



SANKEN ELECTRIC CO., LTD.

Power Electronics for Your Innovat!on

SANKEN REPORT 2024



Contents/Editorial Policy

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An explanation of the core philosophy and values of Sanken Electric, as well as the Company's story up to now.

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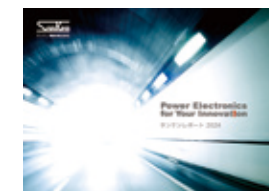
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Editorial Policy

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

Cover Design

The determination to recover from the impact of the Noto Peninsula Earthquake, get our growth strategy on track, and steadily implement Medium-Term Management Plan 2024 (MTP 24) is represented as emerging from a tunnel and heading into a bright future.



Cautionary Note on Forecasts

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

Scope of Reporting

Reporting period : April 1, 2023 to March 31, 2024
(fiscal 2023)
(Some content includes matters after April 2024)

Reporting organization: Sanken Electric Co., Ltd.
("the Company")

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Sanken Electric's Values

Sanken Electric's corporate philosophy was established in 2003, more than 50 years after its founding, framing the 21st century as the second inaugural period of Sanken Electric Co., Ltd. and the Group. Guided by our philosophy, we aspire to realize our management vision and corporate slogan as we contribute to societal innovations.

Corporate Philosophy

Semiconductors Are Our Core Business

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

Develop Business Globally, Leveraging Our Proprietary Technologies

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

Respect Each of Our Employees

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

Carry Out Duties with a Highly Ethical Perspective

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

Social Responsibilities and Harmony with the Environment

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

Business Guidelines

- Collaborate with our business partners to assure a shared vision of the marketplace. This shared vision will result in optimized solutions.
- Be knowledgeable of global trends and do business with a broad vision.
- Create a new culture marked by originality and flexible thinking.
- Adapt to changes in the business environment and implement improvements with world-class speed.
- Position ourselves to obtain high quality business by continuously improving individual skills with professionalism.
- Utilize mutual trust as the foundation for effective teamwork and optimal results.
- Exhibit the highest ethical standards while complying with internal guidelines and external laws.
- Contribute to solutions for environmental concerns to maintain the sustainable future of our community and society.

Management Vision

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

Corporate Slogan

Power Electronics for Your Innovat!on

Embodies our aspirations as a company to contribute through
power electronics to the innovations of its customers, its employees,
and society, with the overarching goal of realizing
a sustainable future.





About Sanken

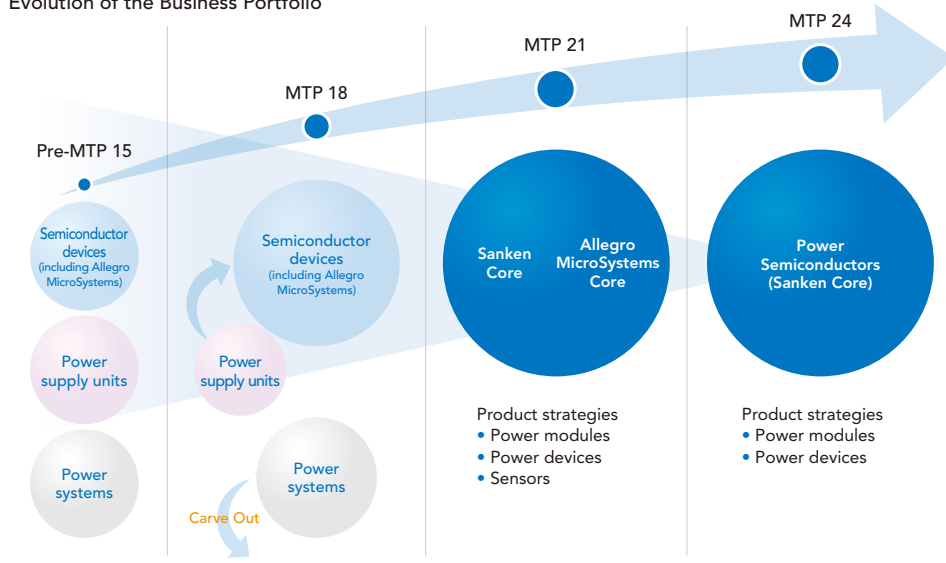
Creating a Sustainable Future with Sanken Electric's Technologies and Products

Sanken Electric aims to contribute to the realization of a sustainable society by providing energy-saving solutions for global markets, driven by technologies including the latest in power conversion and motor control. Through both technological innovations and reliable high-quality products, we will achieve sustainable growth as a company while making positive contributions to society, including solutions to global environmental and social issues, and the development of industry, economy and culture.



Sanken Electric's Portfolio

Evolution of the Business Portfolio



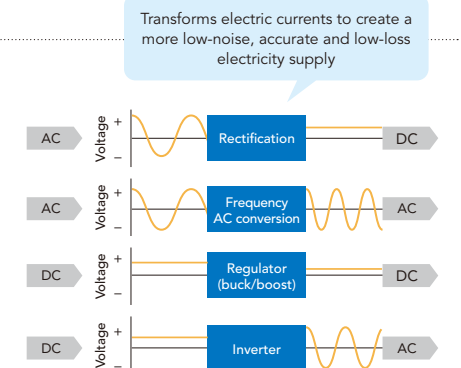
What are Power Semiconductors?

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

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

Tasks Performed by Power Semiconductors

- 1. Rectification** Converting electricity supply from AC to DC
- 2. Frequency conversion** Changing the current frequency to the desired frequency
- 3. Regulation** Changing the voltage
- 4. Inversion** Converting electricity from DC to AC



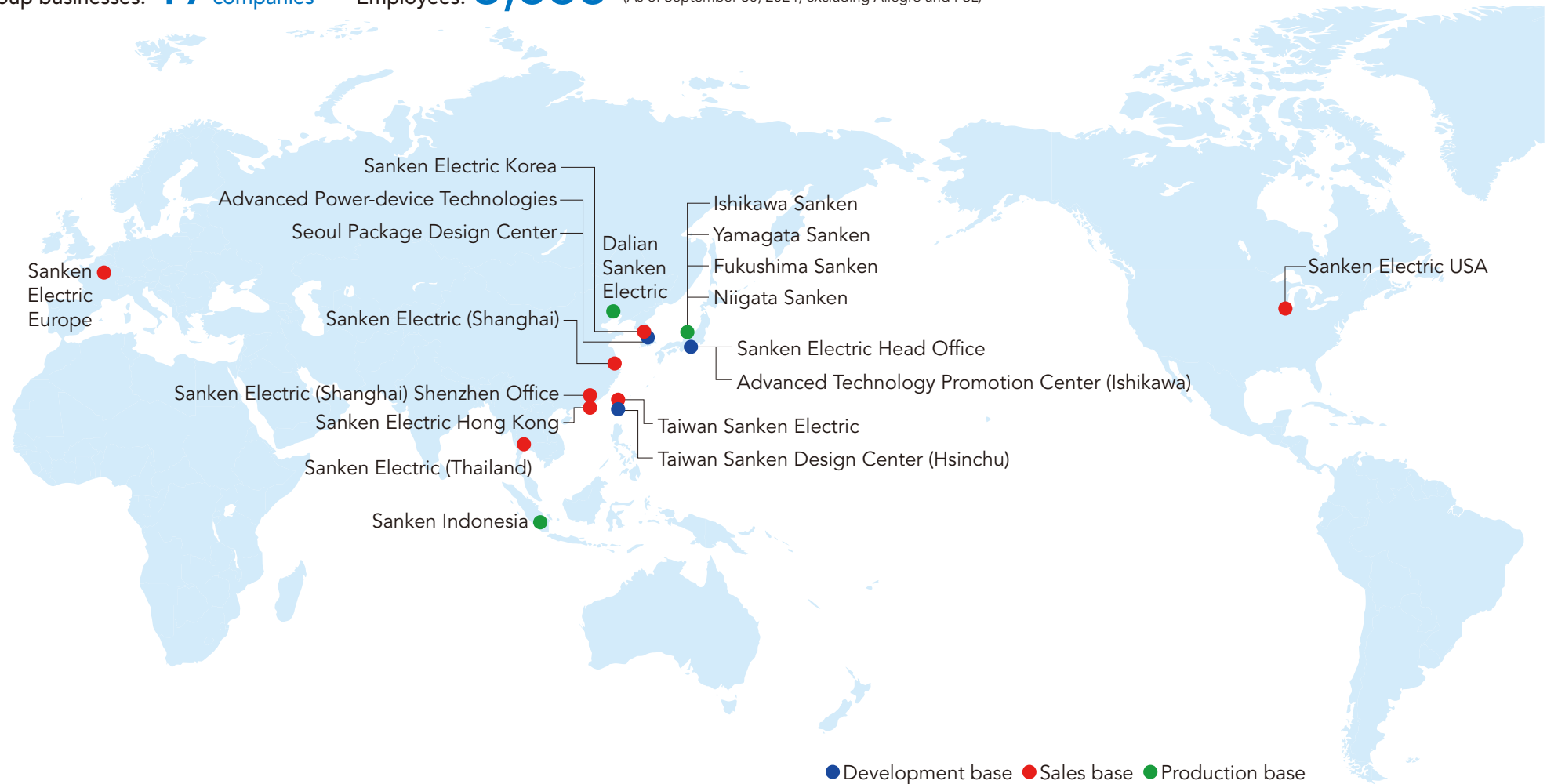


Main Global Sites

Sanken Electric handles all processes through its expanding network of production sites in Japan and overseas, manufacturing high-quality, high-performance products and delivering them to customers around the world.

We are also building out our global network of local subsidiaries, including in Japan, Asia, Europe and the United States, to enable rapid product development and support.

Group businesses: **17** companies Employees: **3,868** (As of September 30, 2024; excluding Allegro and PSL)





At a Glance

Our main business is the manufacture and sale of semiconductor devices and the provision of related services.

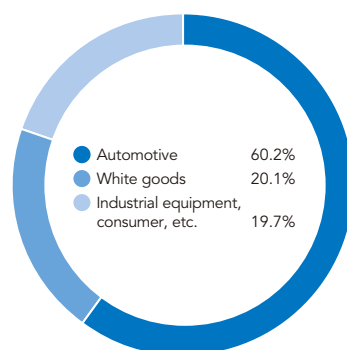
Overseas sales account for over 70% of the Company's net sales, and as such we are focusing on eco-friendly, energy-conserving initiatives at the forefront of our industry and with the whole world as our market.

Consolidated Net Sales Composition (By Market/Region/Product)

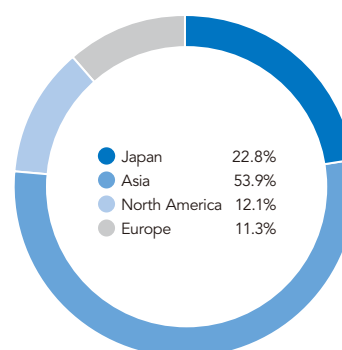
Net Sales
¥235.2 billion
(Fiscal 2023)

Sales and profits are expected to fluctuate in fiscal 2024 due to the partial share sale of Allegro MicroSystems, Inc. in July 2024. Allegro MicroSystems will become the Company's equity-method affiliate from the second quarter of fiscal 2024 onward.

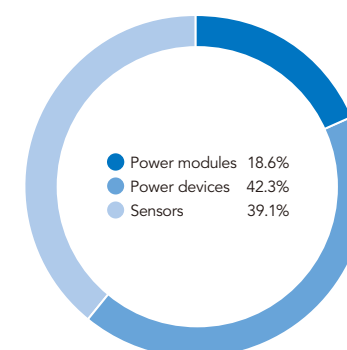
Composition of Net Sales by Market



Composition of Net Sales by Region

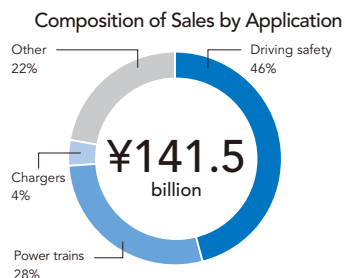


Composition of Net Sales by Product



Main Commercial Applications

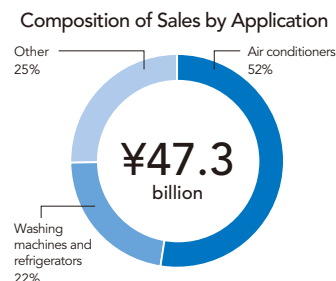
Automotive Market



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

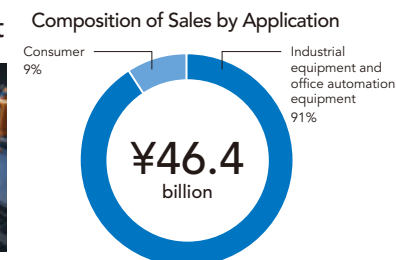
* xEVs: Umbrella term for electric vehicles including battery electric vehicles (BEVs), hybrid electric vehicles (HEVs) and fuel cell vehicles (FCVs)

White Goods Market



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

Industrial Equipment and Consumer Market

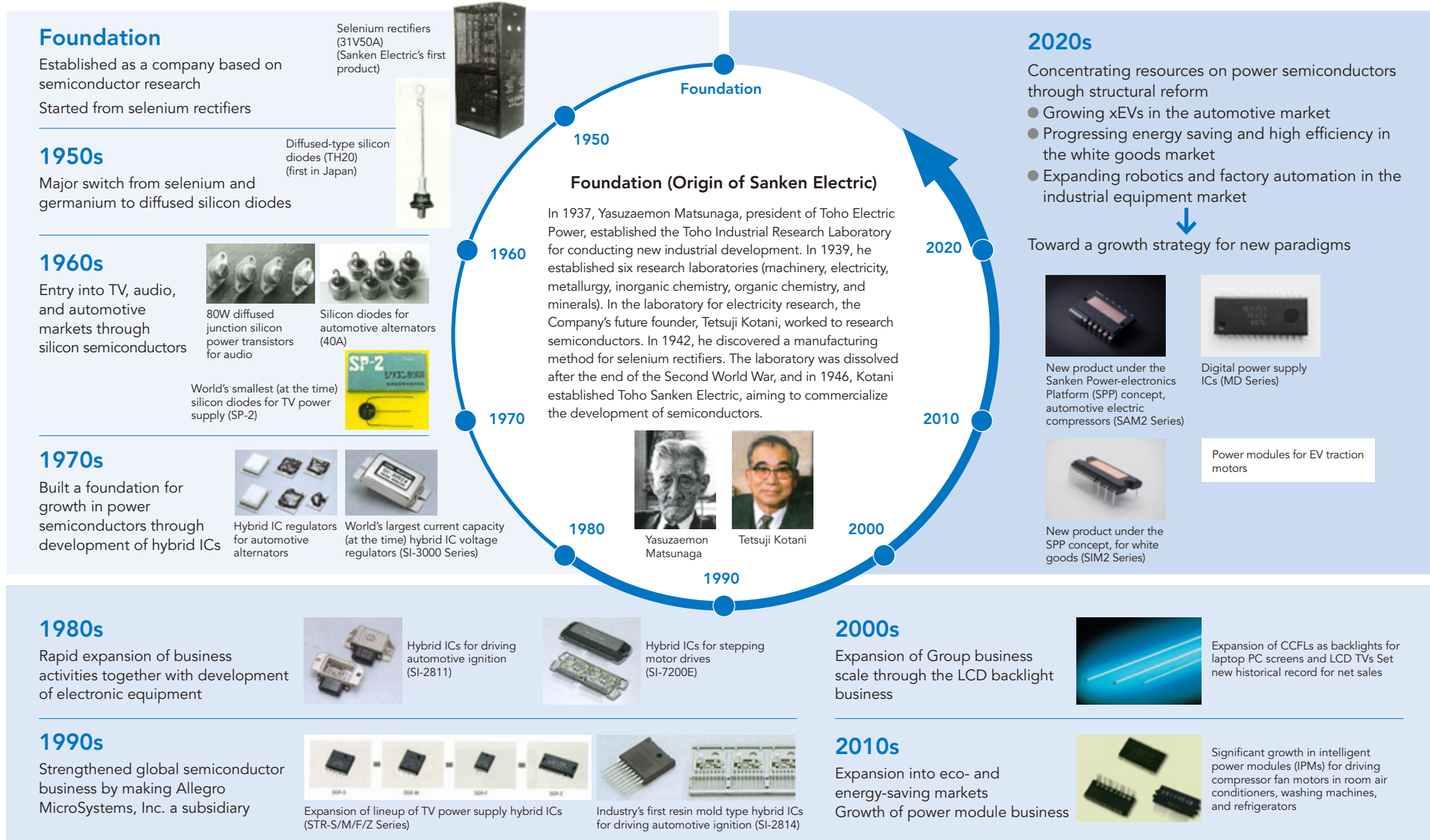


In the industrial equipment market, our lineup has traditionally focused on power devices for equipment power sources, but in recent years there has been major growth in power devices and sensors used in factory automation and clean energy applications. Furthermore, we expect continued growth in new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



The Lineage of Sanken Electric's Power Semiconductor Technologies

Sanken Electric has refined our core power semiconductor technologies in response to diverse paradigm shifts, and the resulting value and successes have contributed to society.



Message from the President

A photograph of Hiroshi Takahashi, President and Representative Director of Sanken Electric, standing in a modern laboratory or office environment. He is wearing a white lab coat over a white shirt and a red tie, with his arms crossed. The background shows a clean, well-lit space with white walls, large windows, and modern furniture.

To enhance Sanken Electric's corporate value, we will focus on recovering from the effects of the earthquake, refining our growth strategy, and steadily executing the MTP 24.

Hiroshi Takahashi President and Representative Director

In the first year of the Medium-Term Management Plan 2024 (MTP 24), our efforts were directed toward recovering from the effects of the Noto Peninsula Earthquake. At the same time, we promoted initiatives to enhance profits and implemented measures aimed at improving our financial position, with a focus on medium- to long-term growth.

Looking ahead, we are committed to accelerating the growth of Sanken Core, achieving above-market growth, and enhancing profitability.



