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Securities Code: 6707
June 4, 2021

To Those Shareholders with Voting Rights

Takashi Wada
President
SanKen Electric Co., Ltd.
6-3, Kitano 3-chome, Niiza-shi,
Saitama Prefecture

NOTICE OF CONVOCATION OF THE 104TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby notify you of the 104th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

We request that you refrain from attending the meeting as much as possible and exercise your voting rights in advance by mail or via the Internet in order to avoid the risk of COVID-19 infection. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m., Thursday, June 24, 2021.

Notice

- 1. Date and Time:** 10:00 a.m., Friday, June 25, 2021
- 2. Place:** The Company's Head Office
6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture
- 3. Agenda of the Meeting:**
 - Matters to be reported:**
 1. The Business Report, the Consolidated Financial Statements and results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board for the 104th Fiscal Term (from April 1, 2020 to March 31, 2021)
 2. The Non-Consolidated Financial Statements for the 104th Fiscal Term (from April 1, 2020 to March 31, 2021)

Proposals to be resolved:

- Proposal No. 1:** Election of Nine Directors
- Proposal No. 2:** Election of One Audit and Supervisory Board Member
- Proposal No. 3:** Election of One Substitute Audit and Supervisory Board Member

- If the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders are amended, the amended items will be disclosed on the Company's website below.
- We provide our shareholders with the CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, the NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS, and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS by disclosing them on our website stated above in accordance with laws and regulations and the provisions of the Articles of Incorporation of the Company. Please note that the documents disclosed on our website formed part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Board Members and Accounting Auditor during the preparation of the Audit Reports.

[The Company's website: https://www.sanken-ele.co.jp/](https://www.sanken-ele.co.jp/)

Please refer to the SanKen Report posted on our website for details about our SDGs initiatives including promoting women's participation and advancement.

For Institutional Investors:

The Electronic Voting Platform for Institutional Investors operated by Investor Communications Japan Inc. is available for Institutional Investors that have applied to use such platform in advance.

■ Instructions for attending on the day of the general meeting of shareholders

In light of the status of the COVID-19 infection, the Company prioritizes the safety of our shareholders and would like to request you to refrain from attending the general meeting of shareholders. We also ask all shareholders attending the meeting in person to agree the following in advance:

- On the day of the meeting, attendees are asked to cooperate with measures including wearing masks and temperature checks as well as disinfecting themselves. Those who refuse to cooperate with the measures may not be allowed to enter.
- Please note that those who have a fever of 37.5 °C or higher and feel unwell may not be allowed to enter. We appreciate your understanding in advance.
- We will widen the space between seats at the meeting in order to prevent infection. Accordingly, in some cases, some attendees may not be allowed to enter because the number of seats offered will be significantly decreased.
- To prevent infection, the general shareholders meeting will be shorter than usual.
- Photographing, videoing, and audio recording during the general shareholders meeting, as well as keeping and posting the recorded data to social media sites are strictly prohibited.

■ Information and notes for livestreaming

We will livestream the general meeting of shareholders. To prevent the COVID-19 infection, we request that you refrain from attending the meeting in person and consider viewing the livestreaming. Please refer to the attached document “Notice regarding the Methods for Participating the Virtual General Meeting of Shareholders” for details such as the URL of the livestreaming website, ID, and password.

Notes

- The livestreaming may be unavailable depending on your computer and Internet connection environment, etc.
- Any fees incurred through viewing the livestreaming will be borne by the shareholders.
- Viewing the livestreaming is not regarded as attendance in the general meeting of shareholders pursuant to the Companies Act, and shareholders viewing the livestreaming are not eligible to participate in the resolution. Accordingly, those shareholders are kindly asked to exercise their voting rights before viewing the livestreaming.
- Photographing, videoing, and audio recording during the shareholders general meeting, keeping and posting the recorded data to social media sites, and sharing your ID and password with third parties are strictly prohibited.

BUSINESS REPORT

(from April 1, 2020 to March 31, 2021)

1. Current Status of the Group

1. Business Results and Summary of Assets

Category		Fiscal term ended March 31, 2017 (100th Term)	Fiscal term ended March 31, 2018 (101st Term)	Fiscal term ended March 31, 2019 (102nd Term)	Fiscal term ended March 31, 2020 (103rd Term)	Fiscal term ended March 31, 2021 (104th Term) (Year ended March 31, 2021)
Net sales	(millions of yen)	158,772	175,209	173,650	160,217	156,795
Operating income (loss)	(millions of yen)	5,930	12,026	10,531	4,309	(1,198)
Ordinary income (loss)	(millions of yen)	5,026	11,808	9,173	2,674	(3,406)
Profit (loss) attributable to owners of parent	(millions of yen)	1,739	(11,421)	3,967	(5,559)	(6,952)
Net income (loss) per share	(yen)	14.35	(94.24)	163.70	(229.83)	(287.96)
Total assets	(millions of yen)	182,700	185,359	188,192	194,024	233,673
Net assets	(millions of yen)	54,736	72,283	78,541	71,776	113,250

- Notes: 1. Net income (loss) per share is calculated based on the average number of shares outstanding in each fiscal term. The average number of shares outstanding excludes treasury stock.
2. Effective as of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, net income per share for the 102nd fiscal term is calculated on the assumption that the consolidation of shares was carried out at the beginning of the said fiscal term.
3. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the 102nd fiscal term. Key financial performance indicators, etc. for the 101st fiscal term are therefore stated as figures to which the above accounting standard, etc. has been retrospectively applied.

2. Review of Operations

With regard to the business environment during the consolidated fiscal year ended March 31, 2021, the first half was impacted by the sluggish global economic environment due to the spread of the novel coronavirus (“COVID-19”). However, in the second half, the economy showed a sign of recovery, including the early recovery in production and consumer activities in China as well as brisk activity in the global semiconductor market.

Under these circumstances, the Sanken Group has been engaged in various efforts, by taking structural reform, realization of our growth strategy, enhancement of our financial strength, and promotion of work-style reform as the basic policies for the current period. These efforts included working on development reform aimed at improving the product power of semiconductor devices and the establishment of production bases for the next-generation products that will result from such reform, while carrying out business restructuring aimed at a drastic reorganization of the profit structure, such as by optimizing the production system in the semiconductor devices segment and by realizing strategic options in the power systems segment. In addition, to position ourselves for the recovery accompanying the re-opening of the economy following the rapidly deteriorating market environment due to the spread of COVID-19, we have implemented emergency measures by taking initiatives including thorough cost reduction and careful selection of capital investment.

With regard to the operating results for the fiscal year ended March 31, 2021, due to the fact that we were able to secure full fiscal year net sales on par with the previous year in the semiconductor devices segment thanks to the upturn in the market environment in the second half, especially for products for the white goods and automotive sectors, we recorded consolidated net sales of ¥156,795 million, down only ¥3,422 million (2.1%) as compared to the previous fiscal year. For income, we recorded consolidated operating loss of ¥1,198 million

(consolidated operating profit of ¥4,309 million in the previous year), and consolidated ordinary loss of ¥3,406 million (consolidated ordinary profit of ¥2,674 million in the previous year), mainly reflecting the recording of ¥5,128 million in listing-related expenses for Allegro MicroSystems, Inc. (“AMI”), our subsidiary in the U.S., on the Nasdaq market. In addition, due to reporting ¥3,568 million of expenses related to structural reform under total extraordinary losses, including recording business structure reform cost of ¥1,663 million combining extra retirement payments and loss on termination of retirement benefit plan in conjunction with structural reforms along with other related provisions, we recorded ¥6,952 million in consolidated loss attributable to owners of parent (consolidated loss attributable to owners of parent of ¥5,559 million for the previous year).

Overview of Business by Segment

Semiconductor Devices

Ratio of net sales: 87.5%

Business: Power Modules, Power ICs, Control ICs, Hall-sensor, Transistors, Diodes, LEDs

In this segment, sales of IPM products were strong, driven by increased demand for white goods in China, Europe and the U.S. from the second quarter, while sales of products for the automotive market also recovered rapidly from the third quarter onward. In addition, sales of products for the production machinery/consumer product markets, such as servers and televisions, remained favorable due to the increase in demand for communications and the expansion in consumption at home as a result of the COVID-19 pandemic. As a result, consolidated net sales for this segment were ¥137,233 million, making up for the slump in the first quarter due to COVID-19 and ending up on par with the level of the previous fiscal year. For income, despite cost reductions and other emergency measures, we recorded consolidated operating profit of ¥1,190 million, a decrease of ¥5,614 million (82.5%) as compared to the previous fiscal year, partially due to the impact of production adjustments in the second and third quarters of the fiscal year.

Power Systems

Ratio of net sales: 12.5%

Business: Uninterruptible power supplies, General purpose inverters, DC power supplies, High-intensity airway beacon, Storage system, Power conditioner, Switching mode power supplies, Transformers

In this segment, despite the increase in sales of power supply products for telecommunications base stations toward the widespread prevalence of 5G communication standards, the Company saw an overall decrease in sales as it steadily continued to withdraw from sales of unit products for non-strategic markets. As a result, consolidated net sales were ¥19,561 million, a decrease of ¥2,673 million (12.0%) as compared to the previous year. For income, we recorded consolidated operating profit of ¥882 million, an increase of ¥334 million (60.9%) as compared to the previous year.

3. Tasks to be Addressed

The outlook for the global economy remains uncertain in the near term as it is impossible to predict when the COVID-19 pandemic will come to an end. However, in the U.S., following additional economic measures and other factors, the International Monetary Fund (IMF) upwardly revised its economic growth forecast significantly to 6.4% (previously 5.1%). China is also expected to realize a high rate of growth of 8.4% (previously 8.1%). It has become clear that these two largest economies in the world will be the drivers of the global economy.

Regarding the Group's medium- to long-term market environment, supported by environmentally-friendly efforts such as the increase in the percentage of white goods with inverters and the shift to electric vehicles, as well as the widespread promotion of digital transformation, we expect to enter a period of full-fledged increase in demand in the semiconductor market. Amid this environment, the Group has started a new three-year plan, the Medium-Term Management Plan 2021. In this new medium-term management plan, the Group's management vision is to “Become a highly profitable company that grows on the performance of its unique technologies, people and organization, contributing to social innovation.” The management strategy will be integrated with the Medium-Term Management Plan 2018 under which work began on structural reform and the growth strategy, with the goal of the new medium-term management plan being to “Realize a recovery of the Sanken Core*” and “Further growth of AMI” over the six-year period from the start of the Medium-Term Management Plan 2018.

