318
Employees (people)		10,427	10,377	10,454	10,044	9,770	9,725	9,481	9,183	8,431	8,101	8,707
└ Domestic employees (people)		—	—	—	—	3,623	3,502	3,437	3,327	3,092	2,547	2,479
└ Overseas employees (people)		—	—	—	—	6,102	6,223	6,044	5,856	5,339	5,554	6,228
└ Percentage of overseas employees (%)		—	—	—	—	62.7	64.0	63.7	63.8	63.3	68.6	71.5
└ Percentage of managerial positions held by women ^{3,4} (%)		0.6	0.6	0.5	0.6	0.6	0.6	1.5	1.5	2.0	3.2	4.5
Rate of paid annual leave usage ^{3,4} (%)		—	—	55.40	58.50	58.90	60.10	56.20	62.80	52.90	57.00	59.20
Employment rate of people with disabilities ^{3,4} (%)		—	—	2.39	2.32	2.32	2.49	2.17	2.11	1.96	2.38	2.50
Frequency rate of workplace accidents ³ (%)		—	—	—	0.00	0.45	0.00	0.00	0.48	0.00	0.00	0.00
Severity rate of workplace accidents ³ (%)		—	—	—	0.000	0.003	0.000	0.000	0.020	0.000	0.000	0.000
Rate of eligible men taking childcare leave ³ (%)		—	—	—	—	—	—	8.3	12.5	18.8	47.1	53.8
Total number of working hours per person ³ (annual)		—	—	—	—	1,784	1,768	1,785	1,730	1,790	1,804	1,884
Total number of working hours per person ³ (daily equivalent)		—	—	—	—	7.59	7.59	7.66	7.45	7.61	7.61	8.40
Smoking rate ³ (%)		—	—	—	—	—	24.53	21.84	19.72	15.93	15.18	13.01
Number of whistleblower reports ²		—	—	—	—	—	13	9	22	16	7	6

1. From fiscal 2022, calculated for Sanken Core (reporting scope: Sanken Electric, Ishikawa Sanken (Horimatsu, Shika, Noto), Yamagata Sanken, Fukushima Sanken, Sanken Plaza, Semi Devices Reliability Evaluation Center and Dalian Sanken)
2. Total of manufacturing sites in Japan
3. Sanken Electric (non-consolidated)
4. Calculation based on revised calculation method and updated historical data

Corporate Information

Name	Sanken Electric Co., Ltd.
Trademark	
Head office	3-6-3 Kitano, Niiza-shi, Saitama-ken 352-8666, Japan
Paid-in capital	¥20,896,789,680
Number of shares outstanding	25,098,060
Date of establishment	September 5, 1946
Business purpose	1. Manufacture and sale of electronic components, devices and electronic circuits 2. Manufacture and sale of electric equipment and apparatus 3. All matters related to the conduct of the business stated in the preceding items

Business Settlement Information

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June of each year
Record date with respect to above meeting	March 31 of each year
Record date for dividends	Year-end dividends: March 31 of each year Interim dividends: September 30 of each year
Listed stock exchange	Prime Market, Tokyo Stock Exchange (Stock code: 6707)

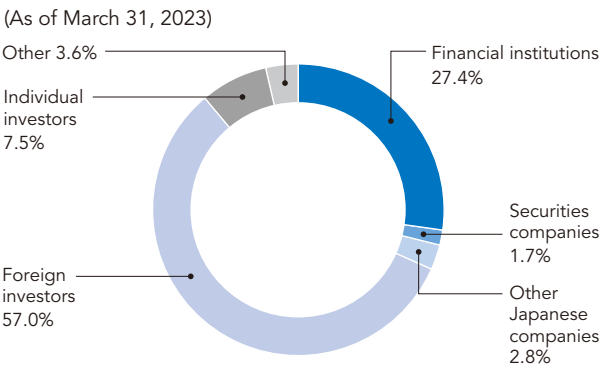
Bonds (As of March 31, 2023)