Q: What do you see as your mission in driving sustainable growth for Sanken Electric?

I will spearhead the development of a more robust business model, optimal strategies, and efficient resource allocation while focusing on ensuring the organization operates as intended.

In corporate management, I continuously monitor changes and assess whether the organization is responding effectively. When the organization is not functioning well, it becomes challenging to address issues. A key factor in ensuring the organization's effectiveness is having employees set their own goals. It's crucial for employees to understand how their personal goals align with the organization's objectives and to closely follow the process to enhance their motivation. I manage the Company with the conviction that when employees set appropriate goals aimed at realizing our management vision and improving profitability, and consistently

work toward achieving those goals, it will drive our Company's sustainable growth and value creation.

As for the governance system that supports our ability to create value over the short, medium, and long term, we transitioned to a company with an audit and supervisory committee in June 2023. This transition has strengthened the monitoring function for executive officers, as the majority of the Board of Directors now consists of external directors. Additionally, the increase in female officers has enhanced diversity, invigorating discussions. I will spearhead the development of a stronger business model and lead the creation of optimal strategies and resource allocation based on risks and opportunities, with the goal of achieving sustainable growth.

Q: How would you describe Sanken Electric's vision and the strengths that will enable you to achieve your goals?

Our competitive edge comes from our advanced integration technology and our exceptional capability to implement it. Additionally, our ability to adapt to global changes ensures resilience.

The variety of power semiconductors is vast, and the performance of discrete devices like diodes and transistors is continually advancing to offer higher speed and larger current capacity. Our technical advantage lies in our advanced integration technology for combining high-voltage control ICs to create modules and how well we can achieve this. Reflecting on our Company's history, our power supply ICs were once featured in the products of all major manufacturers during the CRT (cathode-ray tube) television era. We have also secured a significant market share in modules for white goods and automotive applications by collaborating closely with our customers to develop products that meet their needs and expectations.

In the process of making this kind of business model work, we place significant emphasis on ensuring the input (capital) invested reliably translates into a return on output. When this is not the case, we swiftly analyze and follow up on the non-functioning parts, assessing whether perceived strengths have turned into weaknesses. We respond by informing business departments of the need to examine





the entire process to identify factors that reduce profits and competitiveness. To address these issues, we are implementing measures to enhance work accuracy and speed, such as strengthening flexible production capabilities to meet changing demands, collecting various manufacturing data to stabilize quality, and improving productivity by predicting risks in production equipment through the full utilization of digital transformation (DX).

Q: What prompted the decision to sell a portion of your shares in Allegro MicroSystems Inc. (Allegro) and implement a third-party allotment of new shares in Polar Semiconductor, LLC (PSL)? And what is the rationale behind the management decision and its strategic significance?

Our objective is to promptly eliminate any capital loss, strengthen Sanken Core's financial position, and invest in growth areas to further accelerate and reinforce our efforts to enhance corporate value.

Our decision to sell a portion of our shares in Allegro was based on three key reasons. The first reason is the severe capital loss caused by the Noto Peninsula Earthquake in January 2024. The unprecedented impact of this earthquake, the first of its kind since our Company's founding, led to an extraordinary loss for the last fiscal year. This resulted in a reduction in our non-consolidated shareholders' equity and a deficit in the amount available for distribution, making it impossible to pay dividends.

The second is that, in advancing the MTP 24, we recognized the necessity to strengthen our capital base. We identified a certain level of risk to our capital due to reliance on cash inflows from business activities alone. Given that we are still recovering from the earthquake disaster, the guidance announced in May did not anticipate a rapid and significant recovery of capital from cash inflows. Additionally, we also recognized the urgent need to avoid a continuous loss of capital that could affect various transactions. Specifically, we have long understood that a solid capital base, stronger than our competitors, is essential to effectively implement the MTP 24.

The third is that we needed to address short-term funding requirements,

including growth investments necessary for achieving the MTP 24. To meet these capital and funding needs, the management team and directors evaluated the use of the Company's assets and decided to sell a portion of the Allegro shares, our strategic assets.

Following this sale, Allegro has transitioned to an equity-method affiliate and is no longer a consolidated subsidiary. Our policy of maintaining our shareholding in Allegro remains unchanged, and we will continue to retain the right to nominate directors to Allegro's Board of Directors.

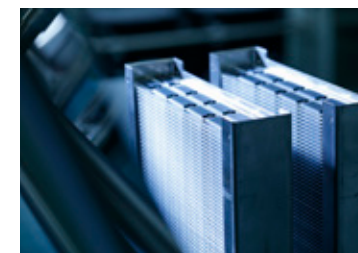
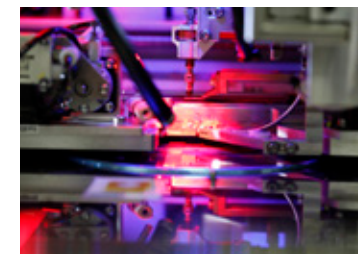
Regarding PSL, although it plays a crucial role in our Company's wafer production, we were aware of its lack of competitiveness and declining performance as significant management challenges. Fortunately, we were able to benefit from the subsidy policy for the semiconductor industry in the United States, allowing us to explore specific measures for a third-party allotment of new shares.

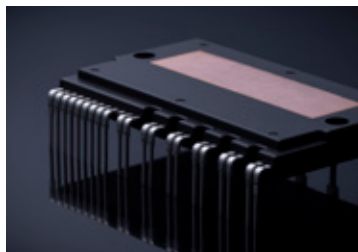
The third-party allotment of new shares is strategically significant in several ways. Firstly, by expanding production capacity and securing third-party demand, PSL's competitiveness as a foundry will be enhanced. This improvement will also lead to a reduction in our Company's procurement costs.

Secondly, given the potential risks of supply chain disruptions, ensuring a stable procurement system will enhance the precision of Sanken Core's growth strategy. Additionally, we will benefit from the continued use of PSL's advanced production technology for differentiated high-voltage power semiconductors. We believe that utilizing external funding to secure foundry production capacity is of great significance, as it will reduce the burden of capital investment for our Company from a long-term perspective.

The recent third-party allotment of new shares in PSL is designed to revitalize PSL as a US-based foundry. This initiative leverages investments from investment companies and subsidies from the US government, in addition to our financial support. We believe that this collaboration has enabled us to achieve what would have been difficult to accomplish independently on our own.

As a US-capitalized foundry, PSL has left our Group and started afresh. We will continue to utilize PSL's advanced production technology for differentiated high-voltage power semiconductors and will also keep evaluating the optimal procurement environment for the medium to long term.





Q: Could you elaborate on the aims of the MTP 24 and the process involved in its formulation?

Drawing from our insights gained during our review of the MTP 21, we have developed new, highly precise measures to achieve our objectives. Our focus is on enhancing our earning capabilities and bolstering our resilience in the face of change.

The MTP 21 faced significant challenges due to unprecedented supply chain disruptions caused by the COVID-19 pandemic and increased costs due to factors such as the accelerated depreciation of the yen and inflationary pressure, as we worked to promote platform development, expand our module business, and grow our business for xEVs. Then in January 2024, the devastation caused by the Noto Peninsula Earthquake also damaged our financial base.

Considering the shortcomings in our earning capability and weak resilience to change, the MTP 24 was developed with initiatives most likely to accomplish the business strategies and improve profits. It is difficult to achieve growth rates higher than the industry average and steadily build profits using conventional methods. We held intensive discussions on new initiatives and incorporated external knowledge to enhance the objectivity of the planning process and increase accuracy in achieving our goals.

Q: What steps will you take to implement the initiatives outlined in the MTP 24 and ensure they positively impact business performance?

The MTP 24 will implement initiatives through a top-down approach, embedding them into Company-wide activities to drive profitability.

While previous medium-term management plans spanned a three year period, the MTP 24 is set for four years. The first year focuses on earthquake restoration to ensure rapid recovery, and the next three years will see various growth initiatives.

To enhance our likelihood of achieving our goals, we will continually assess the progress of our initiatives with objective evaluations, and management will

develop and promote top-down measures. The top priority is to improve Sanken Core's profitability. We aim to achieve sales of 100 billion yen or more and an operating profit margin of 10% by fiscal 2027, the final year of the plan. We will establish multiple profit improvement levers to mitigate unexpected events while maintaining and enhancing technical performance, functionality, robustness, and reliability. We will also strive to improve the accuracy of the medium-term management plan.

The first initiative is to launch products that are expected to be profitable during development, aiming for a new product sales ratio of 15%. This goal was initially set in the MTP 21. However, in the MTP 24, we will reassess our development gate management and continuously monitor the progress of each development product to improve the likelihood of success.

The second initiative is to enhance the profitability of our existing products. We will meticulously evaluate all factors, including variations in sales volume and the added value of each product. This process will help us verify the profitability of each product and ensure appropriate pricing.

The third initiative focuses on reducing procurement and production costs. By establishing indicators like sales per employee and production value per employee, we aim to raise awareness about productivity improvement among our employees at each site and work diligently toward achieving this goal.

To promote these measures, we will leverage DX to build systems that enhance efficiency in revenue management and new product development by providing greater visualization. Additionally, we will establish a Company-wide optimal production system and data management system. We are also bolstering our DX promotion structure. Together with the DX promotion management department at headquarters, we have brought together IT personnel from Japan and overseas, who were previously engaged in IT work at their respective bases, to work as a single organization through remote work. Under a unified Company-wide system, selected members from each department will efficiently drive DX development while minimizing investment costs by making the most of internal resources.

As for DX human resource education, improving the skills of all employees and increasing individual productivity is crucial. For work that spans across various departments like design, manufacturing, and sales, it's important to create an environment where both your own tasks and those of the next person in the process

can be easily accomplished. We aim to enhance productivity across the entire Company by ensuring all employees acquire the necessary skills.

Q: What is the thinking behind the financial measures in the MTP 24?

Profits generated from business measures will be allocated to the necessary growth capital.

The MTP 24 aims to create a sustainable cycle by improving operating income to generate cash, which will be used to secure resources for future growth investments. This will be done by shifting away from relying solely on placing new products on the market and strongly emphasizing the three profit improvement levers as the core of our strategy. The MTP 24 will pursue aggressive investment strategies based on a stable financial foundation. As part of our capital allocation policy, we will allocate funds to investment activities for business expansion and future growth, PSL support payments, debt repayment, and shareholder returns.

As for our dividend policy, it remains unchanged. We continue to strive for total returns through medium- to long-term share price growth, adhering to our basic policy of stable dividends. We are prioritizing investor and shareholder relations, with my personal efforts directed toward direct communication with investors. We will persist in our endeavors to ensure that more investors become aware of our Company and understand our efforts to enhance corporate value over the medium to long term.

Q: How is materiality and ESG management progressing?

We are dedicated to initiatives for “CO₂ reductions through promotion of our main business” and “reducing the environmental impact of our business activities.” At the same time, we are steadily strengthening our human capital and governance systems.

Since 2020, we have incorporated the SDGs into our management practices. In October 2021, we established a Sustainability Committee to advance ESG



management and strive for a sustainable future. As a company committed to developing power semiconductors for energy conservation over many years as our core business, we have made “CO₂ reductions through promotion of our main business (energy savings, higher efficiency)” and “reducing the environmental impact of our business activities” our theme to guide our efforts to address social issues. In order to realize a sustainable society, we will continue to develop products that minimize environmental impact (products that conserve energy and are highly efficient). We are also working to reduce CO₂ emissions, power usage, water consumption, and waste during our business operations. Our goal is to contribute to global environmental conservation and the circular economy. By timely disclosing information in keeping with TCFD recommendations and GRI standards, we aim to enhance our corporate value through higher evaluations from ESG-related external organizations, greater attention from investors, and inclusion in global indices.

Strengthening human capital is crucial for securing a sustainable competitive



advantage while addressing social issues. We believe that employee growth drives company growth, which is why we've established a "Human Resources Development Policy" to enhance our employees' knowledge and skills. In April 2023, we launched the Sanken Nexus School, our in-house technical school. With the philosophy of "connecting each and every employee (Nexus) to the growth and success of the next generation of individuals and the Company," we provide comprehensive support to foster new value and innovation.

We are also dedicated to initiatives that support the mental and physical well-being of our employees which includes promoting health management and creating a comfortable working environment. By doing so, we aim to ensure our employees can work with high motivation and mutual consideration over the course of a long career, thereby realizing their potential, as well as to attract more talented individuals who aspire to join our Company.

We will maintain our commitment to providing education on human rights and governance, including compliance education, as well as health and safety training. As for human rights, we are developing a due diligence system to enhance our risk management for stakeholders and the entire supply chain, while also establishing a system of relief mechanisms.

In terms of governance, we have further strengthened our structure by transitioning to a company with an audit and supervisory committee and by having a majority of external directors on the Board. The new Board of Directors structure, effective after June 2024, further distinguishes management from operations. While maintaining a majority of external directors, this move streamlines the Board of Director's composition so that it can respond quickly to changes in the business environment. We have also strengthened our corporate officer system.

Q: Lastly, what message would you like to give to your stakeholders?

We will work to enhance our corporate value by delivering technologies and products that are genuinely valuable to society. Our goal is to achieve growth that surpasses the market growth rate for power semiconductors, as outlined in the MTP 24.

The corporate slogan we have set forth embodies our aspirations as a company to contribute through power electronics to the innovations of our customers, our employees, and society, with the overarching goal of realizing a sustainable future. As such, we aim to engage in co-creation with our various stakeholders. By effectively communicating the value we provide to our stakeholders, we will incorporate the process of dialogue and co-creation into our corporate activities, continuing to offer technologies and products that are genuinely valuable to society.

In 2021, we launched an official YouTube channel to improve communication with our stakeholders. We've been releasing videos that detail our product features for designers, explain our manufacturing process, and showcase our working style, environment, and systems. This has led to increased feedback from customers and a rise in job applications from those who have watched our videos. We are committed to continuing to enhance our communication efforts.

Under the MTP 24, we will recover from the impact of the earthquake and aim to enhance our corporate value by generating cash flow through investments in growth areas and reinforcing the foundations of our business strategy. Our goal is to achieve growth that surpasses the market growth rate for power semiconductors.

We will do everything in our power to meet your expectations and sincerely ask for your continued support.

Concerning the partial sale of Allegro shares and the third-party allotment of PSL shares

In July 2024, the Company announced the sale of a portion of its shares in Allegro. In September, it announced a third-party allotment of new shares in PSL and reported an extraordinary loss. To explain these significant corporate actions, the Company held a briefing session for investors. Please refer to the following link for the briefing session materials.

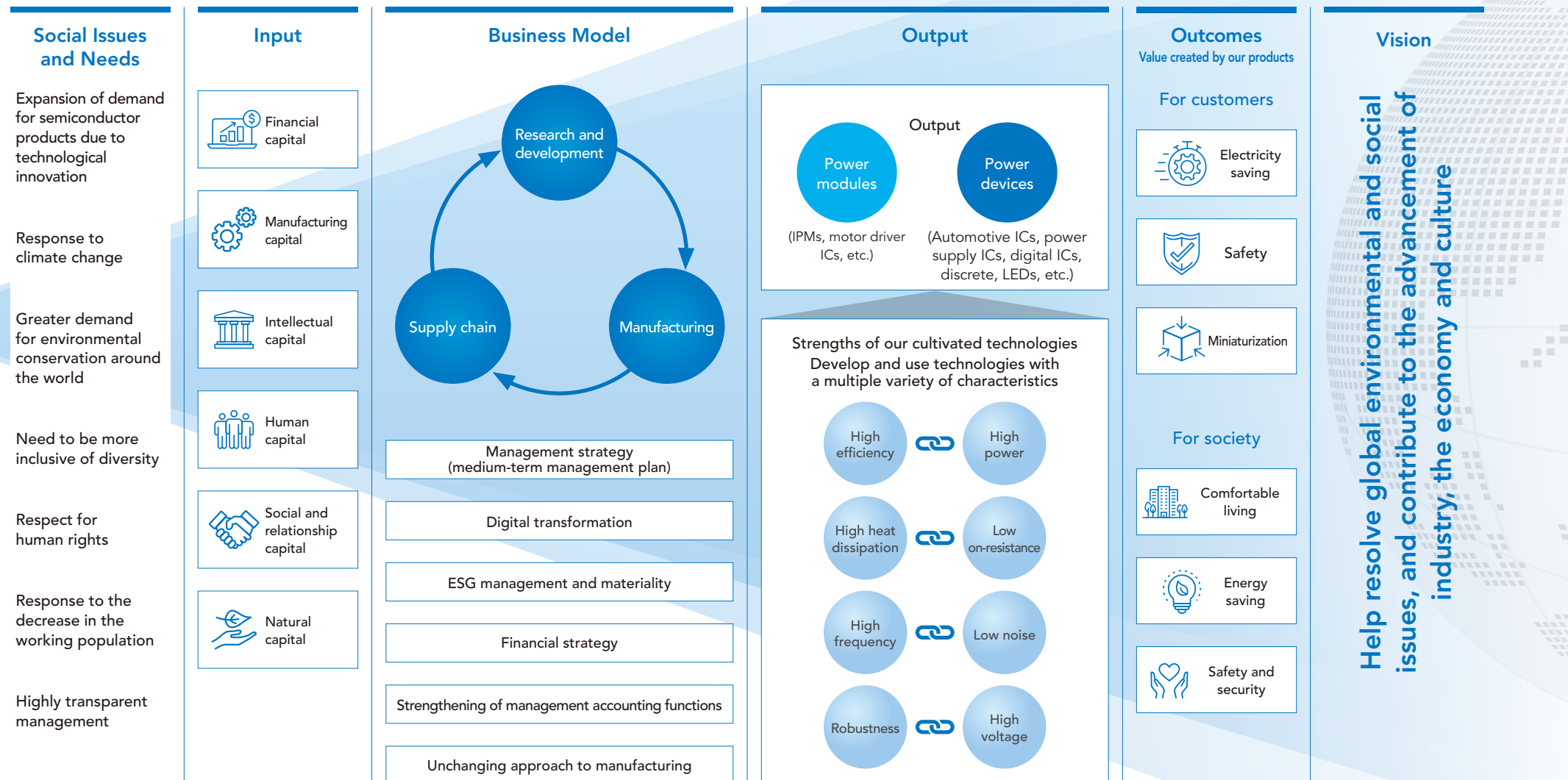


Explanatory Presentation on the Sanken Group

Value Creation at Sanken Electric

Using management resources efficiently to develop and provide more energy-saving products

Since its founding, Sanken Electric has constantly responded to society's demands and customer needs, refining its unique technologies and creating products. We will deepen cooperation with our customers and partners and innovate technological capabilities so as to provide products of assured quality that help resolve global environmental and social issues, and contribute to the advancement of industry, the economy and culture.