(*Sanken Core: Refers to Sanken's semiconductor business excluding AMI.)

The core elements of the Medium-Term Management Plan 2021 are as follows:

[Business Portfolio]

Power modules, Power devices, and Sensors

[Growth]

Aim for sales growth exceeding the growth rate of the semiconductor market

[KPI]

FY2023 Consolidated Targets

- Operating profit margin: At least 13%
- Net sales: At least ¥170,000 million
- ROE: At least 12%

In order to realize these, the Group will establish management indicators (KPI), clarify the contribution points (materiality) for the sustainable development of the region and society, and strive to be a corporate group that contributes to solving environmental problems.

In the fiscal year ending March 31, 2022, which is the first year of the Medium-Term Management Plan 2021, we will steadily complete the structural reform that we have been promoting since the Medium-Term Management Plan 2018 and accelerate the drastic restructuring of the Sanken Core which had a low profit structure. We will also introduce new products based on development reforms targeting a recovery in product strength as well as bolster our financial position. By implementing these measures, we intend to transform into a power modules, power devices, and sensors-focused company that can contribute to global environmental conservation by providing energy-saving solutions based on our cutting-edge technologies such as power conversion and motor control technologies, and possess a highly-competitive edge in the global market. We greatly appreciate your ongoing support and encouragement.

4. Status of Principal Subsidiaries

Name	Common stock	Percentage of equity participation	Principal business	Offices	Location
Ishikawa Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors	Head Office, Horimatsu Plant	Shika-machi, Haku-gun, Ishikawa Prefecture
				Shika Plant	Shika-machi, Haku-gun, Ishikawa Prefecture
				Machino Plant	Wajima-shi, Ishikawa Prefecture
				Uchiura Plant	Noto-machi, Housu-gun, Ishikawa Prefecture
Yamagata Sanken Co., Ltd.	100 million yen	100.0%	Manufacture of semiconductors	Head Office	Higashine-shi, Yamagata Prefecture
Kashima Sanken Co., Ltd.	75 million yen	100.0%	Manufacture of semiconductors	Head Office	Kamisu-shi, Ibaraki Prefecture
Fukushima Sanken Co., Ltd.	50 million yen	100.0%	Manufacture and sale of semiconductors	Head Office	Nihonmatsu-shi, Fukushima Prefecture
Sanken Optoproducts Co., Ltd.	90 million yen	100.0%	Manufacture of semiconductors and Power System	Head Office	Shika-machi, Haku-gun, Ishikawa Prefecture
Dalian Sanken Electric Co., Ltd.	136 million yuan	100.0%	Manufacture of semiconductors; manufacture and sale of Power System	Head Office	Liaoning, China
Allegro MicroSystems, Inc.	1,895 thousand US dollars	52.0%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Allegro MicroSystems, LLC	43 million US dollars	* 52.0%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Polar Semiconductor, LLC	10 million US dollars	85.6% * 15.6%	Manufacture of semiconductors	Head Office	Minnesota, U.S.A.
P.T. Sanken Indonesia	96 million US dollars	100.0%	Manufacture and sale of Power System	Head Office	West Java, Indonesia
Sanken Densetsu Co., Ltd.	320 million yen	100.0%	Development, manufacture, sale and maintenance checkup of Power System	Head Office	Kawagoeshi-shi, Saitama Prefecture

- Notes: 1. Ishikawa Sanken Co., Ltd. and Sanken Optoproducts Co., Ltd. conducted an absorption-type merger on April 1, 2021, and the dissolution of Sanken Optoproducts Co., Ltd. was completed on the same day.
2. In the current fiscal year, the Company increased capital in Dalian Sanken Electric to ensure the funds required for the expansion of the plant in Dalian Sanken Electric.
3. In the current fiscal year, Allegro MicroSystems, Inc. was listed on the U.S. NASDAQ market and the Company sold a portion of its shares of Allegro MicroSystems, Inc. As a result, the capital amount (common stock) of the subsidiary, the ratio of the Company's investment (percentage of equity participation) in the subsidiary, and the ratios of investment in Allegro MicroSystems, LLC and Polar Semiconductor, LLC changed.
4. Capital of Allegro MicroSystems, LLC indicates capital surplus.
5. Capital of Polar Semiconductor, LLC is not included in capital surplus from the fiscal year under review.

6. Asterisks (*) indicate indirect ownership through Allegro MicroSystems, Inc.
7. As of March 1, 2021, the Company had its subsidiary Sanken Densetsu Co., Ltd. succeed to its infrastructure business among its power system business by means of an absorption-type company split. In addition, all of the shares issued of Sanken Densetsu Co., Ltd. were transferred to GS Yuasa International Ltd. on May 1, 2021.
8. No specific wholly owned subsidiary exists as of the end of the current consolidated fiscal year.

5. Principal Offices

■ The Company

Offices	Location
Head Office	Niiza-shi, Saitama Prefecture
Osaka Branch	Osaka-shi, Osaka
Tokyo Office	Toshima-ku, Tokyo
Nagoya Sales Office	Nagoya-shi, Aichi Prefecture

■ Subsidiaries

Please See “4. Status of Principal Subsidiaries.”

6. Capital Investment

Capital investment of the current consolidated fiscal year amounted to 12,045 million yen. This mainly consisted of investment for the purpose of constructing the Sanken HQ, Production Development Center and expanding the production capacity of semiconductor devices and others.

7. Financing

The Company allocated the funds required during the current consolidated fiscal year from its own funds and borrowings, among other sources. No special funds were acquired through increases of capital or bond issues.

8. Employees

Number of employees	Year-on-year
8,431	-752

Note: As a result of having the Company's subsidiary Sanken Densetsu Co., Ltd. succeed to its infrastructure business among its power system business by means of an absorption-type company split on March 1, 2021, the number of employees of the Company (non-consolidated) as of the end of the current fiscal year is 811. This is a decrease of 263 employees from the previous year.

9. Major Creditors

Creditors	Loan Outstanding
Development Bank of Japan Inc.	15,000 million yen
Resona Bank, Limited.	9,251 million yen
MUFG Bank, Ltd.	5,715 million yen
Mizuho Bank, Ltd.	4,206 million yen
Sumitomo Mitsui Banking Corporation	2,597 million yen
The Hachijuni Bank, Ltd	2,319 million yen
Saitama Resona Bank, Limited	2,000 million yen

10. Absorption-type Company Split

As of March 1, 2021, the Company had its subsidiary Sanken Densetsu Co., Ltd. succeed to its infrastructure business among its power system business by means of an absorption-type company split. In addition, all of the shares issued of Sanken Densetsu Co., Ltd. were transferred to GS Yuasa International Ltd. on May 1, 2021.

2. Shares of the Company

1. Total number of shares authorized to be issued 51,400,000

2. Total number of shares issued 25,098,060
(The number includes 869,629 shares of treasury stock)

3. Number of shareholders 6,705

4. Major shareholders

Name	Capital contribution	
	Number of shares (thousands)	Percentage of Ownership
ECM Master Fund SPV 2	2,404	9.92%
The Master Trust Bank of Japan, Limited (Trust Account)	1,410	5.82%
Custody Bank of Japan, Ltd. (Trust Account)	1,261	5.20%
Saitama Resona Bank, Limited	1,202	4.96%
Goldman Sachs International	1,022	4.21%
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	858	3.54%
CREDIT SUISSE AG, DUBLIN BRANCH PRIME CLIENT ASSET EQUITY ACCOUNT	800	3.30%
ECM MF	648	2.67%
BNYM SANV BNYM GCM CLIENT ACCOUNTS M LSCB RD	634	2.61%
NIDEC CORPORATION	573	2.36%

Notes: 1. The Company holds 869,629 shares of treasury shares that are excluded from the major shareholders listed above.

2. Treasury stock does not include 97,500 shares of treasury stock held in trust by Custody Bank of Japan, Ltd. (Trust Account) for the stock delivery trust for Directors and employees.

3. Percentage of ownership is calculated after deducting the number of shares held as treasury shares from the total number of shares issued, and digits below the third decimal place are omitted.

5. Others

The Company provided 300 shares of our common stock in consideration of the execution of his duties to one retired Director (excluding External Directors).

3. Officers of the Company

1. Directors and Audit and Supervisory Board Members

Position	Name	Assignment or significant concurrent office
Director, President	Takashi Wada	
Director	Masao Hoshino	Executive Vice President, Device Business Corporate Headquarters & Head, Work Style Innovation Promotion Headquarters
Director	Yoshihiro Suzuki	Senior Vice President, Euro-Americas Business Strategy Headquarters Chairman of the Board, Allegro Microsystems, Inc.
Director	Kazunori Suzuki	Senior Vice President, Sales Headquarters
Director	Hideo Takani	Senior Corporate Officer, Corporate Administration Headquarters
Director	Hiroshi Takahashi	Senior Corporate Officer, Head, Production Headquarters, Device Business Corporate Headquarters
Director <u>External</u> <u>Independent</u>	Richard R. Lury	Attorney-at-law; External Director, Hitachi Zosen Corporation
Director <u>External</u> <u>Independent</u>	Noriharu Fujita	Certified Public Accountant; Representative, Fujita Noriharu Accounting Firm;
Director <u>External</u> <u>Independent</u>	Emiko Higashi	Managing Director, Tomon Partners, LLC External Director, KLA Corporation External Director, Takeda Pharmaceutical Company Limited External Director, Rambus Inc. External Director, One Equity Partners Open Water I Corporation
Standing Audit and Supervisory Board Member (Full-time)	Akira Ota	
Audit and Supervisory Board Member (Full-time)	Noboru Suzuki	
Audit and Supervisory Board Member <u>External</u> <u>Independent</u>	Atsushi Minami	Attorney-at-law; Partner, Minami Patent & Law Office
Audit and Supervisory Board Member <u>External</u> <u>Independent</u>	Hideki Hirano	External Auditor, Daizo Corporation

Notes: 1. The above describes the facts as of March 31, 2021.