Bond name	Date of issue	Balance of bonds (Yen)
The 13th unsecured bonds	September 20, 2018	¥5,000,000,000
The 14th unsecured bonds	June 16, 2022	¥5,000,000,000
The 15th unsecured bonds	September 30, 2022	¥2,000,000,000

Share Information (As of March 31, 2023)

Number of authorized shares	51,400,000 shares
Number of shares outstanding	25,098,060 shares
Number of shareholders	6,109

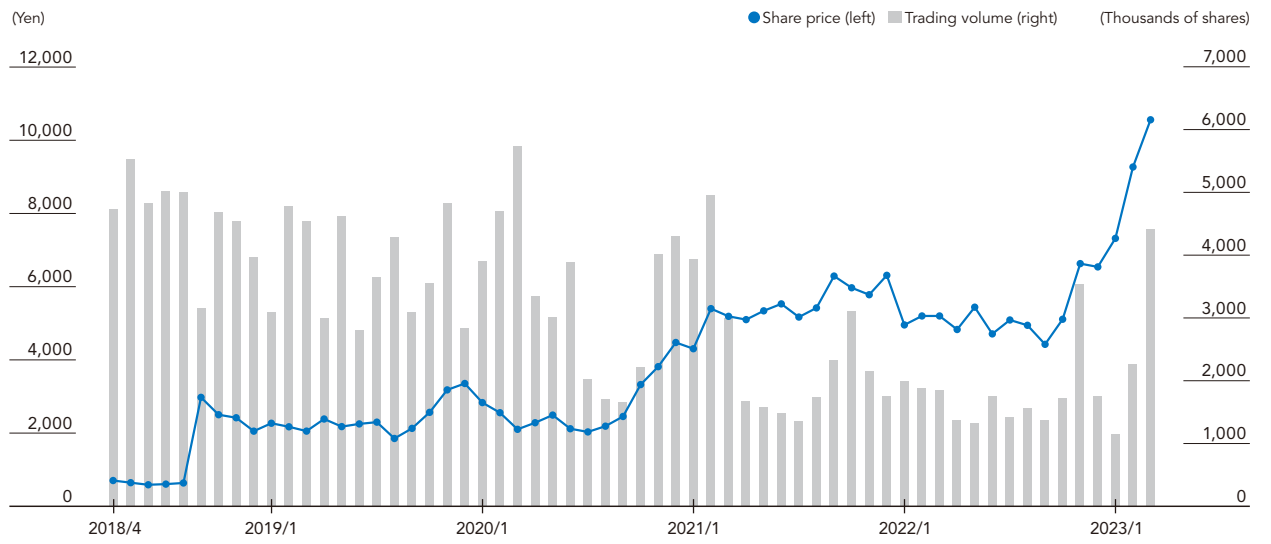
Distribution of Shareholders by Category



Principal Shareholders (As of March 31, 2023)

Shareholder name	Number of shares owned (Thousands)	Ownership percentage
ECM MF	2,722	11.23%
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,566	10.59%
GOLDMAN SACHS INTERNATIONAL	1,640	6.76%
SAITAMA RESONA BANK, LIMITED	1,202	4.96%
UBS SECURITIES LLC–HFS CUSTOMER SEGREGATED ACCOUNT	985	4.06%
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	921	3.80%
MSCO CUSTOMER SECURITIES	920	3.79%
THE BANK OF NEW YORK MELLON CORPORATION 140044	676	2.79%
SHINSEI TRUST & BANKING CO., LTD. ECM MF TRUST ACCOUNT 8299005	650	2.68%
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	548	2.26%

Share Price and Trading Volume



▶ Please visit the following websites or streaming video account for more detailed information.

Corporate Website



<https://www.sanken-ele.co.jp/en/>

Investor Relations



<https://www.sanken-ele.co.jp/corp/en/tousika/index.htm>

Sustainability



<https://www.sanken-ele.co.jp/corp/en/csr/index.htm>

Official YouTube Channel



<https://www.youtube.com/@sankenelectric/about>

Contact Form

<https://www.sanken-ele.co.jp/corp/en/tousika/contact/form.htm>