1. Outcomes

Sanken Electric has thus far cultivated capital with a competitive advantage through manufacturing with many customers and partners. We will leverage our brand and knowledge as a dedicated power semiconductor manufacturer to strive to create value both socially and financially.

Input Capital

 Financial capital	• Total net assets: ¥149.7 billion (as of September 30, 2024) • Equity ratio: 52.5% • Resolution of capital impairment and increase of equity capital due to partial sale of Allegro shares
 Manufacturing capital	• Production bases: 9 total (6 domestic, 3 overseas) • Capital expenditure: ¥16.0 billion • Accumulation of high-quality manufacturing expertise regarding power semiconductors over many years • Accumulation of expertise as BCP measures through experience recovering from repeated earthquakes
 Intellectual capital	• Research and development costs to sales ratio: 6% (estimate for fiscal 2024) • Accumulation of many years of research and development results, and quality and evaluation capabilities, regarding power semiconductors • Enhancement of peripheral circuit IP necessary for the formation of power semiconductors • Magnification of the technological value of power semiconductor-related IP by extending it across multiple fields
 Human capital	• Employees: 3,868 (as of September 30, 2024) • Ratio of women: 20.2% (as of September 30, 2024)
 Social and relationship capital	• A solid brand for semiconductors • Relationships of trust with customers and suppliers • Bases for business activities in local communities
 Natural capital	• Non-renewable energy consumption: 119,659 MWh • Renewable energy consumption: 16,466 MWh • Water intake: 1.711 million m³

Outcomes

 Financial capital				
• Net sales forecast: ¥88.2 billion (as of November 2024) • Operating profit margin forecast: 0.5% (as of November 2024) • D/E ratio: 0.5x (as of September 30, 2024) • Repurchase of own shares: ¥30.0 billion				
 Manufacturing capital	 Intellectual capital	 Human capital	 Social and relationship capital	 Natural capital
• Global share of power modules: 10th Source: Omdia (U.K.), CY2023 • Patents held: 1,413 (global patents held, including those pending) • Percentage of managerial positions held by women: 3.3% • Total hours spent in social contribution activities: 8,964 • People participating in social contribution activities: 5,555				
• Company CO₂ emissions (Scope 1 and 2 CO₂ emissions) • Scope 1 (energy sources): 6,126 t-CO₂ • Scope 2: 61,338 t-CO₂ (renewable energy ratio: 13.6%) • Supply chain CO₂ emissions (Scope 3): 329,213 t-CO₂ • CO₂ reduction from renewable energy: 8,324 t-CO₂ <Breakdown> - Solar power (PPA/self-generated): 2,542 t-CO₂ - Wind power: 645 t-CO₂ - Renewable energy: 5,136 t-CO₂				

2. The Value of Sanken Electric's Products

Power semiconductors are products for using electric currents efficiently, without waste, and they are characterized by being able to contribute to the reduction of environmental impact and the effective use of resources. Sanken Electric has refined its technologies to combine multiple characteristics, such as high power and low noise, to enhance the value of products.

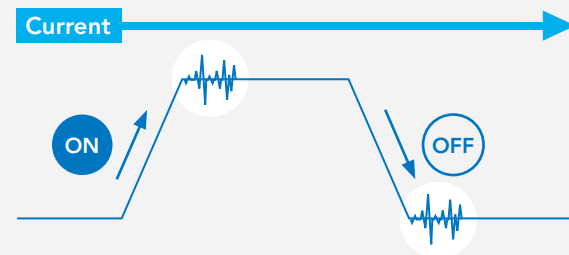
Basic Technological Theory of Power Semiconductors

- ON** When a current is meant to be sent, it is sent smoothly and with low loss.
- OFF** When a current is meant to be stopped, it is stopped completely and without leakage.

Energy saving/High efficiency
High reliability

thanks to efficient use of currents without waste

A switching noise always occurs when turning the current ON/OFF.



- Low-noise technology is necessary for energy-saving, high-efficiency performance.
- Low noise stabilizes circuit operation, improving reliability.

High efficiency

Robustness

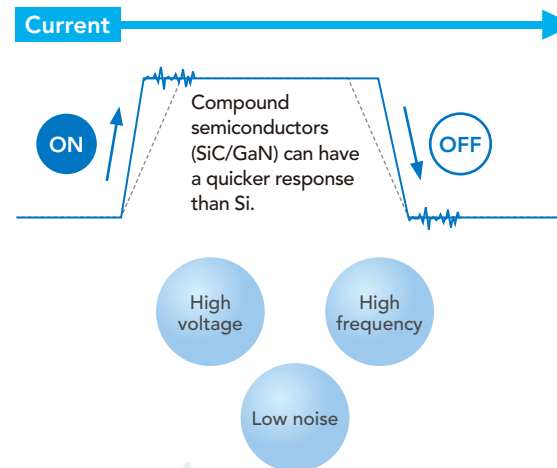
Further Improvement of Added Value Through Our Cultivated Technologies

In developing products that combine multiple characteristics, we skillfully control our cultivated technologies to reduce environmental impact.

Development example 1:

High voltage/High frequency/ Low noise

- Capability to develop high-voltage (uncollapsible) element processes
- Integration with high-speed, high-precision switching technology
- Control circuit and IC technology that can control the balance between all elements



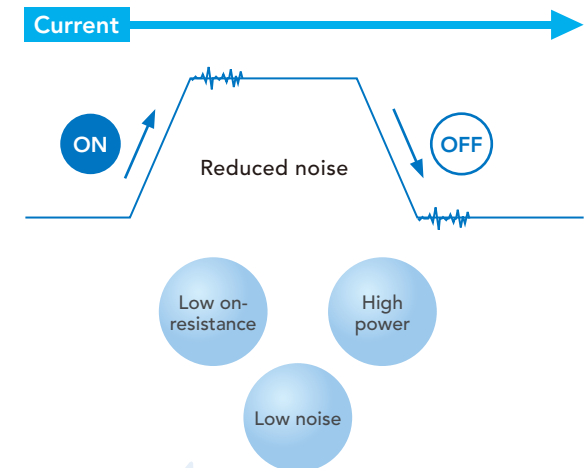
High voltage and high frequency generally result in increased noise, but Sanken's technology enables simultaneous realization of low noise.

* Development of high-voltage power modules using compound semiconductors

Development example 2:

Low on-resistance/High power/ Low noise

- Capability to develop element processes that generate little heat and have low on-resistance
- Integration with high-speed, high-precision switching technology
- Control circuit and IC technology that can control the balance between all elements



Pursuing low on-resistance and high power generally results in increased noise, but Sanken's technology enables simultaneous realization of low noise.

* Development of high-speed, high-efficiency discrete and module products

3. Our Cultivated Intellectual Capital

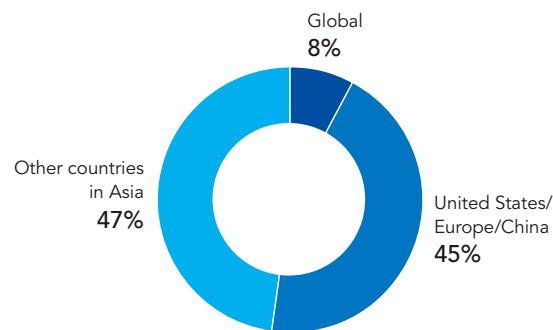
The patents we hold for power semiconductors are the very technologies accumulated and cultivated over more than 70 years since our founding.

The distinctive patents held by Sanken Electric will allow us to achieve the creation of innovations in response to new paradigms and provide products for the next generation.

Patents held: **1,413**
(global patents held, including those pending)

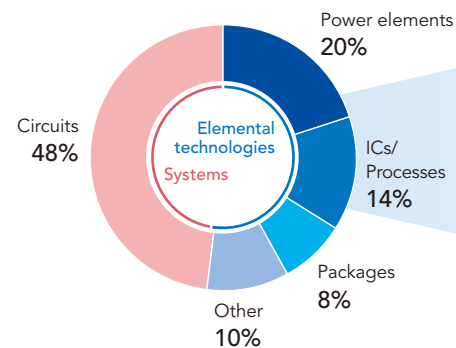
Value-subdivided patents: Approximately **3,200**
(calculated by subdividing value per patent held)

Patent Percentage by Country/Region



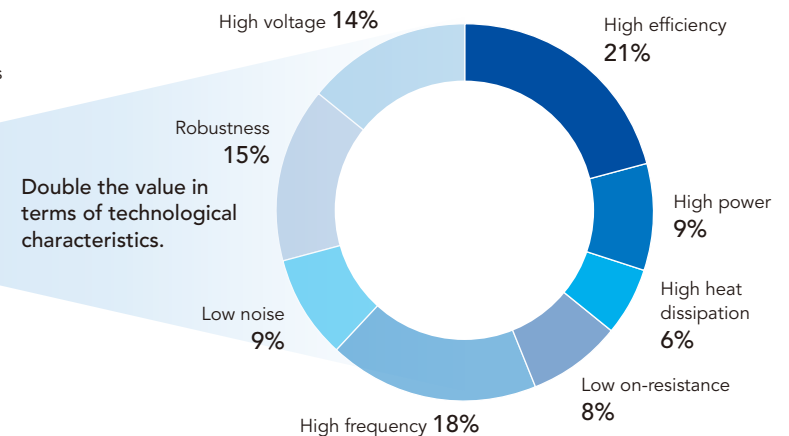
We have adopted patent strategies in countries and regions around the world to allow for the smooth development of global business. This supports activities leading to worldwide sales promotion.

Patent Percentage by Technological Field



Half of our patents are for elemental technologies, while half are for systems. Our thorough knowledge of the requirements for system technologies that make it possible to combine and integrate individual elemental technologies allows us to develop high-power, high-efficiency power modules.

Patent Percentage after Subdivision



The distinction of our patents is that they have multiple technological characteristics combining the essence of various technologies in the pursuit of efficiency. The patent value is doubled in terms of technological characteristics.

We believe that technologies that combine multiple characteristics create high value for customers in the area of differentiated power electronics, which will lead to the resolution of social issues.

Going forward, we will continue to foster innovation and work on pioneering technological development.



4. The Value Chain

To provide high-value-added products, our divisions related to research and development, manufacturing and the supply chain cooperate to enhance the value chain.

We aim to increase sustainable corporate value by optimizing the value chain from the viewpoint of business growth and ESG management.



Research and Development

- Element development
- Product development

Outline

Element development to combine multiple characteristics

- Power element development
- IC process development
- Package development

Product development in response to market and customer demand

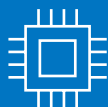
- Product concept creation
- Determination, prototyping and simulation of technical specifications
- Combined design of elemental technologies

Important business initiatives

- Initiatives to create highly reliable products
- Planning designs that optimally combine multiple elemental technologies
- Initiatives to increase the speed of market introduction and secure a competitive edge
- Initiatives with an awareness of profitability from the design stage

Contributing from the viewpoint of ESG management

- Product design and verification with an awareness of reducing environmental impact at the production stage
- Contributing to improving the environment through energy-saving, high-efficiency power semiconductors
- Securing a development structure overseas to increase the speed of development while proactively utilizing diverse overseas human resources



Manufacturing

- Optimal procurement
- Smart factories
- Production reorganization
- Fab-lite strategy

Outline

Promotion of the transition to smart factories to improve factory productivity

Nine Steps for the Transition to Smart Factories

Innovation of production lines

- Step 1. Digitalization through paperless operations
- Step 2. Collection of equipment data
- Step 3. Data analysis and utilization
- Step 4. Automation
- Step 5. Production system linkage
- Step 6. Prediction and forecasting
- Step 7. Process control
- Step 8. Automatic flow
- Step 9. Use of big data

Business process reforms

Creation of efficient production processes, advanced quality control

- Manufacturing process for semiconductor chips (front-end processes)
- Characteristic inspection of semiconductor chips (front-end processes)
- Assembly (back-end processes)

Important business initiatives

- Initiatives to improve productivity (optimal mass-production system, quality control)
- Implementation of stable procurement of raw materials (pursuit of quality, cost, delivery and development)

Contributing from the viewpoint of ESG management

- Creation of production systems and processes with an awareness of reduction of environmental impact
- Stable procurement management taking governance into consideration



Supply Chain

- Sales
- Market strategy
- Production strategy
- Optimal logistics

Outline

Grasping customer needs to promote offering new value

- Understanding of market needs
- Interviewing customers about their needs
- Customer support, collection of feedback
- Promotion of sales and the FAE system in Greater China
- Promotion of sales and the FAE system in the ASEAN region
- Promotion of sales and the FAE system in South Korea
- Creation of a sales system in Europe and the United States

Stabilization of the supply chain through optimal local production

- Optimal local production system with local production for local consumption, taking optimization of BCP and delivery into consideration
- Production management system through Center control
- Optimal logistics measures

Important business initiatives

- Initiatives to improve customer satisfaction
- Product lineup solutions
- Close cooperation with sales partner companies
- Through digital transformation provide thermal simulation and other high-capacity technology-related data to customers

Contributing from the viewpoint of ESG management

- Sales promotion of products that contribute to reducing environmental impact
- Securing sales and FAE human resources, particularly in Greater China and South Korea, to strive for proactive utilization of diverse overseas human resources

5. Value Creation and Human Resources

As part of the value creation process, people are the driving force of new value and play a vital role in supporting corporate growth and sustainability.

At Sanken Electric, we emphasize fostering environments where employees can fully leverage their abilities and collaborate effectively across diverse talent, all aimed at enhancing corporate value.

Human Resources Development Policy and Framework

We have established our Human Resources Development Policy, and in fiscal 2023, we revamped our training system and actively conduct training seminars under the philosophy that employee growth leads to company growth.

- Our Company provides growth opportunities and supports the progress of each employee through self-improvement, OJT, and other training sessions, while fostering a corporate culture of learning and development. Moreover, the Group will support the reinforcement of managers' abilities to help their team members develop and support the growth and independence of its employees.
- Managers have a responsibility to support the development of their team members as they work to foster a desire for growth, provide opportunities for progress, offer feedback, and also lead by example as they work toward their own personal growth.
- Employees are responsible for their own personal growth and undertake initiatives in a proactive and systematic manner.

Human Resources Training Framework

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

Technical Training (Nexus School)

The Sanken Group operates an in-house technical school designed to foster its ability to develop high-performance products and offer new value in the ever-growing field of power semiconductors, based on the philosophy of "creating a nexus for individual employees to connect the next generation of individuals with the Company's growth and success." The school offers a wide range of courses, from basic training for recent graduates and administrative staff, to more advanced courses that cover topics aimed at mid-level and management staff, designed to help them acquire more advanced technical skills. Participants' course completion records are logged as part of their work experience details. This information is used to verify improvements in their technical skills when considering career paths, which reinforces each individual's motivation. We intend to expand the curriculum to include more practical training courses.



Nexus School Curriculum

	Semiconductor technology training		System development training		External training
Department manager level					
Section manager level					
Middle- level employees	Basic Technical Training (elective)	Advanced Technical Training (elective)	Advanced Circuitry Workshop (elective)	Practical Training in System Development (elective/for selected participants)	Outside Company Seminar (elective/ open enrollment)
Junior employees					
New employees	Basic Technical Training (required)		Basic Circuitry Workshop (required)		



5. Value Creation and Human Resources

Main Courses and Trainee Feedback

New Employee Training

We provide training to help participants transition from a student mindset to that of a working adult, including basic business etiquette training. This is followed by lectures and practical production training to deepen their understanding of what it means to work for our Group.

Trainee feedback



Through practical training, I learned business manners and communication skills, deepening my understanding of Sanken Electric over the course of various lessons.



During my factory training, I was able to see with my own eyes how semiconductors are made in the factory, which helped me to gain a better understanding of my role in the Company.



Global Education: GCD (Global Career Development) Program

In October 2024, we introduced a training program for selected participants to rapidly develop global human resources for workplaces where communication in foreign languages (English, Chinese, and Korean) is essential. The program aims to improve speaking skills through regular online conversation lessons while working in Japan, strengthen communication skills through short-term training camps, and acquire cross-cultural skills.

Basic Training: Flexible Study

A program targeting junior employees that uses digital learning content and videos. Participants are able to enjoy learning and progressing anytime and anywhere, as well as to develop effective study habits, with the aim of increasing their overall level of basic business skills. The program has been implemented since fiscal 2023.

Trainee feedback



I was able to learn about everything starting from the basics systematically, including business fundamentals, logical thinking, analysis, accounting, and marketing.



I learned how to do things like facilitation and give presentations through practical assignments after watching the videos.

Coaching Program

We provide a coaching training program that aims to create a workplace in which employees can work comfortably together in a relationship built on mutual communication and trust, regardless of their position or role, as well as to foster self-reliant employees. After the training, we organize a coaching group (for managers) where participants practice their skills with the support of in-house trainers, helping them to maintain and improve their skills.

Trainee feedback



I feel that I have become better at listening to my subordinates, which has led to more opinions and comments being shared among us.



After taking part in the coaching program, I realized that I needed to improve my own communication skills.



I am now better able to communicate in a way that helps my subordinates find the answers they seek for themselves.

6. Digital Transformation Leading to Value Creation

The Sanken Group has developed various measures in its DX strategy, including building and introducing a digital platform and promoting the transition to smart factories, in order to grasp signs of changes in the business environment surrounding power semiconductors and respond quickly.