- Mr. Hiroshi Takahashi, Director, was newly elected at the 103rd Ordinary General Meeting of Shareholders held on June 26, 2020 and assumed his office.
- Mr. Richard R. Lury, Mr. Noriharu Fujita and Ms. Emiko Higashi are External Directors, and Mr. Atsushi Minami and Mr. Hideki Hirano are External Audit and Supervisory Board Members. The Company has appointed each of them as an independent officer unlikely to have conflicts of interest with general shareholders and has filed a notification to that effect with the Tokyo Stock Exchange.
- Mr. Noriharu Fujita, Director, is qualified as a CPA in Japan and the U.S., Mr. Akira Ota, Audit and Supervisory Board Member, has long experience working at accounting and financial divisions of the Company, Mr. Noboru Suzuki, Audit and Supervisory Board Member, has been engaged in accounting audit as an auditor of subsidiaries of the Company for many years, and Mr. Hideki Hirano, Audit and Supervisory Board Member, has long experience working at a financial institution. Accordingly, each of them has extensive knowledge in finance and accounting.

5. Mr. Shigeru Ito retired from office as Director upon expiration of his term of office at the conclusion of the 103rd Ordinary General Meeting of Shareholders held on June 26, 2020.

6. Corporate Officers of the Company who do not double as Directors as of March 31, 2021:

Position	Name	Assignment
Senior Corporate Officer	Hideki Nakamichi	Head, Engineering Headquarters, Device Business Corporate Headquarters and General Manager, Design Quality Audit Office
Senior Corporate Office	Shigeru Ito	President and Representative Director, Sanken Densetsu Co., Ltd.
Corporate Officer	Kiyonori Orito	Deputy Head, Sales Headquarters and General Manager, Sales Planning Division, and General Manager in charge of automotive market
Corporate Officer	Makoto Iwata	General Manager, Management Planning Office, Corporate Administration Headquarters
Corporate Officer	Myungjun Lee	Deputy Head, Engineering Headquarters, Device Business Corporate Headquarters and General Manager in charge of white goods market
Corporate Officer	Sumio Anzai	Deputy Head, Work Style Reform Promotion Headquarters and Person in Charge of Communication, Engineering Headquarters, Device Business Corporate Headquarters
Corporate Officer	Satoshi Yoshida	General Manager, Eastern Japan Sales Division, Sales Headquarters and General Manager in charge of industrial machinery market
Corporate Officer	Masayuki Yanagisawa	General Manager, General Affairs and Human Resources Division, Corporate Administration Headquarters
Corporate Officer	Kazuo Akaishi	General Manager, Production Engineering Division, Production Headquarters, Device Business Corporate Headquarters

2. Outline of liability limitation agreement

The Company has entered into an agreement with External Directors and External Audit and Supervisory Board Members to limit their liability for damages arising from negligence of duties pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum liability amount under the agreement is as set forth by laws and regulations.

3. Compensation payable to Directors and Audit and Supervisory Board Members

■ Basic concept for the compensation plan for officers

The Company considers its compensation plan for officers (compensation plan for executive officers) as an important corporate governance matter and has adopted a basic concept for the compensation plan as follows.

- Contributing to the procurement of excellent human resources
- Setting levels of compensation appropriate for the role and scope of responsibility for each rank
- Providing incentives toward the increased corporate value and sustainable growth of the Company
- Ensuring transparency and objectivity in the procedure for determining compensation

■ Total amount of compensation paid to Directors and Audit and Supervisory Board Members

Category (number of persons paid)	Total amount of compensation (million yen)	Total amount of compensation by type (million yen)		
		Basic compensation	Short-term incentives	Long-term incentives (share compensation)
Director (10)	280	219	44	17
(of which External Director) (3)	36	36	-	-
Audit and Supervisory Board Member (4)	55	55	-	-
(of which External Audit and Supervisory Board Member) (2)	14	14	-	-

Notes: 1. The total amount of Directors' basic compensation and short-term incentives is 500 million yen or less per year (including 200 million yen or less for External Directors), the maximum amount of compensation based on the resolution of the 102nd Ordinary General Meeting of Shareholders (held on June 21, 2019). The amount of compensation for Audit and Supervisory Board Members is 80 million yen or less per year, the maximum amount of compensation based on the resolution of the above meeting.

2. The above short-term incentives is an amount to be paid by resolution of the Board of Directors based on the resolution of the general meeting of shareholders stated in Note 1.

3. The long-term incentives (share compensation) is stated at an amount posted as expenses for the current fiscal year.

4. The number of Directors paid and the amount of compensation paid to Directors include those for one Director who retired at the conclusion of the 103rd Ordinary General Meeting of Shareholders held on June 26, 2020.

5. Separately from the above, the amount of compensation to the external officers paid by the consolidated subsidiaries of the Company as their officers is 43 million yen.

■ Overview of the compensation plan for officers

Based on the aforementioned basic concept, the policy for deciding the details of individual compensation, etc. payable to Directors is decided by the Board of Directors based on the results of deliberations by the Compensation Committee, the majority of which is external directors (the "Policy for Deciding the Compensation"). The Policy for Deciding the Compensation is outlined below.

- Compensation for the Company's Directors is determined according to their rank and role, and consists of basic remuneration paid monthly and performance-linked remuneration that changes depending on the degree of achievement of earnings targets. Performance-linked remuneration is designed to provide short-term incentives paid every fiscal year that vary based on short-term earnings and long-term incentives that vary based on the medium- to long-term earnings and are granted upon their retirement, in principle, under a stock remuneration plan (trust type stock issuance).

- With regard to compensation standards for Directors, standard amounts for the total remuneration are determined for each rank. To ensure market competitiveness, the adequacy of the standard amounts is verified each year using the findings of a remuneration survey administered to major companies in Japan as a benchmark. The ratio of performance-linked remuneration and consolidated performance indicators for performance-linked remuneration are determined based on the above-mentioned basic concept of the compensation and the results of deliberations by the Compensation Committee. At present, performance-linked remuneration is set at about 30% of total remuneration when earnings targets are fully achieved. For fiscal year 2021, we plan to revise our design so that the ratio of performance-based compensation will be approximately 40%.
- Compensation for External Directors consists solely of basic remuneration based on the nature of responsibilities for the position of Director, and it is not linked to performance. Also, compensation for Audit and Supervisory Board members consists solely of basic remuneration based on the nature of responsibilities for the position of auditor and it is not linked to performance, and compensation for Audit and Supervisory Board members is paid through consultation with Audit and Supervisory Board members.

Fixed portion	Variable portion	
Basic remuneration 70%	Performance-linked remuneration 30%	
	Short-term incentives 20%	Long-term incentives (stock remuneration) 10%

- 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 have been determined through deliberations by the Compensation Committee, and consist of consolidated net sales and consolidated operating income, the Company's key performance targets. Additional individual indicators are set depending on the roles expected of each individual. The results of performance-linked indicators (common items) for the short-term incentives in the current fiscal year are as follows.

	Target value	Actual value	Achievement rate
Consolidated net sales	150.5 billion yen	156.7 billion yen	104%
Consolidated operating income	6 billion yen	7.8 billion yen	130%

(Note) Actual value for consolidated operating income indicates Non-GAAP value excluding one-time expenses.

- 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 performance targets and structural reform objectives 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 during the period of the medium-term management plan. The performance-linked indicators for all directors have been determined through deliberations by the Compensation Committee, and consist of "consolidated operating income" and "consolidated ROE," placing emphasis on business profitability over the medium and long terms. In addition, as an expression of the Company's commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (TSR) (evaluation relative to TOPIX electric appliances index) has been set as a performance-linked indicator.

■ Matters relating to resolution of the general meeting of shareholders to determine compensation for Directors

Compensation for the Company's Directors (excluding External Directors) consisted of basic compensation and bonuses. However, at the Ordinary General Meeting of Shareholders held on June 21, 2019, the compensation plan for officers was revised to the effect that regarding monetary remuneration, the total amount of compensation for Directors shall be 500 million yen or less per fiscal year (including 200 million yen or less for External Directors) and the total amount of compensation for Audit and Supervisory Board Members shall be 80 million yen or less per fiscal year.

Separate from the monetary remuneration, shareholders at the above meeting approved the introduction of a performance-linked remuneration plan in the form of long-term incentives for Directors (excluding External Directors) within the stock remuneration amount of 90 million per fiscal year. The total number of points to be granted to Directors from the Company is 90,000 points or less per fiscal year (one point corresponds to one share of the Company's stock). The number of Directors was nine (including three External Directors) and the number of Audit and Supervisory Board Members was four (including two External Audit and Supervisory Board Members) at the closing of the above meeting.

Maximum amount of compensation per fiscal year

	Directors		Audit and Supervisory Board Members
		(of which, External Directors)	
Monetary remuneration	500 million yen or less		80 million yen or less
		200 million yen or less	
Stock remuneration (Maximum amount of money contributed by the Company)	90 million yen or less	(Out of scope)	
Stock remuneration (Maximum total number of points to be granted to Directors)	90,000 points or less		

■ Activities of the Compensation Committee

Based on the aforementioned basic policy, the Company established the Compensation Committee, a voluntary advisory body to the Board of Directors, to ensure transparency in the Board of Directors' decision-making process and enhance the corporate governance. The Compensation Committee, chaired by an External Director and whose majority members are External Directors, held five meetings in the current fiscal year. Specifically, at the meetings, the committee members discussed several matters including the amount of individual compensation paid to Directors and Corporate Officers as short-term incentives in the current fiscal year, the determination of performance indicators in connection with fiscal 2020 performance-linked remuneration, and the introduction of a stock remuneration plan for executive officers, managers, and the officers of the corporate group, and the deliberations on these matters by the Compensation Committee were submitted to the Board of Directors.

■ Matters relating to the delegation of authority pertaining to the determination of individual compensation, etc. for each Director

Based on the standard amounts for each position determined with reference to that at other companies and degree of contribution to achievements at the company, the amount of individual compensation for each Director is decided by the Chairperson of the Board of Directors (or President and Representative Director in the absence of the Chairperson of the Board of Directors) who is delegated by the Board of Directors by resolution of the Board of Directors, with due respect paid to the advice and report of the voluntary Compensation Committee after deliberations by the said Compensation Committee chaired by an External Director and consisted of External Directors who are the majority members.