We were recognized as a DX-certified operator by the Ministry of Economy, Trade and Industry on December 1, 2023. We are still in the early stages of concrete results in our initiatives to proactively utilize digital technology, but we will grasp signs of change in markets that value the environment and in social trends that respect diversity to take swift action and create new value.



Under Medium-Term Management Plan 2024 (MTP 24), we will focus on DX based on basic policies such as data use, standardization, automation and strengthening security, and apply these to concrete innovation measures. We will utilize digital technology as an essential item for transforming the norms of conventional business and bring out the maximum value of power semiconductors, contributing to the development of industry, the economy and culture, as well as people's happiness, through our business activities. All organizations, business and employees involved in the Sanken Group will participate fully in digital transformation based on the Sanken Digital Vision and will share the same goals to work on a variety of DX measures. We are taking the following steps to achieve the Sanken Digital Vision and will steadily accumulate results from these initiatives, which will lead to improving satisfaction by resolving customers' issues.

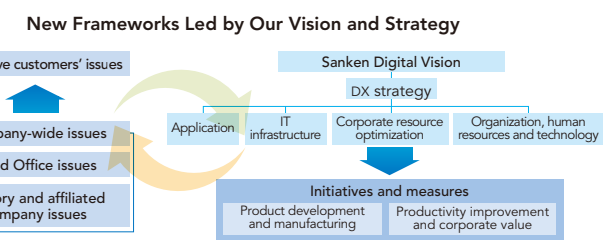
Initiatives Regarding Product Development and Manufacturing

- Further improvement of product appeal and shortening of the period for product development through expansion of SPP to include compound semiconductors
- Expansion of high-power power modules and development of high-performance devices for further-accelerating automobile electrification and intelligent control
- Transformation of business processes through reform of production lines and business processes using digital technology
- Achievement of productivity improvement through optimized data management and use



Initiatives Regarding Productivity Improvement for Employees and Corporate Value

- Application: Decisions based on data analysis, not people's perceptions and experience, to establish rules, procedures and systems led by sites
- IT infrastructure: Creating a secure digital platform and shifting to the cloud to support partial and full automation of business processes
- Corporate resource optimization: Maximization of value through effective use of the Company's management resources as a member of the semiconductor manufacturing industry
- Organization, human resources and technology: Integrating and developing organization and human resources to lead digital transformation, and exploring and evaluating technologies to use



Management Vision

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

Power Electronics for Your Innovat!on

Sanken Digital Vision

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

DX



Materiality (Material Issues)

Promoting ESG management by establishing material issues unique to our core power semiconductor businesses

The Company has established two key material issues that we must address in order to allow us to contribute to the resolution of global environmental and social challenges and foster industrial, economic, and cultural advancements.

By integrating this materiality approach into our business practices and promoting ESG management, we aim to simultaneously achieve business growth and contribute to the environment and society.

Sanken Group's Approach to Social Challenges

Sanken Group's corporate philosophy, which describes our basic stance toward social challenges, states that our mission is to provide optimal solutions in our core semiconductor businesses for power electronics and peripheral fields, thereby contributing to the advancement of industries, economies, and cultures all over the world. We believe that ESG initiatives must go beyond so-called social contribution activities, and represent the mission that companies undertake to contribute to the economy and society. To this end, we will promote ESG management by specifying our materiality (material issues) and integrating them into our management initiatives.

Materiality That Represents Sanken Electric's Values

To achieve sustainable growth, the Sanken Group examined materiality from a comprehensive range of perspectives, including our corporate philosophy and medium-term management plan. We mapped and organized material issues by their degree of social interest and degree of impact on our business, identifying material issues that we are uniquely positioned to address as a company that specializes in power semiconductors as one of its core businesses.

We aim to advance energy conservation by providing power semiconductors that contribute to the improvement of society's energy efficiency as a whole. However, since the process of developing and producing power semiconductors involves the use of water resources and the emission of CO₂ and waste, it is also essential that we reduce the environmental impact of our business activities. The Sanken Group has identified "CO₂ reductions through promotion of our main business (energy savings, higher efficiency)" and "reducing the environmental impact of our business activities" as the material issues it should address, as these are closely associated with our business operations. We will promote our initiatives effectively by regularly checking and reviewing these material issues based on changes in the external environment and other factors.

Materiality (Material Issues) and Activity Themes

While the Company's materiality strongly emphasizes reducing environmental impact, we also believe that in order to realize our materiality goals, it is important to utilize our human capital to improve organizational effectiveness and to strengthen our business foundation, which is the cornerstone of our materiality efforts. As such, we have established and are promoting activity themes that will help us address material issues from each ESG perspective, including those aimed at creating a comfortable working space for employees through health and productivity management and occupational safety and health efforts, as well as initiatives to strengthen governance in areas such as compliance and human rights.

Materiality (Material Issues)



Activity Themes for Achieving Materiality Goals

Environment

- Decarbonization
- Biodiversity
- ▶ p. 27: Environment

Social

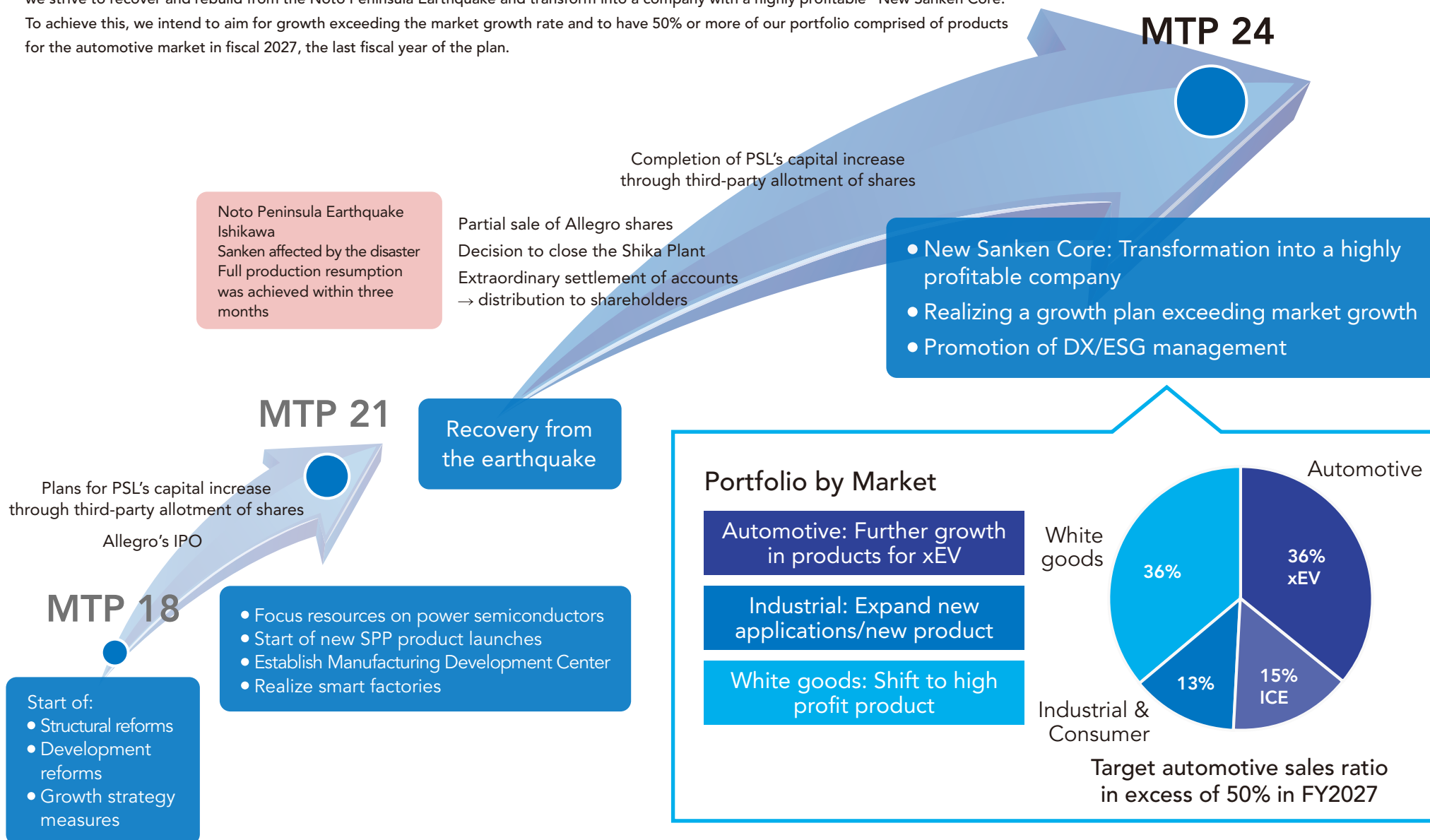
- Health management
- Occupational safety and health
- Social contributions
- Diversity
- Respect for human rights
- ▶ p. 30: Social

Strengthening our business foundation

- Raising compliance awareness
- Understanding of the internal reporting system
- Enhancement of information security and cybersecurity
- ▶ p. 33: Strengthening Our Business Foundation

Trajectory and Changes from MTP 18 to MTP 24

In Medium-Term Management Plan 2024 (MTP 24), based on the structural reforms and growth strategy implemented in MTP 18 and MTP 21, we strive to recover and rebuild from the Noto Peninsula Earthquake and transform into a company with a highly profitable “New Sanken Core.” To achieve this, we intend to aim for growth exceeding the market growth rate and to have 50% or more of our portfolio comprised of products for the automotive market in fiscal 2027, the last fiscal year of the plan.



MTP 24 Outline and Growth Scenario for the Sanken Core

In MTP 21 for fiscal 2021 to 2023, the goal was to improve the Sanken Core's profitability. While profits grew in the first half of the period, they declined in the second half due to supply chain disruptions, higher material costs caused by the weak yen, damage from the Noto Peninsula Earthquake in January 2024, and other setbacks.

In light of these results, in MTP 24, we will promote initiatives to improve resilience, achieve steady growth, and generate revenue.

MTP 24 Outline

Item	MTP 21 (FY21-23)		MTP 24 (FY24-27)	
	Measures	Evaluation and issues	Main scenario	Priorities
Period	3 years	Large earthquake impact	4 years (positioning 2024 as a period of recovery from the earthquake impact)	
Formulation	Formulated in-house	Weak resilience	Utilized a strategic consulting firm	
Drivers for improving profit	Improve new products' share of sales	Main focus was on replacement products Insufficient margins at the planning stage Delays due to external changes	Improve new products' share of sales (continue)	Development gate management Improve execution capacity
			Improve earnings from existing products	Obtain fair sales price conditions
			COGS reduction (including reducing fixed costs)	COGS reduction activities Procurement, front-end processes, back-end processes
PSL	Improve costs	Limited production scale Rising costs	Expand scale through capital increase through 3rd-party allotment Win 3rd-party contract production business	Fab-light strategy
Development resources	Improve development efficiency	Drive development of SPP (Sanken Power-electronics Platform)	Drive SPP development further Develop elemental technologies through industry-academia partnerships	Development management that links processes and packages
New technology	In-house development	Limited development areas	Premised on collaboration with external partners	Compound devices

MTP 24 Sanken Core Growth Scenario

Sales

FY2024 Guidance 88.2 billion yen ➡ FY2027 Target **100.0 billion yen+**

Growth outpacing the power semiconductor market growth rate

Product Strategy

- Growth through both SPP platform products and customized products

Sales Expansion Strategy

- Tackle the automotive, white goods, and industrial markets based on segment specific growth strategies

Operating Profit Margin

FY2024 Guidance 0.5% ➡ FY2027 Target **10%**

Drivers for improving profit

- Increase new product ratio
- Improve earnings from existing products
- COGS reduction

Our sales forecast for the current fiscal year is ¥88.2 billion, but in order to further expand sales and transform ourselves into a profitable company, we have set a growth rate target that exceeds the market growth rate for power semiconductors and aim to achieve a sales target of ¥100.0 billion or higher in fiscal 2027. With power modules and power devices at the center of our product portfolio, our product strategy is to aim for growth in both platform products through SPP and custom products, and we will expand sales by developing this approach into a sales promotion strategy that will strengthen our presence in the automotive, white goods, and industrial equipment markets. As for operating profit, we forecast a base of almost zero this fiscal year and have set a target of obtaining an operating profit margin of 10%. By improving operating profit to generate cash, we will secure resources for future growth investments and create a positive cycle. This will be done by shifting away from relying solely on placing new products on the market and strongly emphasizing the three drivers for improving profit as the core of our strategy.



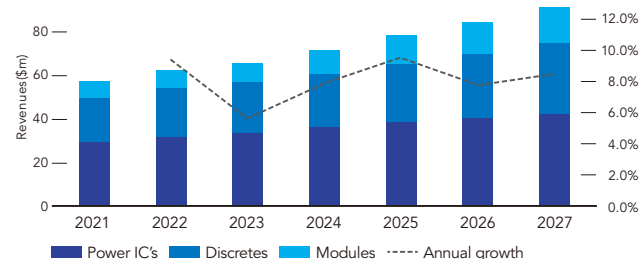
Growth Strategy

Under MTP 24, we aim to achieve a sales growth rate for power semiconductors that outpaces the market.

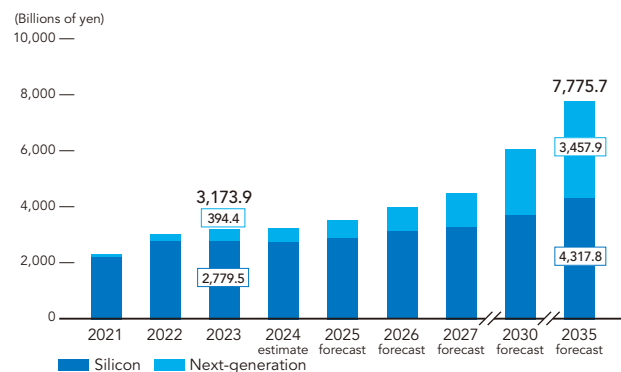
For growth in the automotive market, we will utilize our previously cultivated technologies to maintain our internal combustion engine business while focusing on expanding power modules for EV traction motors, and we plan to increase our sales ratio for the automotive market to in excess of 50% in fiscal 2027.

Market Growth Forecast

Power discretes, modules, IC's forecast by Omdia/2024

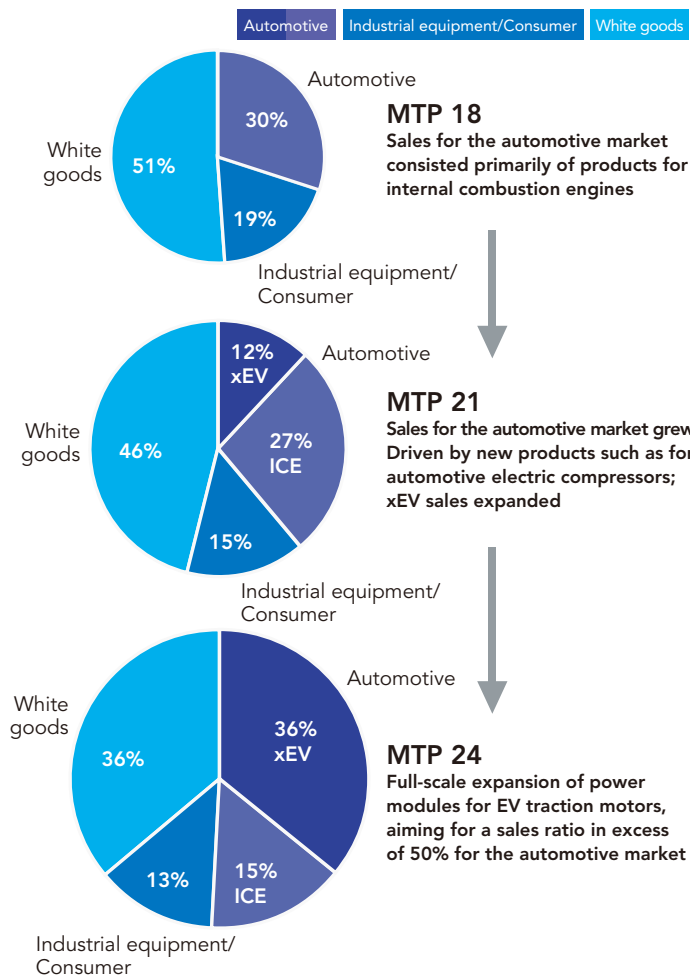


Global Market for Power Semiconductors



* Source: "Current Status and Future Outlook of the Next-Generation Power Device and Power Electronics-Related Equipment Market," Fuji Keizai Group

Growth Strategy by Market



Growth Strategy by Segment

In the automotive market, which we aim to expand under MTP 24, demand for analog semiconductors for automobiles is expected to remain strong and grow. In addition, we recognize that the shift to BEV in powertrain systems will continue in the medium and long term.

Under these circumstances, we will work toward growth in both custom products and developed products using SPP (the Sanken Power-electronics Platform) in both segments of power modules and power devices.

Power modules for EV traction motors, which utilize our strength in integration technologies, are expected to experience strong growth in the medium to long term, and we will develop high-voltage, high-current products by using our custom technologies to differentiate ourselves. We will establish a production system with two sites: one at Dalian Sanken in China and one at Niigata Sanken.

In addition, regarding power modules, we will focus on proposing highly efficient modules in the area of electrification for automobiles; expanding the new SPP product lineup for white goods; and developing high-voltage, high-current packages for industrial equipment, while promoting strategic collaboration.

For power devices, we will secure profits by maintaining our presence in the field of internal combustion engines for automobiles, while focusing on proposing power supply ICs in the field of Zone ECUs integrating the functions of multiple ECUs (electronic control units), and on expanding into various markets with digital products.

In each of these segments, we will promote strategies using our elemental technologies to further raise value for customers and our corporate value.

Growth Strategy

Strategies to expand power module product sales

Regarding sales of power modules, we will expand our sales by grasping the conditions and needs of various markets, expanding into markets where we can demonstrate the strengths of the products we have cultivated up to now.