Under this policy, to decide the amount of compensation under a new management structure after the ordinary general meeting of shareholders in a timely fashion, the Company delegated the decision-making authority related to the amount of individual compensation payable to Directors in the fiscal year under review from the Board of Directors to Mr. Takashi Wada, the President and Representative Director of the Company.

■ Reasons why the Board of Directors deems that the details of individual compensation payable to Directors are in accordance with the Policy for Deciding the Compensation

Regarding the details of individual compensation payable to Directors in the current fiscal year, basic compensation is determined according to payment standards in line with their rank and role and the performance-linked remuneration is determined by the degree of achievement of earnings targets. The Company believes that the details of compensation comply with the Policy for Deciding the Compensation because the details were determined based on the deliberations by the voluntary Compensation Committee chaired by an External Director and consisted of External Directors who are the majority members.

4. External Officers

■ Relationship between the Company and other companies of which significant offices are concurrently held

The relationship between the Company and other companies of which significant offices are concurrently held is as follows, but there is no relationship requiring disclosure between the Company and each of the companies.

Name	Significant concurrent office
External Director Richard R. Lury	External Director, Hitachi Zosen Corporation
External Director Noriharu Fujita	Representative, Fujita Noriharu Accounting Firm
External Director Emiko Higashi	Managing Director, Tomon Partners, LLC External Director, KLA Corporation External Director, Takeda Pharmaceutical Company Limited External Director, Rambus Inc. External Director, One Equity Partners Open Water I Corporation
External Audit and Supervisory Board Member Atsushi Minami	Partner, Minami Patent & Law Office
External Audit and Supervisory Board Member Hideki Hirano	External Auditor, Daizo Corporation

■ Major activities

Name	Major activities
External Director Richard R. Lury	Mr. Richard R. Lury attended all 16 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his experience and knowledge in international corporate legal affairs.
External Director Noriharu Fujita	Mr. Noriharu Fujita attended all 16 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his high-level insight on finance and accounting as a certified public accountant and extensive experience in international fields.
External Director Emiko Higashi	Ms. Emiko Higashi attended all 16 meetings of the Board of Directors held during the period under review. She contributed to these meetings with comments based on her knowledge and experience in international corporate finance and her insights into the global semiconductor industry.
External Audit and Supervisory Board Member Atsushi Minami	Mr. Atsushi Minami attended all 16 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his professional perspective as a lawyer. He also attended all 16 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.
External Audit and Supervisory Board Member Hideki Hirano	Mr. Hideki Hirano attended all 16 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on the extensive knowledge and experience he has accumulated over his many years as a corporate executive. He also attended 15 out of 16 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.

■ Outline of the duties performed in connection with roles expected of External Directors

Mr. Richard R. Lury

Mr. Richard R. Lury has served as a partner at a U.S. law firm for many years and has experience and expertise in international corporate legal affairs. He has given valuable advice and opinions from the viewpoint of promoting global management. He also has supervised management from an objective perspective as an attorney-at-law based on an independent standpoint and contributed significantly to strengthening the supervisory function of the Board of Directors of the Company. He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Furthermore, he also serves as a member of the Structural Reform Committee and has made contributions to the promotion of the Group restructuring.

Mr. Noriharu Fujita

Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experience as a partner of a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the accounting audit of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as almost eight years have passed since his retirement from the above audit corporation, he maintains an independent standpoint and supervises the Company's management from an objective viewpoint. He serves as the chairperson of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Furthermore, he also serves as a member of the Structural Reform Committee and has made contributions to the promotion of the Group restructuring.

Ms. Emiko Higashi

Ms. Emiko Higashi served in investment banks in the U.S. for many years and has abundant knowledge and experience in international corporate finance. Since founding Tomon Partners, LLC in 2003, she has been engaged in a business of her own related to corporate finance and corporate governance for many years. Furthermore, she has assumed office as an External Director at listed semiconductor-related companies in the U.S. and is knowledgeable about the global semiconductor industry. Her business experience in corporate finance and corporate governance, along with knowledge of the global semiconductor industry, has enhanced the overall functions of the Board of Directors and contributed to ensuring the adequacy of the execution of business operations in general. She serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Furthermore, she also serves as a member of the Structural Reform Committee and has made contributions to the promotion of the Group restructuring.

4. Accounting Auditors

1. Name of Accounting Auditor Ernst & Young ShinNihon LLC

2. Compensation paid to Accounting Auditor for the year under review

Classification	Amount paid
Compensation paid or payable to the Accounting Auditor concerning the audit services for the year under review	75 million yen
The total amount of money and property interests paid or payable to the Accounting Auditor for the Company and subsidiaries	75 million yen

Notes: 1. The Audit contract between the Company and the Accounting Auditor does not separate the compensation concerning the Audit for the Companies Act from the compensation concerning the Audit described by the Financial Instruments and Exchange Act. Accordingly, the amount described in (i) represents the total amount of these compensations.

2. Some subsidiaries of the Company employ certified public accountants or audit corporations (or persons with equivalent qualifications in foreign countries concerned) for auditing.

3. Reasons for the agreement by the Audit and Supervisory Board on compensation paid to the Accounting Auditor

The Audit and Supervisory Board conducted a required examination to determine whether or not the contents of the Accounting Auditor's auditing plans, status of the performance of duties of the accounting audit, basis for calculating the estimated compensation, etc. were appropriate, and thereupon decided to agree on compensation, etc. as set forth in Article 399, Paragraph 1 of the Companies Act, in accordance with the "Practical Guidance for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

3. Policy for determining the dismissal or non-reappointment of Accounting Auditor

If the Audit and Supervisory Board has judged that it will be necessary to dismiss or forego reappointment of an Accounting Auditor, such as in cases when the execution of duties by an Accounting Auditor is adversely affected, the Audit and Supervisory Board shall determine the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders, and thereupon the Board of Directors shall submit the proposal to the General Meeting of Shareholders.

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, such Accounting Auditor shall be dismissed subject to the unanimous approval at the Audit and Supervisory Board. In this case, one of the Audit and Supervisory Board members designated by the Audit and Supervisory Board shall report the dismissal of the Accounting Auditor and the reason for the dismissal to the first shareholders' meeting to be convened after the dismissal.

5. System for Ensuring Appropriate Conduct of Operations and Outline of the Status of Implementation of the System

1. System for Ensuring Appropriate Conduct of Operations

The Company's Board of Directors adopted a series of resolutions on the system to ensure proper operation, as follows:

■ System for ensuring that the directors and employees perform their duties in accordance with laws, regulations, and the Article of Incorporation.

- 1) The Board of Directors deliberates material business execution, supervises the execution of duties by each director, and checks legality, in accordance with "Regulations of the Board of Directors."
- 2) The Company establishes and implements a "Management Philosophy," "Code of Conduct," and "Sanken Conduct Guideline." The Company also ensures that the executives and employees comply with laws, regulations and the Articles of Incorporation, by familiarizing them with the compliance mindset and the importance of compliance and by implementing ongoing educational training activities, both arranged by Representative Directors.
- 3) The internal audit department audits the performance of duties in the Company and each of the group companies and ensures the effectiveness of the compliance system by making the most of a whistle-blowing protocol.
- 4) To appropriately respond to the internal control report system (hereinafter referred to as "J-SOX") under the Financial Instruments and Exchange Act, the Company has established a person in charge of J-SOX at its internal audit department and secures the reliability of financial information by undertaking a company-wide review of the control systems and measures to improve the systems on an ongoing basis.
- 5) The Company has no relationship with antisocial forces. The Company usually endeavors to establish close relationships and cooperation systems with external organizations such as police agencies and lawyers. Should the Company be subject to an undue claim, it will adopt a resolute stand and decisively refuse it.

■ System for the storage and management of information with regard to the execution of duties by directors

The Minutes of the Board of Directors and other documents and records on important meetings, as well as the results of decision-making and other records on business execution, shall be appropriately stored and managed in accordance with laws, regulations, and various internal rules.

■ Rules and other aspects of the system for managing risks of loss

- 1) Risks associated with key investments or new businesses are discussed from various viewpoints and determined deliberatively at the Board of Directors, Management Committee, and other important meetings.
- 2) The internal audit department recognizes and analyzes risks in the course of business for the Company and group companies through internal audits. The Crisis Management Committee implements unified, cross-sectional, and group-wide risk management.

■ System for ensuring that the duties of the directors are efficiently performed

- 1) The Board of Directors formulates the mid-term management plan and annual budget, and checks the progress of business execution based on the report on the progress of achievement, while the Management Committee is responsible for monthly performance management.
- 2) The Management Committee discusses basic and material matters among the items on the agenda to be resolved at the Board of Directors and the business operations to be executed by the Representative Directors. It also performs business promptly and flexibly using the corporate officer system.
- 3) The Company develops "the Fundamental Standards for Organization and Authorities," "the Regulations on the Division of Duties," etc. to clarify the responsibilities and authorities of each department. The Company also conducts efficient decision-making and business execution through efforts for the appropriate division of duties and cooperation among organizations.

- **System for ensuring appropriate business operations within the Company and within each group company**
 - 1) When necessary, the Company sends its officers and employees to Group companies as incoming directors to follow up on the Company's management policy, determine material business-related issues, and promote efficient management.
 - 2) The scope of duties, authorities and responsibilities between the Company and each group company, as well as the matters to be reported to the Company, are clarified in accordance with “the Administration Standards for Subsidiaries and Affiliates” and “the Management Guidelines.”
 - 3) An organization in charge of each group company is established at the Company to bear responsibility for the guidance of management and enhancement of managerial performance through close information sharing.

- **Matters regarding employees appointed for the support of Audit and Supervisory Board members when so requested by Audit and Supervisory Board members**
 - 1) Staff of the Legal department will assist the deskwork of the Secretariat's Office of Audit and Supervisory Board.
 - 2) When the Audit and Supervisory Board members so request, the appointment and other personnel affairs of exclusive staff for the support of the Audit and Supervisory Board members shall be determined through consultation among the directors and Audit and Supervisory Board members.
 - 3) Such exclusive staff shall comply with instructions from each Audit and Supervisory Board member to ensure their independence from directors and the effectiveness of the instructions from the Audit and Supervisory Board members.

- **System for reporting to Audit and Supervisory Board members**
 - 1) Standing Audit and Supervisory Board members attend the Management Committee meetings, inspect and receive principal documents, thereby obtain information on the businesses of the Company and group companies, and report the contents of such information to the Audit and Supervisory Board.
 - 2) Each of the directors, internal audit department, and the Accounting Auditor meet with the Audit and Supervisory Board members regularly to report the management situations of the Company and group companies and audit results.
 - 3) If officers or employees find any fact or event which is likely to cause material damage to the Company or any of the group companies or discover any illegal actions in the course of business operations, such officers or employees must report the matter to the Audit and Supervisory Board members.
 - 4) The internal audit department reports the results of internal audits, the status of implementation of the whistle-blowing protocol, and the contents of whistle-blowing to the Audit and Supervisory Board members.
 - 5) Regulations on the whistle-blowing protocol are stipulated to ensure that a whistle-blower will not be subjected to any disadvantageous treatment because of the said whistle-blowing.

- **Policy for handling expenses and liabilities incurred from the execution of duties by Audit and Supervisory Board members**

If, with respect to any expenses to be incurred when Audit and Supervisory Board members perform their duties, the Audit and Supervisory Board members request the Company to pay them in advance, repay them, or otherwise, the Company shall promptly process the expenses unless they are judged to be unnecessary.

- **Other system for ensuring effective auditing by the Audit and Supervisory Board members**

The Audit and Supervisory Board draws up the auditing standards, audit plans, and audit policies. Each Audit and Supervisory Board member conducts audits properly based on his own expertise and experience. An efficient and highly effective audit system is realized through these efforts.

2. Outline of the Status of Implementation of the System for Ensuring Appropriate Conduct of Operations

■ Status of efforts for compliance

The internal audit department decides themes and conducts internal audits of the Company. Group companies regularly implement internal audits of overall administration systems as well. The planning, progress, and results of these internal audits are regularly reported to the Audit and Supervisory Board members. With respect to the internal control report system (hereinafter referred to as “J-SOX”) under the Financial Instruments and Exchange Act, a person in charge of J-SOX at the internal audit department continuously implements company-wide reviews and improvements in efforts to ensure the reliability of financial information. The Company regularly implements educational training activities on the contents of the “Sanken Conduct Guideline,” the Company’s basic manual for compliance, and strives to thoroughly spread the compliance mindset. Further, the Company has developed and manages a whistle-blowing protocol, and the implementation status and contents of whistle-blowing are regularly reported to the Audit and Supervisory Board members. The officers and employees always pay due attention with respect to the Company’s responses to antisocial forces, while the Company continuously exchanges related information with external organizations such as police agencies and relevant bodies to develop ongoing cooperation systems.

■ Status of efforts for managing risks of loss

The Company has established the Crisis Management Committee as an organization to supervise risk. The Crisis Management Committee meetings were held twice for the year under review to endeavor to understand, analyze, and respond to risk. Further, in response to the COVID-19 pandemic, the Company has continued activities of the special emergency headquarters established in 2020 in an effort to grasp, analyze and respond to the effect of the pandemic on its businesses. The Company has worked to implement measures to prevent infection, have employees accustomed to working from home, and arrange PCR tests for employees who wish to take the test.

With respect to internal audits and the whistle-blowing protocol, if any fact or event which is likely to cause material damage to the Company or any of the group companies is found or any illegal actions in the course of business operations is discovered through the implementation of internal audits and the whistle-blowing protocol, the contents of whistle-blowing are reported to the Audit and Supervisory Board members each time, and advice and corrections are decided on a case-by-case basis.

■ Status of efforts for ensuring the appropriateness and efficiency of the execution of duties

The Board of Directors consists of nine Directors, including three External Directors. Four Audit and Supervisory Board members, including two External Audit and Supervisory Board members, also attend the Board of Directors meetings. The Board of Directors meetings were held 16 times during the year under review to deliberate proposals, supervise the status of business execution, and actively exchange opinions. Furthermore, regarding the effectiveness of the Board of Directors, which is evaluated every year based on the Corporate Governance Code, following the deliberation by the Board of Directors on the results of a questionnaire survey and interview with External Directors, the evaluation for the year under review concluded that the effectiveness of the Board of Directors had been ensured in general. We therefore believe that the effectiveness of decision-making and supervision of the Board of Directors is ensured.

■ Status of efforts for the appropriateness of business within the group

The Company sends its officers and employees to group companies to follow up on the Company's management policy, determine material business-related issues, and promote efficient management. The Company stipulates and implements matters to be discussed in advance between each group company and a department in charge at the Company.

■ Status of efforts for ensuring the effectiveness of audits by the Audit and Supervisory Board members

The Audit and Supervisory Board comprises four Audit and Supervisory Board members, including two external Audit and Supervisory Board members. Audit and Supervisory Board meetings were held 16 times during the year under review to carry out discussions and adopt resolutions after reports on important matters related to audits were received. Further, the Audit and Supervisory Board members regularly meet the President and internal audit department, as well as the Accounting Auditor, to exchange opinions mainly on the development and implementation status of compliance and internal control.

6. Basic Policy on Control of the Company

1. Basic Policy on Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company

As a listed Company, the stock of the Company may be traded freely by shareholders and investors, and the Board of Directors believes that the composition of persons to control decision-making over the financial and business policies of the Company should ultimately be decided by the will of the shareholders, and that the final judgment as to whether to sell the shares of the Company in response to a mass acquisition of the shares of the Company should ultimately be decided based on the will of the shareholders holding the shares.

However, the management of the Company and the Company Group requires a wide range of know-how and ample experience in technical subjects, including proprietary manufacturing technologies for wafer fabrication and semiconductor device assembly, as well as the integration of power supply systems with optical devices based on leading-edge circuit technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to management. Persons to control decision-making over financial and business policies of the Company require this understanding in order to appropriately judge the shareholder value to be realized in the future, and could potentially significantly damage the Company's corporate value and the common interests of the shareholders without it.

In addition, there is a possibility that some Large Purchases, such as to persons related to the Company conducting transactions at high prices, could substantially impair the common interests of the shareholders. In such cases, in order for the Company to appropriately receive the judgment of the shareholders regarding the relative merits and demerits of a given large-scale purchase, the Company will both request the supply of required information from the entity attempting to engage in the large-scale purchase and will also strive to ensure there is an appropriate amount of time for the disclosure of such information and deliberation on it by shareholders. Regarding the extents that are permitted by laws and regulations such as the Financial Instruments and Exchange Act, we believe that appropriate measures should be taken (Hereinafter referred to as the "Basic Policy").

2. Measures Taken to Realize the Basic Policy and Increase Corporate Value

The Company has acted in accordance with its Management Philosophy, which states that the Company should endeavor to create and innovate technologies in its core business of semiconductors, expand global business based on proprietary technologies, and ensure a firm management base in order to maximize corporate value through timely response to social expectations for the company and long-lasting harmony with the environment. Furthermore, as a medium- to long-term management strategy, the Company has developed a medium-term management plan covering a three-year period that the entire Group has worked toward.

Also, the Company is involved in efforts to gain an appropriate evaluation of its corporate value by deepening understanding through closer dialogues with various stakeholders regarding its position as a proprietary power semiconductor manufacturer as well as its management policies and plans meant to maximize use of this position.

In order to strengthen corporate governance, the company has strengthened the supervisory function of the Board of Directors by electing independent External Directors and by developing a flexible system for operational execution and enhanced management functions by adopting a Corporate Officer system. In addition, in order to realize a management system able to promptly respond to changes in the management environment, and to clarify the management responsibility of the Directors for the corresponding fiscal year, the Company's term of office for Directors is one year.

The Board of Directors believes that these measures improve the Company's corporate value and decrease the likelihood that a Large Purchase will significantly harm the common interests of the shareholders. Accordingly, these efforts are deemed to be in compliance with the Basic Policy, and are in the common interests of the shareholders.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2021)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	148,173	117,375
Cash and deposits	60,990	40,779
Notes and accounts receivable — trade	36,962	31,888
Merchandise and finished goods	15,864	14,422
Work in process	19,782	21,231
Raw materials and supplies	5,592	5,425
Other	9,027	3,741
Allowance for doubtful receivables	(46)	(114)
Non-current assets	85,500	76,649
Total property, plant and equipment	67,566	66,062
Buildings and structures	20,635	20,383
Machinery, equipment and vehicles, net	30,328	31,577
Tools, furniture and fixtures, net	1,317	1,788
Land	5,812	5,699
Lease assets, net	47	74
Construction in progress	9,425	6,538
Intangible assets	8,141	4,728
Software	2,065	2,483
Goodwill	1,959	(5)
Other	4,116	2,250
Investments and other assets	9,792	5,858
Investment securities	990	892
Deferred tax assets	3,484	1,704
Net defined benefit asset	1,776	—
Other	3,617	3,262
Allowance for doubtful receivables	(76)	(2)
Total Assets	233,673	194,024

Note: Figures less than one million are rounded down to the nearest million.

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
Current liabilities	76,627	93,351
Notes and accounts payable - trade	20,870	17,774
Short-term loans payable	12,357	27,619
Current portion of long-term loans payable	646	10,133
Current portion of bonds	15,000	15,000
Commercial paper	4,000	10,000
Lease obligations	31	44
Accrued expenses	12,615	10,254
Income taxes payable	2,151	659
Provision for performance-linked directors' compensation	72	16
Provision for loss on transfer of business	1,339	—
Provision for business structure reform	2,414	615
Other	5,128	1,233
Non-current liabilities	43,795	28,896
Bonds payable	5,000	20,000
Long-term loans payable	33,329	1,643
Lease obligations	23	40
Deferred tax liabilities	1,018	975
Provision for share-based compensation	43	8
Provision for Directors' retirement benefits	41	39
Provision for business structure reform	—	1,351
Net defined benefit liability	2,632	3,402
Other	1,706	1,435
Total Liabilities	120,422	122,248
(Net Assets)		
Shareholders' equity	84,153	55,118
Capital stock	20,896	20,896
Capital surplus	60,882	24,465
Retained earnings	6,599	13,915
Treasury shares	(4,226)	(4,159)
Accumulated other comprehensive income	(577)	(5,275)
Valuation difference on available-for-sale securities	46	(75)
Foreign currency translation adjustment	1,332	(477)
Remeasurements of defined benefit plans	(1,955)	(4,723)
Non-controlling interests	29,674	21,933
Total Net Assets	113,250	71,776
Total Liabilities and Net Assets	233,673	194,024

Note: Figures less than one million are rounded down to the nearest million.

CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2020 to March 31, 2021)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	156,795	160,217
Cost of sales	117,659	121,768
Gross profit	39,135	38,448
Selling, general and administrative expenses	40,333	34,139
Operating income (loss)	(1,198)	4,309
Non-operating income	899	578
Interest income	91	250
Dividends income	28	28
Gains on sale of waste	162	77
Subsidies for employment adjustment	256	—
Miscellaneous income	360	221
Non-operating expenses	3,107	2,212
Interest expenses	891	555
Foreign exchange losses	615	1,115
Product compensation expenses	7	72
Expenses related to advanced repayment of loans	960	—
Miscellaneous loss	632	469
Ordinary income (loss)	(3,406)	2,674
Extraordinary income	63	4,065
Gains on sale of non-current assets	42	3,952
Gain on sale of investment securities	20	—
Settlement received	—	112
Extraordinary losses	3,854	8,377
Loss on sales of non-current assets	212	414
Impairment loss	18	513
Loss on valuation of investment securities	54	26
Special retirement expenses	—	350
Loss on liquidation of subsidiaries and affiliates	42	205
Business restructuring expenses	1,663	5,175
Provision for loss on transfer of business	1,339	—
Provision for business structure reform	523	1,691
Loss before income taxes and non-controlling interests	(7,197)	(1,638)
Income taxes – current	1,818	2,050
Income taxes – deferred	(2,671)	594
Income taxes for prior periods	(357)	941
Loss	(5,986)	(5,224)
Profit attributable to non-controlling interests	965	334
Loss attributable to owners of parent	(6,952)	(5,559)

Note: Figures less than one million are rounded down to the nearest million.

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2021)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
Current assets	97,966	78,161
Cash and deposits	33,616	14,001
Notes receivable	2,669	1,119
Accounts receivable — trade	20,890	24,825
Merchandise and finished goods	10,934	10,312
Work in process	244	1,072
Raw materials and supplies	1,615	2,039
Prepaid expenses	405	501
Short-term loans receivable	9,308	12,432
Accounts receivable — other	18,792	15,617
Other	192	497
Allowance for doubtful receivables	(703)	(4,258)
Fixed assets	41,879	47,742
Tangible fixed assets	7,707	4,682
Buildings	2,117	2,152
Structures	88	70
Machinery and equipment	409	68
Autos and trucks	0	0
Tools, furniture and fixtures	415	539
Land	511	511
Lease assets	0	0
Construction in progress	4,166	1,339
Intangible assets	1,869	2,233
Software	1,869	2,231
Other	0	2
Investments and other assets	32,301	40,826
Investment securities	979	880
Investments in subsidiaries and affiliates	12,050	23,631
Investments in other securities of subsidiaries and associates	4,656	4,656
Long-term loans receivable	12,971	10,518
Prepaid pension cost	2,699	3,649
Other	566	538
Allowance for doubtful receivables	(1,623)	(3,048)
Total Assets	139,845	125,903

Note: Figures less than one million are rounded down to the nearest million.

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
Current liabilities	55,304	75,625
Notes payable	2,134	2,067
Accounts payable — trade	13,093	15,710
Short-term loans payable	11,582	21,930
Current portion of long-term loans payable	—	8,000
Current portion of bonds	15,000	15,000
Commercial paper	4,000	10,000
Accounts payable — other	3,067	195
Accrued expenses	2,158	2,331
Accrued income taxes	1,831	115
Advances received	44	79
Deposits received	53	66
Provision for performance-linked officer's compensation	43	16
Provision for loss on business of subsidiaries and affiliates	1,728	—
Other	779	111
Long-term liabilities	33,846	22,068
Bonds payable	5,000	20,000
Long-term bank loans	28,000	—
Deferred tax liabilities	517	579
Provision for share-based compensation	35	8
Provision for loss on business of subsidiaries and affiliates	—	1,092
Other	81	387
Total Liabilities	89,150	97,693
(Net Assets)		
Shareholders' equity	50,647	28,285
Common stock	20,896	20,896
Capital surplus	10,207	10,207
Capital reserve	5,225	5,225
Other capital surplus	4,982	4,982
Retained earnings	23,768	1,339
Other retained earnings	23,768	1,339
Reserve for advanced depreciation of fixed assets	32	34
Retained earnings carried forward	23,736	1,305
Treasury stock	(4,226)	(4,159)
Valuation and translation adjustments	47	(74)
Unrealized gain on securities	47	(74)
Total Net Assets	50,694	28,210
Total Liabilities and Net Assets	139,845	125,903

Note: Figures less than one million are rounded down to the nearest million.

NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2020 to March 31, 2021)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
Net sales	94,443	106,737
Cost of sales	89,742	100,729
Gross profit	4,701	6,007
Selling, general and administrative expenses	8,666	9,074
Operating loss	(3,965)	(3,067)
Other income	15,941	891
Interest income	150	305
Dividends income	15,647	485
Miscellaneous income	143	99
Other expenses	1,843	1,581
Interest expenses	443	483
Foreign exchange losses	864	674
Product compensation expenses	7	72
Provision of allowance for doubtful accounts for subsidiaries and affiliates	274	137
Miscellaneous losses	253	213
Ordinary income (loss)	10,132	(3,758)
Extraordinary income	19,036	4,059
Gain on sale of fixed assets	8	3,946
Gain on sale of investment securities	20	—
Gain on sale of shares of subsidiaries	18,917	—
Gain on liquidation of subsidiaries	0	—
Gain on extinguishment of tie-in shares	88	—
Settlement received	—	112
Extraordinary loss	3,695	7,267
Loss on disposition of fixed assets	96	342
Loss on valuation of investment securities	54	26
Loss on revaluation of securities of subsidiaries and affiliates	—	310
Provision for loss on business of subsidiaries and affiliates	392	1,092
Impairment loss	—	2,677
Business restructuring expenses	3,152	2,816
Income (loss) before income taxes	25,473	(6,965)
Income taxes	2,690	45
Deferred income taxes	(9)	112
Net income (loss)	22,792	(7,123)

Note: Figures less than one million are rounded down to the nearest million.

INDEPENDENT AUDITORS' REPORT

May 24, 2021

The Board of Directors
Sanken Electric Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Yoshimi Kimura, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Atsuko Tanabe, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Sanken Electric Co., Ltd. (the "Company") for the fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

INDEPENDENT AUDITORS' REPORT

May 24, 2021

The Board of Directors
Sanken Electric Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Yoshimi Kimura, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Atsuko Tanabe, CPA (Seal)
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Sanken Electric Co., Ltd. (the "Company") for the 104th fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

AUDIT REPORT

The Audit and Supervisory Board, following review and deliberations on the reports made by each Audit and Supervisory Board Member concerning the methods and results of the audit of execution of duties by Directors of the Board for the 104th fiscal term from April 1, 2020 to March 31, 2021, prepared this Audit Report and hereby submits it as follows:

1. Summary of Auditing Methods by Audit and Supervisory Board Members and Audit and Supervisory Board

- (1) The Audit and Supervisory Board established the auditing policies and division of duties, received reports and explanations regarding the status of audits and the results thereof from each Audit and Supervisory Board Member, as well as reports and explanations regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit and Supervisory Board Members determined by the Audit and Supervisory Board and the auditing policies and division of duties, each Audit and Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Directors, CSR Office, which is an internal audit division, and other employees while utilizing an online format, and conducted audit in accordance with the following procedures.
 - 1) Each Audit and Supervisory Board Member attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees and requested explanations as necessary. Each Audit and Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at its head office and each office. In addition, each Audit and Supervisory Board Member received from subsidiaries their business reports as necessary through communication and information sharing with their Directors and others.
 - 2) With respect to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the Directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as specified in the business reports and the establishment of the system necessary to ensure proper business operations of the company group, which consists of joint stock company and its consolidated subsidiaries, as set forth in Items 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act, as well as the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Audit and Supervisory Board Member regularly received reports from directors and employees on the status of the establishment and operations thereof, requested explanations as necessary, and expressed his opinions.
 - 3) Based on discussion of the Board of Directors, the Audit and Supervisory Board Members reviewed the details of the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.
 - 4) Each Audit and Supervisory Board Member monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Board Member also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements) for the current fiscal year.

2. Results of Audit

(1) Results of audit of business report

- 1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company;
- 3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the content of business reports description on such internal control and the execution of duties by Directors; and
- 4) There are no matters requiring additional mention regarding the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC., are fair and reasonable.

(3) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC., are fair and reasonable.

May 27, 2021

The Audit and Supervisory Board of Sanken Electric Co., Ltd.

Akira Ota (Seal)
Standing Audit and Supervisory Board Member
(Full-time)

Noboru Suzuki (Seal)
Audit and Supervisory Board Member (Full-time)

Atsushi Minami (Seal)
External Audit and Supervisory Board Member

Hideki Hirano (Seal)
External Audit and Supervisory Board Member

REFERENCE DOCUMENTS

FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and references

Proposal No. 1: Election of Nine Directors

All nine directors will complete their respective terms of office at the conclusion of this meeting. Therefore, we shall propose the election of nine directors.

The table below lists the nominees for those positions.