Automotive

- Market conditions: Growth of xEV
- Our strengths: Development of both main inverter units (large current) and auxiliary motor units (medium to small current) Package miniaturization and high heat-dissipation products
- Strategies: 1) Expand sales for EV traction motors, electric compressors, electric oil pumps and electric water pumps
2) Compensate for slowdown in BEV sales with orders for HEV and PHEV inverters

White Goods

- Market conditions: Increasing demand for energy saving and high efficiency
- Our strengths: Module technology capabilities to support the shift to inverters and DC motors.
- Strategies: 1) Maintain presence among Japanese, Chinese, and Korean customers and switch to highly profitable products
2) Activities to attract new customers (accelerate expansion to Europe and the U.S.)

Industrial

- Market conditions: Market expansion (robotics, factory automation, commercial inverter equipment)
- Our strengths: Expansion into the industrial market based on elemental technologies cultivated in automotive and white goods markets
- Strategies: 1) Expand lineup (development of high-voltage/large current packages)
2) Take the next step in strategic collaboration (with STMicroelectronics)

Accelerating GaN device development through collaboration with outside companies

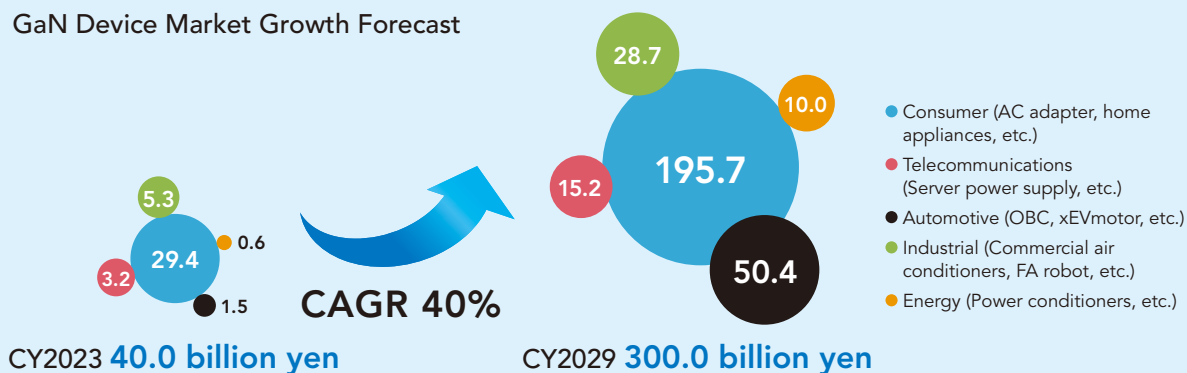
The GaN device market is expected to expand from ¥40.0 billion in 2023 to ¥300.0 billion in 2029. We anticipate that the GaN device market will expand significantly as next-generation power semiconductors focused on the consumer and automotive markets, and we have started developing lateral GaN devices to cover the low- to medium-current field.

Going forward, we plan to gradually expand the electrical field and applications and to develop and mass produce vertical

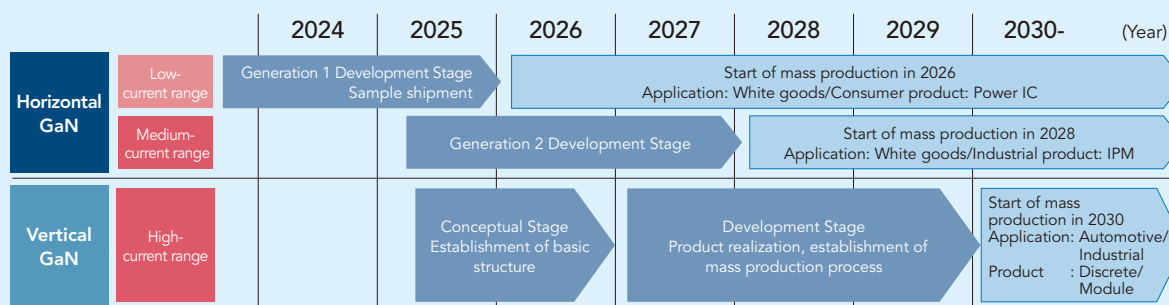
GaN devices to equip in discrete and module products for automobiles and industrial equipment in the high-current field in 2030.

We will leverage the compound device expertise we have accumulated up to now to promote development and mass production with an emphasis on speed through external collaboration.

GaN Device Market Growth Forecast



Our Concept for GaN Device Development and Mass Production





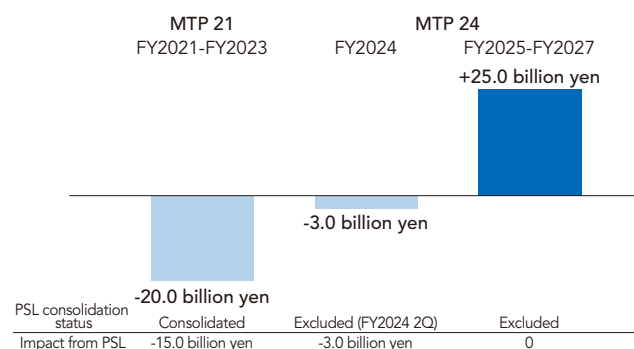
Explanation of Financial Position

To maintain the stable financial base of Sanken Core, the Company works to ensure optimal distribution of cash inflows and capital allocation so that it can maintain an equity ratio of 50% or higher. It does so by appropriately allocating the profit generated from business initiatives as capital for growth.

The Need to Improve Operating Cash Flow

Sanken Core's operating cash flow (excluding that from Allegro MicroSystems) in the three years of MTP 21 was negative 20 billion yen. The main factors were the financial impact from Polar Semiconductor, LLC (PSL; negative 15 billion yen) and low profitability at Sanken Core.

Improvement in Operating Cash Flow (Consolidated basis excluding Allegro)



As a measure to improve this situation, PSL implemented a capital increase through a third-party allotment of shares to a U.S. investment company. This was based on our belief that reducing the risk of future impacts by booking a one-time extraordinary loss to cover financial assistance payments to be made over six years, assuming a continuous stable supply of wafers, will eliminate the Company's cash burn.

As for the other factor, Sanken Core, we have been preparing MTP 24 to bolster our resilience to the various changes occurring in the operating environment, in light of the erosion of profitability due to rising material and energy costs since the supply chain disruptions of the pandemic. However, we incurred a loss of approximately 8 billion yen due to the Noto Peninsula Earthquake in January 2024, which resulted in a shortfall in the amount available for distribution. Therefore, considering the impact on various

stakeholders, we needed to quickly recover the loss of capital.

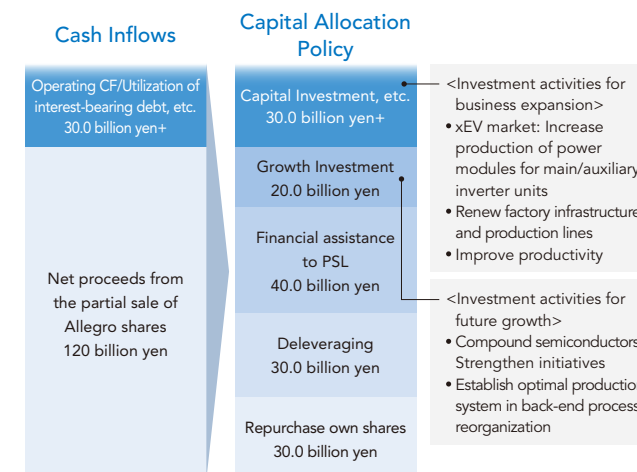
As regards the future, it is also necessary to respond to near-term funding requirements, such as growth investment. Given that we were still in the process of recovering from the effects of the earthquake, we thought there were certain risks in proceeding with MTP 24 on the assumption that we could cover these requirements with cash inflow alone, so to satisfy these urgent capital and funding needs, we took a close look at the utilization of assets owned by the Company, and after extensive discussions among the management team and directors, we decided on and implemented a partial sale of our stake in Allegro MicroSystems.

Approach to Capital Allocation

During the period of MTP 24, operating cash flow from our businesses and the utilization of debt through proper monitoring will generate cash inflows of more than 30 billion yen. We will spend more than 30 billion yen on capital expenditures for the expansion of business operations. Furthermore, we will allocate net proceeds of 120 billion yen from the partial sale of Allegro shares based on the following capital allocation policy.

- As investment activities for future growth, we will allocate 20 billion yen to strengthen initiatives for compound semiconductors and establish an optimal production system in back-end process reorganization by incorporating the most advanced smart factory technologies.
- For the financial assistance to PSL mentioned above, we will allocate 40 billion yen as a one-time extraordinary loss in order to increase our parent-company equity capital.
- To improve our financial structure, we plan to allocate 30 billion yen to the reduction of interest-bearing debt. We have paid off approximately 18 billion yen as of September 30, 2024, significantly improving the D/E ratio to 0.5x.
- Although we recently suspended the payment of dividends, we will begin a 30-billion-yen share repurchase in December 2024 as a form of return to the shareholders who have supported us.

Capital Allocation



Details of Share Repurchase

(1) Type of shares to be repurchased	Common stock
(2) Maximum total number of shares to be repurchased	Up to 6,000,000 shares (24.8% of total outstanding shares, excluding treasury shares)
(3) Aggregate cost of share repurchase	Up to 30.0 billion yen
(4) Repurchase period	December 2, 2024 to September 30, 2025
(5) Method of repurchase	Open market purchases on the Tokyo Stock Exchange

Dividend Policy

Regrettably, we decided to forgo payment of the year-end dividend for fiscal 2023 due to inadequate funds for distribution—the source of dividends, occurred due to the extraordinary loss associated with the impacts of the Noto Peninsula Earthquake. Nonetheless, our basic policy is to maintain stable dividends and to deliver total returns through medium- and long-term stock price appreciation.

ESG Management

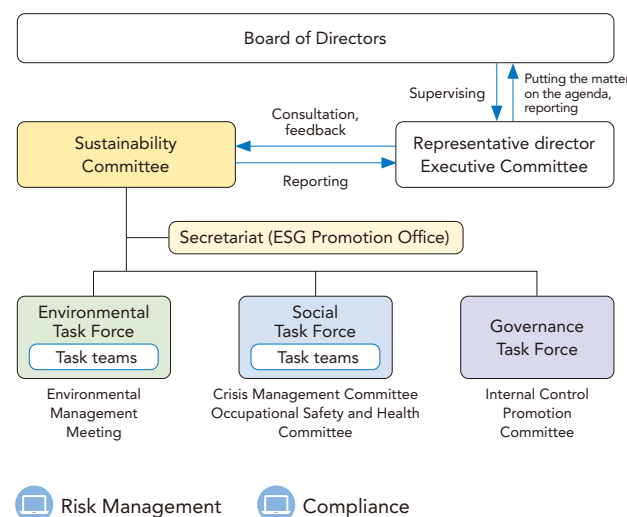
As we seek to respond to diverse changes in our business environment, including measures to protect the global environment, respect for human rights, and sound corporate governance, we intend to make steady progress with our ESG management initiatives. In doing so we will adopt a unified approach that aligns our business operations with the enhancement of our social value as a company, thereby striking a harmonious balance between the creation of social and economic value.

ESG Promotion Structure

Our company's sustainability initiatives include incorporating SDGs into our management in 2020 and establishing a Sustainability Committee in October 2021. We have refined our promotion system by clearly defining and indexing our ESG management measures.

In promoting ESG management, the Sustainability Committee plays a central role in overseeing three task forces, each focusing on environmental, social, and governance areas, as well as team activities focused on specific themes, such as climate change. Members from across the Group participate in these task forces and team activities, ensuring a unified Group-wide approach. The results of these activities are reported to the Executive Committee (the Company's decision-making body for executing business operations), with the president and representative director as its highest authority, and are also reported to and discussed by the Board of Directors as needed. The discussions made through this process are fed back to the Sustainability Committee and its task forces and teams. The chairperson of the Sustainability Committee is Katsumi Kawashima, the director in charge of ESG.

ESG Management Promotion Structure Chart



Environment

The Sanken Group's core business is semiconductors, and we contribute to lowering environmental impact by supplying energy-saving, high-efficiency products. However, because the semiconductor manufacturing process uses a large amount of water, we are also conscious of the business risks associated with climate change and our dependence on water resources. We have identified "climate change," "preservation of biodiversity," and "reduction in environmental impact through waste management" as materiality activity themes and aim to help bring about a circular economy and a carbon-neutral society that coexists with nature through our business activities.

Activity Theme 1 Decarbonization

CO₂ emissions affect climate change and cause environmental issues. This is why Sanken Electric considers decarbonization to be an important activity theme as we strive to contribute to lower environmental impact through the products that we offer through our core business.

Activity theme and KPIs	Fiscal 2023 results
Reduce CO₂ emissions • 33% reduction in Scope 1 and 2 emissions by FY2030 (FY2020 standard)*	Scope 1 and 2: 67,464 t-CO ₂ , 22% reduction (FY2020 standard)
Reduce electricity consumption Reduction of 1.5%/year per unit of net sales	10% reduction year on year (per unit of net sales) (8,025,530 kWh reduction)

* Sanken Core (Sanken Electric, Ishikawa Sanken (Horimatsu, Shika, Noto), Yamagata Sanken, Fukushima Sanken, Sanken Plaza, Semi Devices Reliability Evaluation Center and Dalian Sanken)

Sanken Electric's Approach and Efforts Regarding Climate Change

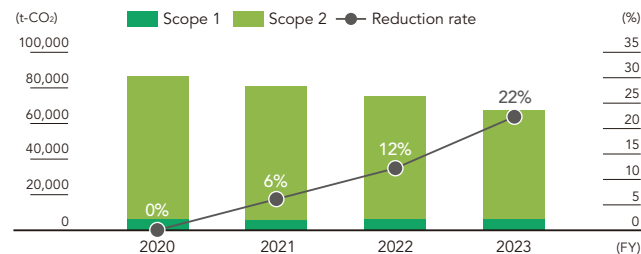
The Sanken Group is engaged in the business of designing, developing, manufacturing and selling semiconductors and products for other electronic applications, and envisages climate change having an impact on it in many ways. As such, we have identified climate change risks and opportunities from medium- and long-term perspectives to understand the impact they may have on our Group's business and to incorporate appropriate countermeasures into our management plan.

We recognize that reducing CO₂ emissions across the entire Group is one of our most important sustainability challenges. As such, we have set a long-term goal of carbon neutrality by 2050 and a medium-term goal of a 33% carbon reduction by fiscal 2030 (based on fiscal 2020 emissions). Our CO₂ emissions have been decreasing since fiscal 2020, and in fiscal 2023, they were lowered substantially due to planned reductions and the effects of the Noto Peninsula Earthquake in January 2024.

Specific Initiatives Taken So Far

- | | |
|------|---|
| 2021 | Sustainability Committee established |
| 2022 | Sanken Group CO ₂ emission reduction targets set
Fukushima Sanken purchased 100% of its electricity from renewable sources |
| 2023 | Introduced onsite PPAs at the Horimatsu Plant and Noto Plant at Ishikawa Sanken
Introduced onsite PPAs at Fukushima Sanken
Introduced onsite PPAs at Dalian Sanken Electric and partially replaced purchased electricity source with wind power |

Scope 1 and 2: Emissions and Reduction Rates



P. 47 Environmental Data

Fiscal 2023 Scope 3 Emissions by Category

	Category	Fiscal 2023 total (t-CO ₂)	Year-on-year
1	Purchased goods and services	244,216	106%
2	Capital goods	18,087	105%
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	40,956	410%
4	Upstream transportation and distribution	8,926	78%
5	Waste generated in operations	2,654	72%
6	Business travel	340	93%
7	Employee commuting	4,144	331%
8	Upstream leased assets	Not applicable	
9	Downstream transportation and distribution	Not applicable*	
10	Processing of sold products	Not applicable	
11	Use of sold products	—	
12	End-of-life treatment of sold products	9,890	86%
13	Downstream leased assets	Not applicable	
14	Franchises	Not applicable	
15	Investments	Not applicable	
	Total	329,213	

* Recorded under category 4

Note: Our emissions are calculated using secondary data

Category 3 was affected by the change from Ministry of the Environment database to AIST-IDEA for emission intensity

Category 7 corrected due to an error in the amount of activity recorded during calculation of previous fiscal year

Concerning Third-Party Verification

The Sanken Group has its greenhouse gas (GHG) emissions verified by a third-party specialist organization to ensure data reliability and transparency. Verification was obtained in September 2024.

Verification Opinion (PDF)

For details on climate change countermeasures that we have taken in accordance with the TCFD, please visit our website.

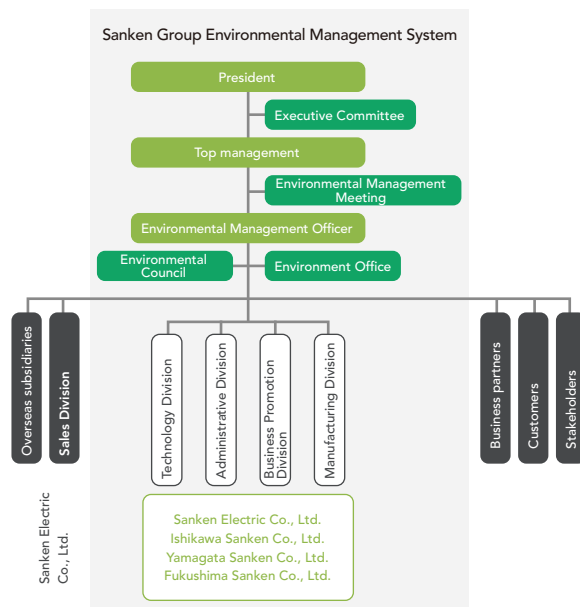
Climate Change Initiatives

ISO 14001 Certification and Unification of Environmental Management Systems

The Sanken Group has established environmental management systems at all of its domestic and overseas manufacturing sites and has obtained ISO 14001 certification. In particular, the Group's four main companies in Japan have established a unified environmental management system since August 2023 to more efficiently promote environmental conservation activities.

 ISO14001 Registration Certificate (PDF)

Unified Environmental Management System Chart of the 4 Companies



Activity Theme 2 Biodiversity

Sanken Electric utilizes a substantial amount of water as part of its semiconductor cleaning process, so it is fair to say that the Group's business is dependent on water. It is also true that our business could impact other water-dependent industries, consumers, and ecosystems located in the same region or watershed as our facilities. We believe that appropriate water usage is an important area of focus for our business and the regions that we operate in and are working diligently to address this challenge.

Activity theme and KPIs	Fiscal 2023 results
Reduction of water consumption Reduction of 1%/year per unit of net sales	17.6% reduction year on year (279,737 km ³ reduction)

LEAP Approach

In accordance with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD), we are working to assess and analyze the risks and opportunities associated with our dependence and impact on nature. Following the LEAP approach¹ recommended by the TNFD, this fiscal year we investigated the impact of our business activities on natural capital at Yamagata Sanken, a semiconductor chip production site that uses a large amount of water, which raises concerns about the effect it may have on natural capital.

Survey Outline

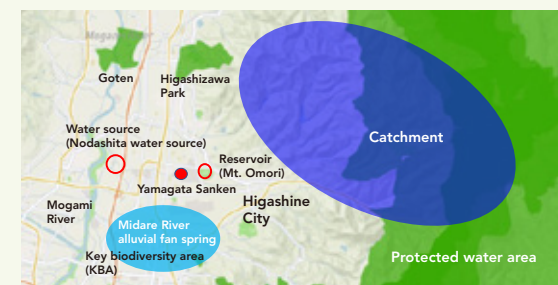
Using ENCORE², we narrowed down the main dependencies and impacts of direct operations and the manufacturing of semiconductors, focusing on water, chemicals, waste, and climate change. After broadly identifying the associated risks using Water Risk Filter³ and Aqueduct⁴, we then checked water intake and wastewater discharge locations and investigated rare species in the surrounding area using the Key Biodiversity Area (KBA)⁵, World Database on

Protected Areas (WDPA)⁶, and literature reviews, as well as changes in rainfall and snowfall due to climate change.

Survey Results

We found that the Company is highly dependent on water and confirmed that there is some degree of flood risk. Being part of an industry that uses a wide range of chemical substances, there are significant risks involved in wastewater management and waste disposal. Our Group will continue to comply with laws and ordinances and prepare for further measures, including any need for additional action. On the other hand, we have not yet obtained sufficient information concerning the impact of climate change on water intake, so we will continue to investigate this in the future. We also plan to expand the scope of our investigation to include the entire Sanken Group.

1. An approach for identifying and evaluating environmental issues, which consists of the following steps: Locate, Evaluate, Assess, Prepare
2. An online tool designed to help organizations understand their nature-related dependencies and environmental impact
3. An online tool used to investigate and assess environmental water-related risks
4. A tool for identifying and assessing water risks
5. Important areas identified as being key to the conservation of biodiversity, selected based on international standards
6. Global database of protected terrestrial and marine areas



Compiled by our Company based on The World Database on Protected Areas (WDPA).

Social

The Sanken Group is committed to fulfilling its social responsibilities and engaging in sustainable business activities. We achieve this by respecting employee diversity, providing a safe and comfortable working environment, and implementing flexible work-hour systems such as flextime. We also listen to and incorporate employee opinions and actively contribute to local communities.

Activity Theme 1 Health Management

At Sanken Group, our employees are our core business resource. The health of our employees and their families, both physically and mentally, is essential to our ability to create value for the Company. Therefore, we aim to create working environments in which every employee prioritizes health and safety and can engage in self-directed activities to maintain and improve their health.

Activity theme and KPIs	Fiscal 2023 results
Reduction in rate of findings requiring health check follow ups Rate of findings requiring health check follow ups: Decrease fiscal year on year	Rate of findings requiring health check follow ups: 70.5% (-4.3 pts year on year)
Reduction in smoking rate Smoking rate among total employees 16.7%	Smoking rate: 17.1% (-0.7 pts year on year)
Mental health Regular consultations: Once a year Improvement of rate of paid annual leave usage: Increase year on year	Consultation services (2 times a year) Rate of paid annual leave usage: 63.0% (+3.8 pts year on year)

Health Management Approach

Faced with social issues such as the decline of the working population due to the aging of society, the Ministry of Economy, Trade and Industry is promoting the strategic implementation of management-oriented initiatives to maintain and improve the health of employees, with the aim of achieving healthy longevity.

At Sanken Electric, we believe that the mental and physical health of our employees and their families is crucial.

With this in mind, we have been promoting a “Health Declaration” since May 2018 in order to foster a working environment in which employees can work with energy and vitality by helping them to improve their wellbeing.

Promoting Health and Productivity Management

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

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



KENKO Investment for Health Outstanding Organization

Sanken Electric Co., Ltd. was recognized as a 2024 KENKO Investment for Health Outstanding Organization (Large Enterprise Category) on March 11, 2024, by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council).

This is the sixth consecutive year since 2019 that we have been recognized.

The entire Sanken Group* in Japan received certification. In particular, Ishikawa Sanken Electric Co., Ltd. was selected as one of the top 500 corporations in the small- and medium-sized enterprise category, known as the “Bright 500.”

KENKO Investment for Health Outstanding Organization Certification System: Based on initiatives that address the health issues and the health promotion initiatives promoted by the Nippon Kenko Kaigi, these awards recognize large, medium, and small companies that excel in health management.

Source: Ministry of Economy, Trade and Industry

* The recognized Sanken Group in Japan consists of Ishikawa Sanken, Yamagata Sanken, and Fukushima Sanken



Activity Theme 2 Occupational Safety and Health

The Sanken Group is working to reduce workplace hazards and factors that may result in workplace accidents in order to ensure that employees remain in good health. We view this as the most important activity for improving the Company's productivity performance, and we will strive to create a safe and comfortable workplace for employees as we work toward the goals of improving working conditions and reducing the number of occupational accidents to zero.

Activity theme and KPIs	Fiscal 2023 results
Number of workplace accidents Reduction in frequency of occupational accidents from the previous year • Continue record of zero accidents resulting in lost workdays at Sanken Electric and its domestic Group companies	• No. of workplace accidents: 3 (no change from previous year) • Occupational accident frequency rate: 0.00 (no change from previous year) • Sanken Electric Head Office and Fukushima Sanken achieve zero accidents resulting in lost workdays

Safety Education (In-House Training with Bibirase-kun)

The Sanken Group has set “zero occupational accidents, zero commuting accidents, and zero occupational illnesses” as a management goal and conducts safety education using a hands-on demonstration device called “Bibirase-kun.” In addition to conducting training sessions, we raise safety awareness with ongoing demonstrations of what it is like to have a body part caught in machinery.



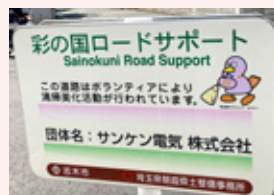
Activity Theme 3 Social Contribution Activities

The Sanken Group, which has production sites rooted in local communities in Japan and overseas, believes in the importance of a business management style that earns the trust of stakeholders, and is committed to CSR activities for local communities based on the four pillars of “regional revitalization,” “support for people with disabilities,” “educating the next generation,” and “volunteering.”

Activity theme and KPIs	Fiscal 2023 results
Visualizing social contribution activities • Cumulative time spent on social contribution activities: 3,000 hours • No. of social contribution activity participants: 4,000 people	• Time: 8,964 hours (6,579-hour increase year on year) • No. of participants: 5,555 people (2,078-person increase year on year)

Cleanup and Beautification Activities: Sainokuni Road Support System (Sanken Electric Head Office)

Sanken Electric received “Sainokuni Road Support” certification from the Road Environment Management Division of the Saitama Prefectural Department of Land Development in March 2024. This certification is given to organizations that volunteer to clean and beautify local roads. Once a month, Social Action Leaders (internally selected members who promote CSR activities) from each division spearhead cleanup activities in the local community.



[Aze no Kirameki \(rice field illuminations\) using PETBOTAL \(Wajima City\) \(Japanese Only\)](#)

[Held classes on the environment \(Warabi City\) \(Japanese Only\)](#)

Activity Theme 4 Diversity

Our Group's goal is to ensure that all employees (regardless of nationality, race, gender, age, occupation, or religion) understand the goals of diversity and that each individual is equally respected and successful.

Activity theme and KPIs	Fiscal 2023 results
Women's success • Percentage of female employees: Increase year on year • Percentage of managerial positions held by women FY2023: 4% FY2025: 11% • Rate of eligible men taking childcare leave: Increase year on year ²	• Percentage of female employees: 20.2% (+0.1 pts year on year) • Percentage of managerial positions held by women: 3.3% (-0.7 pts year on year) • Rate of eligible men taking childcare leave: 93.8% (+40 pts year on year)
Improvement of employment rate of people with disabilities Employment rate of people with disabilities: Increase year on year Statutory employment rate of people with disabilities: 2.3% (Ministry of Health, Labour and Welfare)	Employment rate 2.43% (-0.07 pts year on year)

2. Non-consolidated

Awareness and Understanding of the Male Childcare Leave System

As part of its efforts to encourage diversity, Sanken Electric has enhanced its internal systems to ensure gender equality. This allows both men and women to focus on childcare for their families without losing opportunities to play active roles in the company due to life events. To raise awareness of this, we created the “Sango Family” characters—a play on the Japanese words for “postpartum” and “coral” (both being “sango”). We distribute stickers of these characters to top and middle management and other employees to promote understanding.



Activity Theme 5 Respect for Human Rights

As economic activities become more advanced, complex, and globalized, it has become essential for businesses to respect the human rights of their stakeholders. In line with the UN Guiding Principles, the Sanken Group has outlined its basic corporate stance on human rights (Human Rights Policy) and established a system to ensure proper compliance with this policy.

Activity theme and KPIs	Fiscal 2023 results
Human rights education Human rights education is implemented at least once a year	• Fiscal 2023: Compliance training content is provided once a month. • Fiscal 2024: Training via e-learning will begin for the entire Sanken Group in the second half of the fiscal year.

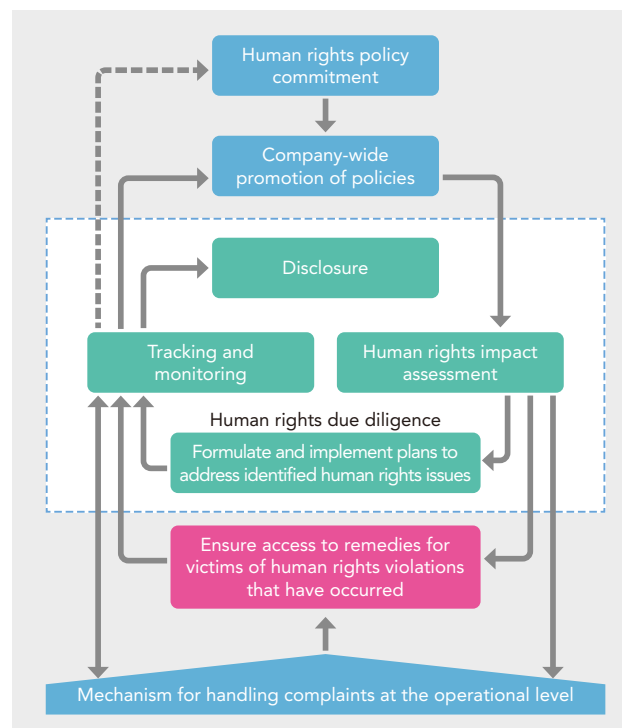
Basic Approach

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

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

Basic Policy

- Respect for basic human rights
- Prevention of harassment
- Prohibition of forced labor and child labor
- Gender equality
- Appropriate management of working conditions



Human Rights Due Diligence

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



Human rights workshop

Responsible Mineral Procurement

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



Strengthening Our Business Foundation

Human Rights Education at Sanken Electric

We believe that respecting human rights is a corporate responsibility that goes hand in hand with expanding our business operations globally. As such, we consider raising human rights awareness among all employees to be essential for the sound development of our enterprise. By fostering a culture of mutual respect among employees through human rights education, we aim to create a comfortable working environment, reduce employee turnover, and improve productivity. Additionally, we believe that preventing harassment and promoting understanding of LGBT issues are crucial for creating a workplace that values diversity.

For those reasons, we carry out human rights education with the following objectives in mind.

1. Ensure that employees understand the impact of human rights initiatives on the Company's business.
2. Foster awareness of human rights among employees along with a culture of respect for diversity, making it a valued part of their daily lives.
3. Improve working conditions within the Company and promote ethical managerial practices, thereby enhancing the Company's credibility and competitiveness.

In Japan, we use in-house social networking services to deliver messages about various types of harassment and the importance of psychological safety as part of our compliance education. Moving forward, we will also use e-learning to further promote activities that improve human rights literacy.

Sanken Group places great importance on governance, and in order to achieve sustainable growth and fulfill its social obligations, we have identified the following materiality priorities: "raising compliance awareness," "promoting internal reporting systems," "improving external evaluations," "respecting human rights," and "enhancing data security/cybersecurity." Based on the principles of transparency, responsibility, and fairness, we aim to build trust and confidence through reinforcing our internal governance systems, disclosing information, and communicating with stakeholders.

Activity Theme 1 Raising Compliance Awareness

We believe that moving beyond simple legal compliance to comply with regulations and rules reinforces the stability of our business foundation and further increases our corporate value. This is why we are strengthening our measures.

Activity theme and KPIs	Fiscal 2023 results
Strengthening of compliance training • Conducting subcontracting law training with the aim of ensuring that every employee understands the Subcontract Act • Implementing a "Compliance Awareness Survey" for domestic SG officers and employees (once a year) • Compliance communications - Establishing compliance study as a habit (at least once a month) - Course completion rate: 80% or more for target group	• Implemented for all officers and employees (basic and practical versions, implemented January to February) • June: Sanken Electric, July to August: Domestic SG (total of 2,750 people) • Sent out once a month (compliance correspondence, mini-tests, 4-frame compliance comics). Fiscal 2023 participation rate: 80% (cumulative number of learners: 8,400)



Compliance

Ongoing Compliance Training

Heads of each department act as compliance leaders, sharing information about their department's compliance challenges with the staff.

Additionally, a "Compliance Awareness Survey" is conducted once a year for all executives and employees within the Group to better visualize the state of compliance within the Company, employee awareness, and corporate culture. The opinions of each and every employee serve as important feedback that helps us to accurately assess the status quo and enables us to strengthen governance and build a better company.

Since April 2023, we have been posting compliance study materials on our intranet every month under the banner of "Establishing compliance study as a regular monthly habit." Rather than simply covering legal compliance, each piece of content sets out examples of situations that could arise in business or at home, encouraging employees to learn about such issues as a jumping off point for their own actions. By deepening employees' knowledge of a variety of topics, including fraudulent transactions, falsification of quality, harassment, and human rights issues, we will raise awareness of the importance of compliance.



Compliance leader training



Compliance training content

Activity Theme 2

Understanding of the Internal Reporting System

We believe that, as part of fair corporate management, it is essential to detect and correct any misconduct, illegal acts, violations of internal regulations, harassment, etc., within the Company at an early stage. As such, we are promoting a deeper understanding and wider adoption of relevant systems through the establishment of an internal reporting system (helpline) and regular training for executives and employees.

Activity theme and KPIs	Fiscal 2023 results
Strengthening of internal reporting system Disclosure of the number of and management of internal reporting system consultations (including harassment claims)	- No. of consultations: 15 (total for Sanken Group in Japan) - Internal reports are accepted via 4 internal and external reporting channels

Activity Theme 3

Enhancement of Information Security and Cybersecurity

The Sanken Group recognizes that information related to its management, technology, and sales is a valuable asset, and has therefore established Information Management Rules based on our Corporate Philosophy and the Sanken Conduct Guidelines. We will maintain and improve information security by stipulating various guidelines to be followed regarding the appropriate management and prevention of information leaks, which includes private information and confidential information about customers and business partners and IT security infrastructure.

Activity theme and KPIs	Fiscal 2023 results
Acquisition of DX certification	Certification acquired (December, 2023)
Holding of cybersecurity drills: At least once a year	Held cybersecurity drill twice in the year

Evaluation from external organizations

Selected as a Constituent of the FTSE Blossom Japan Sector Relative Index

Sanken Electric has been selected as a constituent of the FTSE Blossom Japan Sector Relative Index.

This index, created by global index provider FTSE Russell, reflects the performance of Japanese companies that excel in environmental, social, and governance (ESG) practices in each sector, and is designed to be sector neutral. In order to promote the transition to a low-carbon economy, only companies that are seen as undertaking initiatives to improve their greenhouse gas emissions, as measured by their TPI Management Quality Score, are included in the index.