No.	Name	Current position and responsibility at the Company	Attendance at Board of Directors meetings
1	Takashi Wada Reelection	President and Representative Director, Member of Nomination Committee and Compensation Committee	100% (16/16)
2	Hiroshi Takahashi Reelection	Director, Senior Corporate Officer, Assistant to the President	100% (16/16)
3	Yoshihiro Suzuki Reelection	Director, Senior Vice President, Head, North America Business Strategy Headquarters	100% (16/16)
4	Kazunori Suzuki Reelection	Director, Senior Vice President, Head, Semiconductor Business Corporate Headquarters	100% (16/16)
5	Hideki Nakamichi Newly appointed	Senior Corporate Officer, Deputy Head, Semiconductor Business Corporate Headquarters and Head, Marketing Headquarters	-
6	Satoshi Yoshida Newly appointed	Corporate Officer, Head, Power module Headquarters, Semiconductor Business Corporate Headquarters	-
7	Richard R. Lury Reelection External Independent	Director, Member of Nomination Committee and Compensation Committee	100% (16/16)
8	Noriharu Fujita Reelection External Independent	Director, Chairman of Nomination Committee and Compensation Committee	100% (16/16)
9	Takaki Yamada Newly appointed External Independent		-

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	Takashi Wada (September 3, 1954) <Reelection>	April 1979: Entered the Company April 2007: General Manager, Production Division, Production Headquarters June 2007: Corporate Officer April 2009: Head, Production Headquarters June 2009: Director and Senior Vice President June 2012: Director and Executive Vice President April 2015: President and Representative Director (to the present)	12,700
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Takashi Wada has played the role of an engine for the production division of the Company for a long period and has concentrated on the structural reform of the production subsidiaries. He has been engaged in the management of the Company as a Director since June 2009. Since becoming the President in April 2015, in addition to focusing on promising business areas, he has worked to improve the company's financial position.</p> <p>He has been working on structural reforms to improve profitability and strengthen our financial position since FY2017, and has been promoting production system optimization in our mainstay semiconductor device business, and an ongoing strategic review of our non-mainstay power system business since FY2019. With respect to specific measures for these structural reforms, he has set up a Structural Reform Committee composed of three External Directors and has promoted structural reforms based on discussions at the committee. He has made important managerial decisions since assuming office as President. Meanwhile, he has worked to enhance corporate governance by increasing the number of External Directors and setting up a Nomination Committee and Compensation Committee. In addition, he has established the Work Style Reform Promotion Headquarters and has been committed to the transformation of corporate culture through operational reforms, system reforms, human resource development, and organizational development while promoting the enhancement of product development capabilities.</p> <p>The Company therefore anticipates that his abundant experience and deep insight in corporate management will continue to be indispensable for the enhancement of the Board of Director's function and the corporate value in the mid-to-long term. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
	Hiroshi Takahashi (February 1, 1964) <Reelection>	April 1986: Entered the Company April 2012: Vice General Manager, MCD Division, Engineering Headquarters April 2015: General Manager, MCBBD Division, Engineering Headquarters April 2018: Head, Production Headquarters, Device Business Corporate Headquarters June 2018: Corporate Officer June 2020: Director and Senior Corporate Officer (to the present) April 2021: Assistant to the President (to the present)	1,100
2	- Reasons for the appointment as a candidate for Director <p>Mr. Hiroshi Takahashi has been engaged in the development of semiconductor device products for a long period and has played a leading role in the technological field of motor control. In April 2018, he served as Head, Production Headquarters, Device Business Corporate Headquarters. Since then he has fulfilled an important responsibility by playing the role of an engine for semiconductor device production for the entire corporate group. He also has taken a leading role in drafting the Medium-Term Management Plan 2021 since the launch in April 2021 and is promoting specific structural reform measures for production system optimization in semiconductor device business sector.</p> <p>The Company therefore anticipates that his knowledge and experience will continue to be indispensable to accomplish the structural reform measures that have been promoted since 2017 and to realize the Medium-Term Management Plan 2021, and eventually to achieve the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
3	Yoshihiro Suzuki (October 10, 1958) <Reelection>	<p>April 1982: Entered the Company</p> <p>October 1998: Allegro Group Leader, Production Division, Semiconductor Headquarters</p> <p>May 2001: Vice President and Director, Allegro MicroSystems, Inc. (currently Allegro MicroSystems, LLC)</p> <p>April 2005: General Manager, Management Planning Division, Administration Headquarters</p> <p>April 2006: General Manager, Global Business Strategy Office</p> <p>June 2006: Corporate Officer</p> <p>June 2011: Senior Corporate Officer</p> <p>March 2013: Director and CEO, Sanken North America, Inc. (currently Allegro MicroSystems, Inc.)</p> <p>June 2013: Director and Senior Corporate Officer</p> <p>June 2015: Director and Senior Vice President (to the present)</p> <p>July 2017: Chairman of the Board, Sanken North America, Inc. (to the present)</p> <p>April 2018: Head, Euro-Americas Business Strategy Headquarters</p> <p>April 2021: Head, North America Business Strategy Headquarters (to the present)</p>	9,700
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Yoshihiro Suzuki has played a leading role in the overseas business of the Company for a long period and has been engaged in the management of Allegro MicroSystems, Inc. since 2001. He has promoted U.S. business, an important segment for the Group companies, since March 2013 as a corporate manager of Sanken North America Inc. (currently Allegro MicroSystems, Inc.), a U.S. Headquarters subsidiary. He has played an important role in advancing the growth strategy of Allegro MicroSystems, Inc. to expand the business scale and strengthen development capabilities in collaboration with external funds, and since 2017, had handled the process of listing the subsidiary's shares on the NASDAQ in 2020.</p> <p>The Company therefore anticipates that his experience and knowledge gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
4	Kazunori Suzuki (September 17, 1957) <Reelection>	<p>April 1981: Entered the Company</p> <p>August 1996: First Sales Section Manager, First Sales Department, First Semiconductor Sales Division, Semiconductor Headquarters</p> <p>May 2002: President and Director of Sanken Power Systems (UK) Limited</p> <p>April 2007: General Manager, Overseas Sales Division, Sales Headquarters</p> <p>June 2008: Corporate Officer</p> <p>April 2012: Head, Sales Headquarters</p> <p>June 2012: Director and Senior Corporate Officer</p> <p>June 2016: Director and Senior Vice President (to the present)</p> <p>April 2021: Head, Semiconductor Business Corporate Headquarters (to the present)</p>	3,800
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Kazunori Suzuki has been engaged in the sales of semiconductor devices for a long period and has made significant contributions to the Company in the promotion of sales strategy. Since becoming Head of the Sales Headquarters in 2012, he has administered the Company's global sales strategy and has achieved successful results, especially in the expansion of sales in the overseas markets focusing on that for the white goods and car-mounted products. He has served as Head of Semiconductor Business Strategy Headquarters responsible for the entire corporate group semiconductor business since April 2021.</p> <p>The Company therefore anticipates that his experience and knowledge gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			
5	Hideki Nakamichi (January 10, 1959) <Newly appointed>	<p>September 1987: Enter SET Engineering Co., Ltd.</p> <p>April 1991: Director, General Manager, Development Division, SET Engineering Co., Ltd.</p> <p>May 1997: Entered the Company</p> <p>April 2007: General Manager, PCD Division, Engineering Headquarters</p> <p>June 2013: Corporate Officer</p> <p>October 2013: Deputy Head, Engineering Headquarters</p> <p>April 2018: Head, Engineering Headquarters, Device Business Corporate Headquarters</p> <p>June 2018: Senior Corporate Officer (to the present)</p> <p>April 2021: Deputy Head, Semiconductor Business Corporate Headquarters and Head, Marketing Headquarters (to the present)</p>	4,000
<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Hideki Nakamichi has been engaged in the development of semiconductor products for many years before and since joining the Company and contributed to the technical development of similar products at the Company. Since assuming offices as Deputy Head of Engineering Headquarters in October 2013 and Head of Engineering Headquarters in April 2018, he has had an important responsibility as the head of the technology development division in leading various business structural reforms and administering the Company's technology development operations. Since April 2021 as Head of Marketing Headquarters, he has held a role to manage the technology development and the marketing field.</p> <p>The Company therefore anticipates that his experience and knowledge gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
6	<p style="text-align: center;">Satoshi Yoshida (September 22, 1962) <Newly appointed></p>	<p>April 1985: Entered the Company October 2011: Deputy General Manager, Western Japan Sales Division, Sales Headquarters April 2012: General Manager, Western Japan Sales Division, Sales Headquarters April 2017: General Manager, Eastern Japan Sales Division, Sales Headquarters June 2017: Corporate Officer (to the present) April 2021: Head, Power module Headquarters, Semiconductor Business Corporate Headquarters (to the present)</p>	1,000
		<p>- Reasons for the appointment as a candidate for Director</p> <p>Mr. Satoshi Yoshida has been engaged in the sales of semiconductor device products for many years. Based on his extensive business experience with major automotive component manufacturers, he has contributed to the sales promotion of similar products throughout the country and the establishment of an agency network. Since assuming office as Head of Power module Headquarters in April 2021, he has held a role to manage domestic and overseas sales and production of power module products, the Company's strategic product category.</p> <p>The Company therefore anticipates that his experience and knowledge gained therefrom will contribute to achieving the mid-to-long term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>	
7	<p style="text-align: center;">Richard R. Lury (January 21, 1948) <Reelection> <External Director> <Independent Officer> Term of office as an External Director: Seven years as of the closing of this meeting</p>	<p>May 1974: Admitted to the bar of the State of New York September 1989: Partner, Kelley Drye & Warren LLP (retired from the entity in January 2015) June 2003: Admitted to the bar of the State of New Jersey March 2013: External Director, Sanken North America, Inc. (Currently, Allegro Microsystems, Inc.) (to the present) June 2014: External Director of the Company (to the present) June 2016: External Director, Hitachi Zosen Corporation (to the present)</p>	-
		<p>- Reasons for the appointment as a candidate for External Director and overview of expected roles</p> <p>Mr. Richard R. Lury has served as a partner of a law firm in the United States for a long period and has experience and expertise in international corporate legal affairs. We anticipate that he will give valuable advice and opinions from the viewpoint of promoting global management. As he is also expected to supervise management from an objective perspective as an attorney-at-law, we believe that he will help to significantly strengthen the supervisory function of the Board of Directors of the Company.</p> <p>He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he also serves as a member of the Structural Reform Committee and has made contributions to the promotion of the Group restructuring. In addition, he is expected to make similar contributions to the management of the corporate group, as he has held offices as an External Director of principal U.S. subsidiaries of the Company since 2013.</p> <p>The Company therefore believes that he will appropriately perform his duties as an External Director such as ensuring the appropriateness of overall business execution and strengthening supervisory functions, while the Group will promote a medium- to long-term growth strategy.</p>	