**FTSE Blossom
Japan Sector
Relative Index**

FTSE Blossom Japan Sector Relative Index
<https://www.lseg.com/ja/ftse-russell/indices/blossom-japan>

Board of Directors



1 Mariko Sugawara
External Director

2 Yumiko Moritani
External Director, Audit and
Supervisory Committee Member

3 Mizuki Utsuno
Director

4 Hideki Hirano
External Director

5 Hiroshi Takahashi
Representative Director,
President

6 Noriharu Fujita
External Director

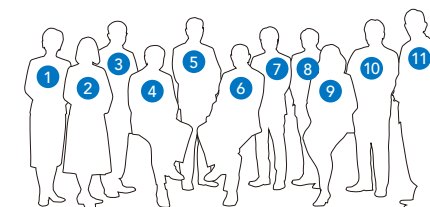
7 Katsumi Kawashima
Director

8 Yasuhisa Kato
Director, Full-time Audit and
Supervisory Committee Member

9 Yumi Ogose
External Director

10 Atsushi Minami
External Director, Audit and
Supervisory Committee Member

11 Takaki Yamada
External Director





Directors

Hiroshi Takahashi
Representative Director, President

Katsumi Kawashima
Director, Senior Vice President

Mizuki Utsuno
Director, Senior Corporate Officer

Directors (Full-time Audit and Supervisory Committee Member)

Yasuhisa Kato

■ Main Fields of Experience of Directors (Skills Matrix)

	Name	Corporate management	Finance and accounting	Industry knowledge	ESG	DX	Global operations	Risk management compliance
Director	Hiroshi Takahashi	●		●		●	●	●
	Katsumi Kawashima	●	●		●		●	●
	Mizuki Utsuno	●	●	●		●		
External Director	Noriharu Fujita		●	●			●	
	Takaki Yamada	●		●			●	
	Hideki Hirano	●	●					
	Yumi Ogose	●			●			●
	Mariko Sugawara				●			●
Director, Full-time Audit and Supervisory Committee Member	Yasuhisa Kato			●	●			●
External Director, Audit and Supervisory Committee Member	Atsushi Minami							●
	Yumiko Moritani	●	●		●	●		

External Directors

Noriharu Fujita
Chief concurrent position(s): Representative of Noriharu Fujita Certified Public Accountant Office

Takaki Yamada
Chief concurrent position(s): Vice President of Thai Special Gas Co., Ltd.

Hideki Hirano

Yumi Ogose
Chief concurrent position(s): Professor at Department of Management of Technology (MOT), Graduate School of Management, Tokyo University of Science

Mariko Sugawara
Chief concurrent position(s): Attorney at Ohara Law Office and Director of Sozei Soshou Gakkai (Tax Litigation Association)

External Directors (Audit and Supervisory Committee Members)

Atsushi Minami
Chief concurrent position(s): Partner at Minami Patent & Law Office

Yumiko Moritani

Corporate Officers

Executive Vice President

Satoshi Yoshida Head, Supply Chain Management Headquarters

Senior Vice Presidents

Katsumi Kawashima Head, Corporate Design Headquarters

Myungjun Lee Head, Strategic Business Headquarters

Senior Corporate Officers

Mizuki Utsuno Head, Business Promotion Headquarters

Mitsunobu Fukuda Head, Technological Development Headquarters

Kazuo Akaishi Head, Manufacturing Headquarters

Yusuke Harada Deputy Head, Manufacturing Headquarters; and General Manager, Fab Production Engineering Division

Corporate Officers

Toshio Noguchi Deputy Head, Manufacturing Headquarters

Hironobu Soh Deputy Head, Technological Development Headquarters; and General Manager, Power Device Development Division

Hirokazu Maruo General Manager of Corporate Planning Office, Corporate Design Headquarters

Kojiro Hatano General Manager of North America Market Research Office, Corporate Design Headquarters & Seconded to Sanken Electric USA Inc.

Mitsuhiro Suzuki General Manager, Internal Audit Office, Corporate Design Headquarters; and General Manager, Risk Management Division

Hirofumi Mizuno General Manager, Digital Transformation Promotion Division, Business Promotion Headquarters



Directors' Work Experience (Securities Report)



Messages from External Directors

Sanken Electric transitioned to a company with an audit and supervisory committee (with a majority of external directors) in 2023, reforming its governance system and increasing the representation of women on the Board.

We will continue to maintain this system from June 2024 onward and work to further strengthen our business foundation in accordance with the respective knowledge-based expectations of our seven external directors.

Improving Sanken Electric's Corporate Value and Governance

Key Perspectives

- Changes in the governance system
- Role of the Board of Directors and its vision
- Expectations for the Company in MTP 24
- Aspirations as external directors



Noriharu Fujita

External Director

Since becoming an independent external director eight years ago, I have consistently worked to enhance our corporate governance practices by gaining a better understanding of management to improve the effectiveness of the Board of Directors. In 2019, the number of external directors increased to three, representing more than one-third of the Board of Directors. From 2023, with the transition to a company with an audit and supervisory committee, we now have seven external directors who constitute a majority of the Board of Directors. While the number and gender of external directors are important, the depth of their knowledge and experience is crucial. In that respect, the seven external directors, each with different areas of expertise, are participating in spirited question-and-answer sessions from their own unique perspectives, further advancing discussions at the Board meetings. The executive side has also proven cooperative in providing information, which has definitely improved the Board's effectiveness. With regard to future challenges for the external directors, I believe that we need to promote a generational change while taking full advantage of our differences in gender and areas of expertise.



Takaki Yamada

External Director

Since assuming the position of external director in 2021, I have conducted a series of hearings with each division to improve the Sanken Core's ability to achieve its earnings targets. However, in fiscal 2023, earnings fell far short of those targets due to setbacks such as the earthquake that struck in January 2024 and reduced demand in the Chinese market. These obstacles have proven to be a humbling experience, and I now see them as new challenges that we must address. On the other hand, I commend Company-wide efforts that have led to significant improvements in the Group's systems to generate earnings, and its policies and progress management objectives are satisfactory both internally and externally. In order to achieve the high level of profitability targeted in the MTP 24, it is essential that we ensure our profitability improvement activities take root, expand mass production of power modules for EV traction motors, and enhance our capabilities to create the products that our customers demand. I believe it is crucial that we focus on securing staff who can plan ahead for the future as well as those who specialize in marketing and development, and I will continue to support the management team in these endeavors.



Hideki Hirano

External Director

Since 2019, we have been working on structural reforms to overhaul our profit structure. We have made decisions based on a firm belief that the difficult measures we have taken were essential to strengthening our profit structure, but most recently, the damage caused by the Noto Peninsula Earthquake has resulted in substantial losses and the cancellation of year-end dividends, and as someone involved in management, I see this as a major challenge to overcome. Under the MTP 24, we have started Company-wide activities to improve corporate value while incorporating outside insights, and we have already seen positive results. The long history of our Company is the result of the tireless efforts of our diligent employees, and it is the collective strength of those employees that will play the leading role in creating the "new Sanken" that MTP 24 aims to achieve. The entire Company, including officers, will work diligently to achieve this goal.



Messages from External Directors



Yumi Ogose

External Director

I became an external director in June 2023, and over the past year I have gained a better understanding of Sanken Electric's corporate culture. One of Sanken Electric's strengths lies in its "hardworking and honest" culture. These are qualities that cannot be easily acquired down the road, and paired with good guidance, they lead to rapid growth. On the other hand, I feel that one of the Company's weaknesses is its lack of a "wild spirit." Because business is a global competition, I think there is an urgent need to cultivate wisdom, stamina, and ingenuity to avoid being eaten by "ferocious beasts."

From June 2024, the Board of Directors has been reorganized to include an even higher ratio of external directors. It is our hope that this system will allow us to promote reform through an "outside-in" approach (utilizing external human resources) and achieve growth through diversity. This year, I plan to continue working to contribute to further improvements at Sanken Electric.



Mariko Sugawara

External Director

My name is Mariko Sugawara, and I have been newly appointed as a director. I have been involved in corporate law work for approximately 30 years, with a focus on M&A and corporate matters. Fiscal 2024 was a turbulent year for Sanken Electric, with the lingering effects of the Noto Peninsula Earthquake still being felt, in addition to the change in status of a U.S. consolidated subsidiary to an equity-method affiliate, and I consider it to be an important juncture that will test the true value of the Sanken Core itself. The Company has numerous stakeholders, including shareholders, employees, business partners, and members of regional communities. Therefore, I aim to offer my opinions from a holistic perspective, taking into account the concerns of these stakeholders as I work to maximize the Company's value without becoming self-opinionated.



Atsushi Minami

External Director,
Audit and Supervisory Committee Member

It has been a year since I transitioned from being an auditor to serving as an Audit and Supervisory Committee member, following our transition to a company with an audit and supervisory committee. In that time, our governance structure has changed significantly. The majority of the Board is now made up of external directors, who monitor the executive team, and the number of female directors has also increased. I think that the discussions at the Board of Directors meetings have become livelier, and I feel a good sense of healthy tension with the executive team, which I think has inspired them as well. Within this context, I intend to focus on compliance as I work to verify the legality and appropriateness of management decisions. I believe that the Sanken Core will continue to grow, and I am committed to playing a part in that.



Yumiko Moritani

External Director,
Audit and Supervisory Committee Member

I have been serving as an external director (Audit and Supervisory Committee member) for two years now. In June 2023, when the Company transitioned to one with an audit and supervisory committee, external directors came to make up a majority of the Board of Directors, and we have been holding discussions to improve corporate value. In addition, the Audit and Supervisory Committee has been holding discussions on diversifying risk and working to build a stronger governance system. The Noto Peninsula Earthquake in January caused damage to the Ishikawa Sanken plants, and in order to recover from the effects of this, the entire Company has been working as one to improve the profitability of the Sanken Core, which is our most important issue.

This fiscal year, which marks a crucial turning point for the Sanken Core, I will fulfill my duties as an external director and member of the Audit and Supervisory Committee by overseeing the legality and appropriateness of business execution as reforms progress at a rapid pace.

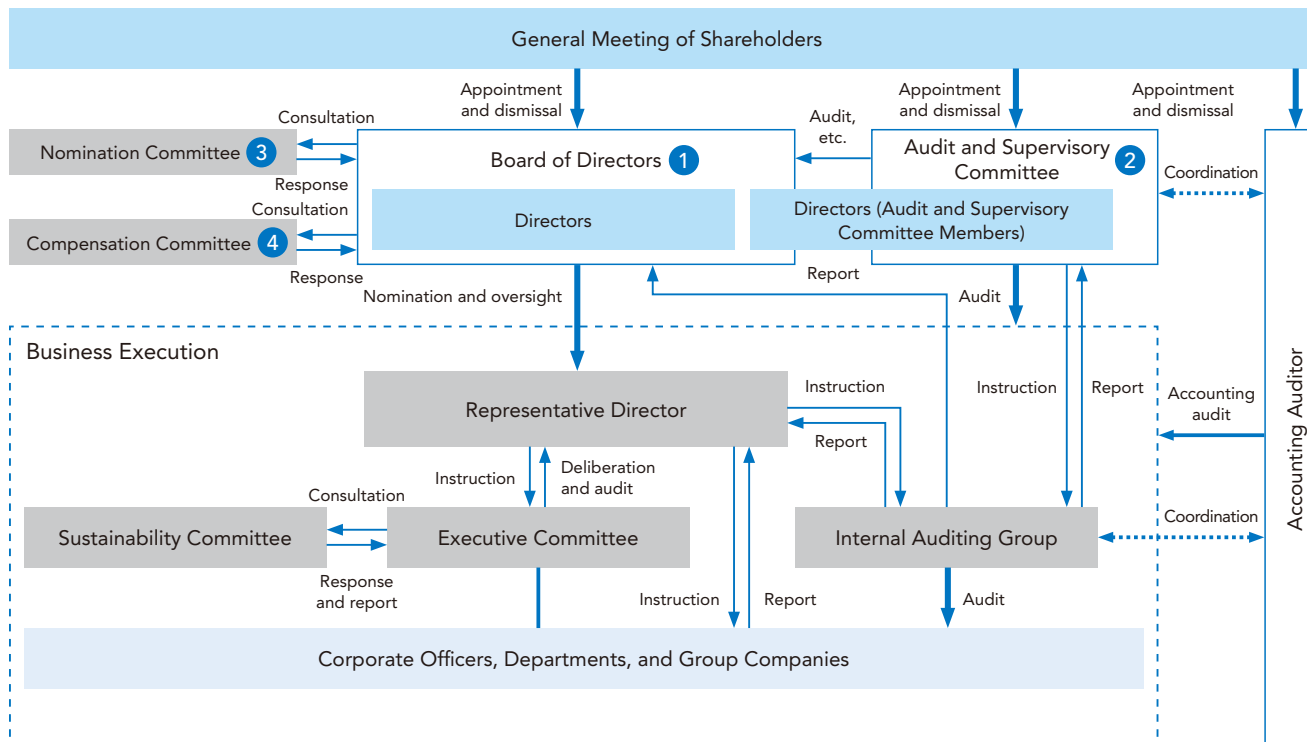
Corporate Governance

Basic Approach

In order to contribute to society through power electronics and enhance corporate value, the Company positions corporate governance as a material management issue and works to enhance its corporate governance system and functions. Effective corporate governance should enable us to consider demands from a wide range of stakeholders and take timely and appropriate actions across our global businesses, which are increasingly diversified and complex, and help us to improve medium- to long-term corporate value while ensuring transparency and fairness. To this end, we will

implement the necessary measures and ensure accountability, and actively engage in dialogue with a wide range of stakeholders to further improve corporate governance. Looking ahead, we will continue to examine appropriate internal systems while giving comprehensive consideration to the demands of stakeholders and matters such as the requirements of society regarding corporate governance.

Corporate Governance Structure



Governance features

(1) Company with Audit and Supervisory Committee

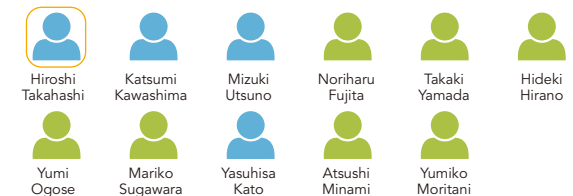
Comprising a majority of external directors, the Audit and Supervisory Committee ensures the transparency of management and reflects the expectations of stakeholders in Japan and overseas more accurately by taking responsibility for auditing and supervising the legality and appropriateness of business execution.

(2) Independent external directors make up the majority in the Board of Directors

Among the 11 directors, the Company has appointed 7 independent external directors (2 of whom are Audit and Supervisory Committee members). This ensures objective and neutral management oversight.

Composition of the Board of Directors and Committees

1 Board of Directors



2 Audit and Supervisory Committee



3 Nomination Committee



4 Compensation Committee



Directors External directors Chairperson



Corporate Governance

Board of Directors

The Board of Directors meets approximately nine times a year, and has the function of deliberating over the Company's material business execution and supervising the execution of duties by directors. The Board of Directors comprises 11 directors, 7 of whom are independent external directors, thereby constituting the majority. Furthermore, 3 of the directors, 2 of whom are external directors, also serve as Audit and Supervisory Committee members. Furthermore, we have adopted a corporate officer system that separates management decision-making and supervision functions from business execution functions, thus establishing a structure that is able to rapidly respond to changes in the business environment. As of June 30, 2024, Sanken Electric has 13 corporate officers, 2 of whom concurrently serve as directors.

In fiscal 2023, we held 12 meetings (including extraordinary meetings), conducting pre-meeting briefings for external directors regarding important agenda items and providing information about proposals as necessary, including background, objectives and content. In addition, we also held regular meetings outside of the Board of Directors to facilitate discussion with external directors about important themes.

Main matters discussed:

- Revision of Board of Directors-related regulations, standards, and basic policy on internal control systems in conjunction with the transition to a company with an audit and supervisory committee
- Advice and guidance from the Fair Trade Commission concerning the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors
- Third-party allotment of shares at overseas subsidiaries
- Activity status of the Sustainability Committee
- Setting of indicators for performance-linked compensation plan for executive officers
- Results of the Board of Directors effectiveness evaluation
- Important capital investments and other matters

Audit and Supervisory Committee

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

Main matters discussed:

- Audit policy
- Regulations, standards, and auditing plans pertaining to audits conducted by the Audit and Supervisory Committee
- Pre-approval of regulations pertaining to internal audits and auditing plans conducted by the Internal Auditing Group
- Reappointment/Refusal of Reappointment of Accounting Auditor(s)
- Appropriateness of the methods and results of audits conducted by Accounting Auditors
- Key decisions made by the Executive Committee

Nomination Committee

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

Main matters discussed:

- The status and direction of the Board of Directors, and based on that, the composition of the Board of Directors and related matters
- Confirmation of the requirements for the successor to the president
- Deliberation on the appropriateness of a development plan utilizing the skill matrix

Compensation Committee

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

Main matters discussed:

- Review of performance-linked compensation
- Discussion on revision of indicators
- Exchange of opinions on issues and items for examination in director compensation aimed at increasing corporate value
- Determination of recommendations to Board of Directors regarding director compensation



Corporate Governance

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

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

Approach to Skill Sets

We believe that our Board of Directors and Audit and Supervisory Committee members should have a good balance of the types of skills defined on the right, which will enable them to contribute to the medium- to long-term growth of corporate value by exercising appropriate supervisory functions.



p. 36 Main Fields of Experience of Directors (Skills Matrix)

Policy and Process for Nominating Officer Candidates

In order for the Board of Directors to perform its duties and responsibilities effectively, the Company believes it is important that a certain number of members of the Board of Directors should be well-versed in the Company's businesses and related issues. Furthermore, in order to ensure the independence and objectivity of the Board of Directors, independent external directors should comprise the majority of the Board, and when nominating such candidates it is important to select individuals who are not only independent but also diverse from the standpoints of gender, knowledge, experience and skills. In this context, candidates for executive director positions who are well-versed in our businesses and related issues are nominated in order to align management in the same strategic direction. For candidates for external director positions, individuals who are independent, have diverse knowledge and backgrounds and are able to contribute to ensuring fairness

in business execution from an objective standpoint are nominated. These candidates are expected to provide advice that will lead to improvements in corporate value. Based on these policies, the Nomination Committee, which comprises a majority of independent external directors, is consulted to advise on candidates for director and corporate officer positions. The committee deliberates and reports to the Board of Directors, which makes decisions while paying the utmost respect to the committee's report. For director candidates who are Audit and Supervisory Committee members, individuals with the skills, experience, and knowledge necessary for audits of the Company, who are deemed able to contribute to the soundness of management, are nominated, and decisions regarding those candidates are made by the Board of Directors after obtaining the agreement of the Audit and Supervisory Committee.