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
	<p style="text-align: center;">Noriharu Fujita (September 26, 1950) <Reelection> <External Director> <Independent Officer></p> <p>Term of office as an External Director: Five years as of the closing of this meeting</p>	<p>September 1975: Entered Ito Accounting Firm May 1980: Obtained MBA from The University of Illinois at Urbana-Champaign July 1980: Entered ICI Japan Ltd. January 1989: Senior Manager, Ernst & Young, LLP Chicago Office October 1997: Partner, Ernst & Young, LLP New York Office (retired from the entity in June 2007) September 2008: Executive Partner, Ernst & Young ShinNihon LLC October 2008: JBS Global Services Leader, Ernst & Young ShinNihon LLC (retired from the entity in June 2013) July 2013: Representative, Fujita Noriharu Accounting Firm (to the present) August 2015: Independent Non-Executive Director, CITIC Limited (retired from the entity in April 2018) June 2016: External Director of the Company (to the present) August 2018: External Director, Allegro Microsystems, Inc. (to the present)</p>	-
8	<p>- Reasons for the appointment as a candidate for External Director and overview of expected roles</p> <p>Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experiences as a partner in a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the auditing of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as almost eight years have passed since his retirement from the above audit corporation, we believe that he can maintain an independent standpoint and supervise the Company's management from an objective viewpoint.</p> <p>He serves as the chairperson of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he also serves as a member of the Structural Reform Committee and has made contributions to the promotion of the Group restructuring. In addition, he is expected to make similar contributions to the management of the corporate group, as he has held offices as an External Director of principal U.S. subsidiaries of the Company since 2018.</p> <p>The Company therefore believes that he will appropriately perform his duties as an External Director such as ensuring the appropriateness of overall business execution and strengthening supervisory functions, while the Group will promote a medium- to long-term growth strategy.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
	<p style="text-align: center;">Takaki Yamada (October 31, 1950)</p> <p><Newly appointed> <External Director> <Independent Officer></p> <p>Term of office as an External Director: -</p>	<p>April 1969: Entered Oki Electric Industry Co., Ltd.</p> <p>April 1995: General Manager, Production Planning Division, Electronic Device Business Headquarters, Oki Electric Industry Co., Ltd.</p> <p>April 1997: Director, Plant Manager, Oki Thailand Co., Ltd.</p> <p>April 2005: President, Semiconductor Production Company, Oki Electric Industry Co. Ltd.</p> <p>June 2006: Outside Director, ChipMOS TECHNOLOGIES INC. (retired in October 2008)</p> <p>April 2008: President and Director, Oki Thailand Co., Ltd. (retired in July 2012)</p> <p>September 2012: Furukawa-Sky Aluminum Corporation (currently UACJ Corporation)</p> <p>January 2014: Vice President, UACJ (Thailand) Co., Ltd. (retired in March 2016)</p> <p>May 2016: Vice President, Thai Special Gas Co., Ltd. (to the present)</p>	-

9 - Reasons for the appointment as a candidate for External Director and overview of expected roles

Mr. Takaki Yamada has many years of experience at semiconductor manufacturers and is well-versed in the semiconductor industry and business. He also has corporate management experience in semiconductor manufacturing gained through the years at Oki Electric Industry Co., Ltd. by serving as President of Semiconductor Production Company and President and Director of the overseas production subsidiary company. During the foundation of UACJ (Thailand) Co., Ltd. he leveraged his overseas experience to lead a large scale project. Currently, as Vice President of Thai Special Gas Co., Ltd., he possesses a wealth of work experience in various fields and maintains a vast network of connections by actively being engaged in business development.

The Company therefore anticipates that he will present fruitful advice in an effort to promote business for the corporate group as a semiconductor manufacturer. He is expected to appropriately perform his duties as an External Director to achieve the mid-to-long term growth strategy for the corporate group.

The semiconductor department of Oki Electric in which he worked in the past is currently a group company of ROHM Co., Ltd. with which the Company has business transactions. The transaction amount is less than 2% of the consolidated net sales between the Company and ROHM Co., Ltd. Therefore, the Company believes that this transaction does not apply to a major business relationship. Further, there is no business relationship requiring disclosure between the Company and other companies with which significant offices are concurrently held.

- Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.
2. Matters concerning a notification with respect to INDEPENDENT OFFICERS:
- The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Messrs. Richard R. Lury and Noriharu Fujita as independent officers of the Company. If their re-election is approved, the Company plans to continue to appoint them as independent officers. Mr. Takaki Yamada satisfies the requirements for independent officer set forth in the regulations of the Tokyo Stock Exchange. If his election is approved, the Company will appoint him as an independent officer.
3. Matters concerning the candidates for External Director:
- The Company has entered into agreements with Messrs. Richard R. Lury and Noriharu Fujita to limit their liabilities for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act. If this Proposal is approved as proposed, the Company plans to continue the same agreements with Messrs. Richard R. Lury and Noriharu Fujita. The Company also plans to enter into the same agreement with Mr. Takaki Yamada.
4. The Company has entered into a directors' and officers' liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2021 and each candidate will be insured under the contract.

(Reference) Skills matrix under the new management structure

Below is the skills matrix of the new management subject to shareholder approval of Proposals 1 and 2 in this General Meeting of Shareholders.

Name	Corporate Management	Finance and Accounting	Industry knowledge	R&D Manufacturing	Sales Marketing	Internationality	Legal Affairs Risk Management
Takashi Wada	○	○	○	○		○	
Hiroshi Takahashi	○	○	○	○		○	
Yoshihiro Suzuki	○	○	○	○		○	
Kazunori Suzuki	○	○	○		○	○	
Hideki Nakamichi	○		○	○	○	○	
Satoshi Yoshida			○		○	○	
Richard R. Lury						○	○
Noriharu Fujita		○				○	
Takaki Yamada	○	○	○	○	○	○	
Akira Ota	○	○	○			○	○
Noboru Suzuki		○	○				○
Atsushi Minami							○
Hideki Hirano	○	○					

Proposal No. 2: Election of One Audit and Supervisory Board Member

Mr. Atsushi Minami, Audit and Supervisory Board Member, will complete his term of office at the conclusion of this meeting. Accordingly, we shall propose the election of one Audit and Supervisory Board Member.

The Audit and Supervisory Board has approved the submission of this proposal.

The candidate for Audit and Supervisory Board Member is as follows:

Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
Atsushi Minami (March 13, 1958) <Reelection> <External> <Independent> Term of office as an External Audit and Supervisory Board Member: Four years as of the closing of this meeting	April 1993: Registered as an attorney-at-law Entered Yamada, Kawasaki, & Kato Law Office (currently KIOIZAKA THEMIS LAW & PATENT OFFICES) October 2001: Partner, Minami Patent & Law Office (to the present) June 2017: Audit and Supervisory Board Member (to the present)	—

- Reasons for the appointment as a candidate for External Audit and Supervisory Board Member

Mr. Atsushi Minami has professional knowledge and experience as an attorney-at-law and patent attorney. The Company believes that by assuming office as an External Audit and Supervisory Board Member, he will appropriately perform his duties of External Audit and Supervisory Board Member, including his duty to ensure the validity of auditing, from an objective perspective as a legal professional. Thus, the Company selected him as a candidate for External Audit and Supervisory Board Member.

Notes: 1. No conflicts of interest exist between the Company and Mr. Atsushi Minami.

2. Matters concerning a notification with respect to INDEPENDENT OFFICERS:

- The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Mr. Atsushi Minami as an independent officer of the Company. If his re-election is approved, the Company plans to continue to appoint him as an independent officer. The Company has also entered into an agreement with Mr. Atsushi Minami to limit his liability for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act. If this Proposal is approved as proposed, the Company plans to continue the same agreement with Mr. Atsushi Minami.

3. The Company has entered into a directors' and officers' liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2021 and each candidate will be insured under the contract.

(Reference)

Composition of the Audit and Supervisory Board subject to shareholder approval of this Proposal

Candidate	Name		Position, etc. at the Company
–	Akira Ota		Standing Audit and Supervisory Board Member (Full-time)
–	Noboru Suzuki		Audit and Supervisory Board Member (Full-time)
●	Atsushi Minami	Reelection External Independent	External Audit and Supervisory Board Member (currently registered as an independent officer with Tokyo Stock Exchange and will continue to be registered if his reelection is approved)
–	Hideki Hirano	External Independent	External Audit and Supervisory Board Member (currently registered as an independent officer with Tokyo Stock Exchange)

Proposal No. 3: Election of One Substitute Audit and Supervisory Board Member

We shall propose the election of one substitute Audit and Supervisory Board Member in preparation for the contingency that the number of Audit and Supervisory Board Members falls below the required number set forth by laws and regulations.

The Audit and Supervisory Board has approved the submission of this proposal.

The candidate for substitute Audit and Supervisory Board Member is as follows:

Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
Ren Inoue (September 7, 1976) <External> <Independent>	October 2004: Registered as an attorney-at-law Entered Tokyo Hatchobori Law Office November 2014: Partner, Tokyo Hatchobori Law Office (to the present) April 2015: Committee Member of Attorney Service Center, Daini Tokyo Bar Association April 2019: Member of Institutional Review Board, Tokyo Metropolitan Bokutoh Hospital (to the present)	-

- Reasons for the appointment as a candidate for Substitute External Audit and Supervisory Board Member

Mr. Ren Inoue has professional knowledge and experience mainly in the general corporate legal affairs, the Companies Act, and corporate governance fields as an attorney-at-law. The Company believes that if he assumes office as an External Audit and Supervisory Board Member he will appropriately perform his duties as External Audit and Supervisory Board Member, including his duty to ensure the validity of auditing, from an objective perspective as a legal professional. Thus, the Company selected him as a candidate for substitute External Audit and Supervisory Board Member.

Notes: 1. No conflicts of interest exist between the Company and Mr. Ren Inoue.

2. Matters concerning a candidate for substitute External Audit and Supervisory Board Member:

- Mr. Ren Inoue satisfies the requirements for independent officer set forth in the regulations of the Tokyo Stock Exchange. If his election is approved, the Company will appoint him as an independent officer. If Mr. Ren Inoue assumes office as an External Audit and Supervisory Board Member, the Company plans to enter into an agreement with Mr. Ren Inoue to limit his liability for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act.
- The effectiveness of the resolution for election of a substitute Audit and Supervisory Board Member shall expire at the beginning of the ordinary general meeting of shareholders to be held after the elapse of four years, pursuant to Article 34, Paragraph 4 of the Articles of Incorporation of the Company.
- The effectiveness of the resolution for election of a substitute Audit and Supervisory Board Member may be revoked by a resolution of the Board of Directors, with approval of the Audit and Supervisory Board, only before the elected substitute assumes office as the External Audit and Supervisory Board Member.

3. The Company has entered into a directors' and officers' liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2021 and each candidate will be insured under the contract.