Field	Definition of skill
Corporate management	Contribute to the management of business operations with a broad, strategic outlook amid changing business environments.
Finance and accounting	Contribute to financial strategies that incorporate medium- to long-term perspectives, such as optimal allocation of capital and reinforcing the Group's financial base to mitigate risk.
Industry knowledge	Contribute to high-level business decisions based on knowledge and personal connections related to the Company's business, including semiconductors.
ESG	Contribute to the realization of a sustainable society by pursuing ongoing improvements to corporate value and working to foster harmonious coexistence with all stakeholders involved with the Group through its business activities.
DX	Strengthen the Group's ability to respond to cyberattacks while promoting efficiency in development, production, and sales through innovative use of digital technologies and data.
Global operations	Contribute to business promotion based on international business experience and knowledge of market trends and country risk, as many of the Company's customers and business domains are overseas.
Risk management/ Compliance	Recognize external environmental changes and understand the laws and regulations relevant to those changes in order to identify and manage significant business risks.



Corporate Governance

Analysis and Assessment of the Effectiveness of the Board of Directors

In order to improve the effectiveness of our Board of Directors, we regularly conduct effectiveness assessments. We will continue our efforts to further improve effectiveness going forward.

Assessment Process

A questionnaire survey was conducted among all directors, and one-on-one interviews were held with external directors.	Assessment items
	(1) Functions and composition of the Board of Directors
	(2) Board of Directors operations
	(3) Information disclosure to external directors
	(4) Improvements implemented since the previous year
	(5) Comprehensive evaluation
▼	
Disclosure and discussion of the results of the questionnaire and interviews at Board of Directors meetings	

Results of Assessment

Overall assessment

- The Company's corporate governance system is seen as generally effective

Results of questionnaire and external director interviews

- The diversity of the Board of Directors has improved
- Regularly held discussions on important topics and the disclosure of information to external directors are highly valued
- Some challenges exist regarding the timely provision of information to external directors
- A review is necessary to assess whether the current number of directors is adequate and whether sufficient diversity in terms of age is secured

Officer Compensation

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

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

Based on the basic approach outlined above and the results of deliberations made by the Compensation Committee, which is made up of a majority of external directors, the Company's Board of Directors has chosen a policy for determining the details of compensation, etc. for individual directors (excluding directors who are Audit and Supervisory Committee members), and the outline of this policy is as follows below.

	Fixed component		Variable component	
	Basic compensation 60%		Performance-linked compensation 40%	
			Short-term incentives 27%	Long-term incentives (stock-based compensation) 13%
		Directors (excluding those who are Audit and Supervisory Committee members)	External directors therein	Directors who are Audit and Supervisory Committee members
Monetary compensation	Up to 500 million yen	Up to 200 million yen		Up to 80 million yen
Stock-based compensation (upper limit of trust fund contribution to the Trust)	Up to 90 million yen			
Stock-based compensation (upper limit of points granted to directors, etc.)	Up to 90,000 points	(not applicable)		

(1) Base compensation

The base compensation for each director (excluding those who are Audit and Supervisory Committee members) is determined by their position and role. The compensation for directors who are Audit and Supervisory Committee members is determined through deliberations by directors who are Audit and Supervisory Committee members.

(2) Performance-based compensation (short-term incentives)

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

(3) Performance-based compensation (long-term incentives)

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



Corporate Governance

Cross-Shareholdings

The Company may hold the shares of suppliers and other partners for the purpose of maintaining and strengthening business relationships and increasing its corporate value over the medium and long term. The Company does not hold investment stocks for which the purpose is pure investment. Our policy is to decide whether to make such investments by considering a comprehensive range of factors, such as the profits that the Group can generate by strengthening relationships, and the amount of investment. Every year, the Board of Directors verifies the rationale for owning each individual cross-shareholding from a medium- and long-term perspective by comprehensively considering factors such as the benefits gained from maintaining and strengthening business relationships with the issuing company. In cases where we cannot confirm the rationale for the cross-shareholding, our policy is to reduce ownership of such shares.

■ Status on Company Stock Holdings

	Stocks held (Companies)	Total balance sheet amount (Millions of yen)
Unlisted stocks	6	58
Stocks other than unlisted stocks	9	1,167

■ Stocks That Decreased in Number of Shares in FY2023

	Stocks held (Companies)	Total sale value related to decrease in number of shares (Millions of yen)
Unlisted stocks	1	10
Stocks other than unlisted stocks	1	68

Policy on Constructive Dialogue with Shareholders

The Company emphasizes constructive dialogue with shareholders, with senior management leading efforts to engage in such dialogue through various mediums. Through engagement in such dialogue, we strive to obtain shareholders' understanding of our management policies. Concurrently, we absorb and reflect their management

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

Compliance

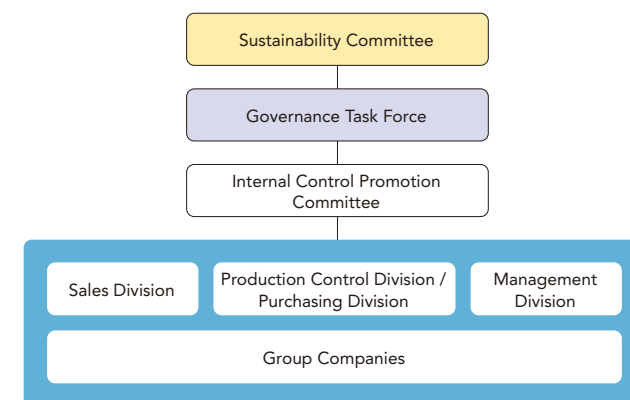
We have established an Internal Control Promotion Committee chaired by the head of the Internal Audit Office to support the inspection of operations within each division of our Company and Group companies, and to examine and evaluate the effectiveness of control activities at the Company-wide and business process levels. Additionally, we are continuously working to improve the efficiency of business process control review and evaluation tasks.

We conduct internal audits and monitoring aimed at achieving compliance with ethical and legal standards, risk management, the prevention and detection of misconduct, and the streamlining of managerial operations, based on our Conduct Guidelines (Code of Conduct). Our auditing methodology is centered around themes that have been assessed for their significance and impact based on a risk approach. We conduct audits of our domestic and overseas Group companies with the objective of enhancing internal audit value (through improvement proposals) by aligning auditing practices with management's requirements as well as supporting and promoting operational risk management.

The results of internal audits are reported to representative directors, the Board of Directors, and the Audit and Supervisory Committee. These results are then reflected in the correction and improvement of the operations, systems, and management methods of the Company and Group companies. Furthermore, business operations are monitored through the observation of responses to various legal revisions, matters discussed at meetings, and data accumulated in our core systems. Feedback is subsequently provided to the relevant divisions on any issues that are identified, with improvements being encouraged from there. In April 2024,

we established a new Risk Management Division. By increasing transparency regarding both internal and external risks associated with our Company, we strive to promote risk mitigation activities and task management.

■ Internal Control Promotion Structure Chart



Internal Reporting System (Helpline)

Sanken Electric and the Sanken Group in Japan have implemented an internal reporting system to promptly identify and rectify any instances of misconduct, illegal actions, breaches of internal regulations, harassment, or other inappropriate conduct within the organization. This internal reporting system is intended for use when employees find it difficult to report or consult about a matter in their workplaces.

Operation of the internal reporting desk is entrusted to an external third-party organization to ensure anonymity, and reports are forwarded to the Internal Audit Office anonymously. The Internal Audit Office investigates reported incidents, and, if a problem is identified, strives to resolve it by applying corrective measures.

Furthermore, in operating the system, the Company considers the protection of informants and persons cooperating with investigations. It prohibits, for example, any unfavorable treatment of informants and persons cooperating with investigations on the grounds that they filed an internal report using this system.



Risk Management

In order to improve the corporate value of the entire Group and achieve sustainable growth, we are working to establish a risk management system that will enable us to appropriately manage the diverse risks associated with our business operations.

Furthermore, we are analyzing and evaluating the various risks associated with our business activities as a whole and taking preemptive measures based on their priority levels to mitigate the potential emergence of risks that could have a substantial adverse impact on our business.

■ Business Risks and Responses

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

The forward-looking statements in this section are based on information available as of March 31, 2024 and contain uncertainties. Therefore, actual results may differ significantly from these statements.

Risks	Risk description	Responses to risks
External environmental risks		
International conditions	Risk of disruption to supply of products to customers due to restrictions on production, logistics, and sales activities caused by factors such as increased geopolitical risks, including the situation in Ukraine, the Middle East, and US-China relations, as well as the resulting rising raw material prices and changes in legal systems and regulations	The Company oversees each department and conducts information gathering and monitoring, and ensures legal compliance through local subsidiaries regarding political and economic conditions, market trends, taxation, and legal trends. We have established an internal system for responding to unexpected situations based on the nature of the incident, its seriousness, and the level of impact. The status is reported to the Crisis Management Committee, which convenes regularly. This enables prompt and appropriate action to be taken. With regard to human safety management at overseas subsidiaries, the Crisis Management Committee gathers and shares information within the Group, enabling us to respond swiftly in times of emergency and minimize negative impacts on business activities.
Foreign exchange rates	Risk of the Sanken Group's business performance being impacted by the conversion of US dollars or other currencies used in accounting in each country and region into yen, depending on the exchange rate at the time of the conversion Risk that an increase in the currency value of the country where components are sourced or manufactured will lead to elevated production costs	The Company hedges such risks with a balanced approach, hedging as appropriate on receivables, payables and transaction volumes arising from increasing overseas procurement of products and raw materials, as well as foreign exchange forward contracts and so forth. These measures are aimed at minimizing the impacts of short-term fluctuations in the exchange rates between major currencies, including the US dollar and the Japanese yen.
Capital procurement	Risk of a decrease in credit from the securities markets, financial institutions, or rating agencies, leading to fewer capital procurement options or an increase in the cost of capital procurement	The Company works to maintain financial discipline in its business activities by formulating capital plans based on predicted future cash flows, constantly ascertaining and reporting the status of progress on these plans, and making appropriate management decisions. Moreover, we aim to reduce risk by diversifying the means of capital procurement and giving consideration to the periods and maturities of our asset holdings. Going forward, we will strive to realize stable capital procurement by ensuring greater disclosure transparency and maintaining appropriate communications regarding our business and financial position with markets, financial institutions, and ratings agencies.
Environmental problems	Risk that delays in addressing legal requirements and/or reducing environmental impact could result in significant costs for improvement measures, restrictions on business activities, liability for compensation to customers, and/or loss of social credibility, adversely affecting the Group's business performance and/or financial position	Appropriate management with regard to relevant environment-related regulations is carried out under the environmental management system, through which relevant legal and regulatory systems are regularly confirmed, and information is shared among Group companies. The Environmental Task Force, established under the Sustainability Committee, considers and discusses various measures, the details of which are compiled and reported to the Sustainability Committee, then shared at the Executive Committee and reported to the Board of Directors. This serves to minimize impact on business activities and promote sustainable business activities, thereby mitigating risk.
Disasters and infectious diseases	Risk that suspension of business activities and disruptions in supply chains due to major earthquakes or abnormal weather events presumed to be caused by global warming, such as torrential rain and major typhoons and hurricanes, could impact business performance	The Crisis Management Committee conducts assessment and countermeasures of risks related to natural disasters and similar threats, prepares supplies and conducts disaster drills in normal times. Furthermore, the committee works to further strengthen close cooperation with each business location. Since many of the Sanken Group's production subsidiaries are located in Japan, where there is a relative high risk of earthquake, we are working on planning and the practical implementation of earthquake countermeasures under the basic policy to minimize direct damage and enable the rapid and smooth resumption of operations. To highlight a specific contingency response, the Noto Peninsula Earthquake that occurred on January 1, 2024 damaged three Ishikawa Sanken plants (Horimatsu, Shika, and Noto) located near the epicenter of the earthquake, causing a temporary suspension of production and shipments of products at these plants. A disaster response headquarters was promptly set up to confirm the safety of employees as the first priority and then to take measures to resume operations at the plants as soon as possible. By the end of March, all plants had fully resumed production. Our routine initiatives include the preparation of disaster readiness manuals to prepare for the event of a disaster (such as earthquake, storm, flood, lightning damage, power outages, or fires). Moreover, we are continuing efforts to enhance our ability to respond to major disasters. For example, in disaster evacuation drills, we have adopted free-address office seating and the flextime system and implemented an emergency communications system (ECS) as part of a framework for rapidly confirming employee safety and swiftly providing assistance during a crisis. Our business continuity initiatives include preparation of business continuity manuals, mainly assuming the risk of major earthquakes, at our production subsidiaries in Japan as part of an effort to minimize damage when a disaster occurs, enabling the rapid and smooth resumption of operations. With regard to the risk of infectious diseases, we have established a disaster response headquarters to minimize the impact of new outbreaks of infectious diseases and to examine measures for ensuring the continuation of business operations should such an outbreak occur, based on our experience with countermeasures against COVID-19.



Risks	Risk description	Responses to risks
Business activity risks		
New product development	Risk of a decline in the Sanken Group's profitability if it is unable to introduce products in a timely fashion or if its products are rejected by the markets	The Company promotes information gathering by each business division regarding market trends, customer needs, and competing products. We also propose and manage marketing strategies based on information analysis by marketing departments and the planning of next-generation products. In tandem, we are working to drive product development that anticipates customers' latent needs, bring products to market promptly, and improve profitability. We are also strengthening gate control to improve the feasibility of new products and accelerating new product development activities by promoting development reforms centered on the Production Development Center.
Price competition	Risk of reduced profitability due to the appearance of low-priced products from competitors that surpass the Company's ability to respond to price reductions, changes in customer demand, and significant increases in energy and raw material prices, among others	The Company will respond by striving to reduce costs further, launching high-value-added products that leverage its proprietary technologies, improving the profitability of existing products by obtaining fair selling prices, and enacting procurement reforms, such as ensuring from the design stage that components can be shared between products and working to lower the cost of materials.
Intellectual property	Risk of a third party using the Sanken Group's intellectual property to manufacture similar products Risk of increased expenses or restrictions on developing and selling products if a third party establishes intellectual property rights related to the Company's business or if there are intellectual property rights that the Sanken Group is unaware of, which may result in the royalty payments, prohibition of the use of such intellectual property rights, or the filing of lawsuits	The Company aims to differentiate its products from those of competitors by using technologies and expertise that it has developed itself. To protect these proprietary technologies, we apply for and register intellectual property rights as necessary and to the fullest extent possible, mainly in Japan, the United States and China.
Quality problems	Risk of significant costs and a decline in social trust due to product defects that lead to major product recalls, repairs, or compensation for damages	In addition to updating our proprietary design expertise and historical product defect data as needed, the Company implements various measures to ensure quality from the development stage onward via product planning, design, prototyping, and mass production inspection stages, in an effort to ensure the reliability of its increasingly advanced and complex products.
Corporate risks		
Information security	Risk of loss of public trust or the incurrence of compensation costs in the event of information leakage, falsification, loss, or a suspension of the Group's or its business partners' information systems due to external cyber-attacks or misconduct by the Company's officers or employees	Through the System Management Group, the Company takes damage prevention measures, such as responding to cyberattacks, preventing and detecting attempts at unauthorized access, introducing data access restrictions, and implementing response training for all employees to mitigate risks, while also conducting periodic internal assessments of cyber security. In terms of personnel security measures, the Company ensures the proper use of social media, restricts the use of removable storage media, and prevents employees who leave the Company from taking confidential information outside of the Company. We have also strengthened information security topics in compliance training for officers and employees to raise security awareness.
Compliance	Risk of serious compliance issues that may result in restrictions on the Company's business activities as well as a loss of social credibility	To ensure legal and regulatory compliance, the Company has built a system for gathering, analyzing, and discussing information in the supervising departments for each business, Group companies and the Legal Department, consulting and receiving advice from attorneys and other external experts as necessary. With regard to societal standards, the Company conducts periodic compliance awareness surveys of all officers and employees, and has added workplace-based education to individual compliance training, thereby enhancing the quality and quantity of training content. In addition, the Company is continuously reviewing its internal reporting system, which is already in operation, in an effort to improve its effectiveness.
Taxation	Risk of significant additional taxation in the event of differences of opinion with tax authorities in various countries and risk of double taxation due to transfer pricing taxation Risk of changes to taxation systems that exceed the Group's expectations adversely affecting its business performance and financial position	In addition to its own tax governance system, the Company shares information with its overseas subsidiaries regarding changes to taxation systems in each country or region. This allows the Group to gather information on tax risks early and make decisions regarding how to handle taxes in light of the legislative intent of laws and regulations. When uncertainties regarding tax issues persist, the Company consults with external experts to mitigate tax risks.
Recruitment and retention of human resources	Risk that retaining and securing top-tier human resources will become increasingly difficult due to rapid market expansion and intensified competition for personnel with expertise in technological innovation	In addition to scheduled regular and mid-career recruitment, the Company strives to secure and retain diverse human resources by implementing and reinforcing various recruitment methods such as hiring foreign nationals and referral recruitment, leveraging senior employees, promoting work style reforms, and enhancing training programs.

Financial Data (11 Years)

(Millions of yen)

(FY)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Results of operations											
Net sales	¥144,467	¥160,724	¥155,919	¥158,772	¥175,209	¥173,650	¥160,217	¥156,795	¥175,660	¥225,387	¥235,221
Operating profit (loss)	7,777	11,199	6,803	5,930	12,026	10,531	4,309	(1,198)	13,720	26,156	19,539
Operating margin (%)	5.4	7.0	4.4	3.7	6.9	6.1	2.7	(0.8)	7.8	11.6	8.3
Profit (loss) before income taxes	5,468	11,575	2,068	4,582	(6,505)	9,028	(1,638)	(7,197)	13,275	26,250	9,530
Profit (loss) attributable to owners of parent	5,029	7,942	171	1,739	(11,421)	3,967	(5,559)	(6,952)	3,204	9,533	(8,112)
Cash flows											
Net cash provided by operating activities	10,658	9,973	7,799	19,237	14,521	14,604	13,118	7,629	13,675	19,200	15,528
Net cash provided by (used in) investing activities	(11,176)	(14,234)	(11,344)	(10,931)	(16,644)	(21,783)	(8,311)	(12,294)	(12,598)	(27,679)	(89,111)
Net cash provided by (used in) financing activities	2,714	5,692	5,044	(3,360)	13,233	(1,990)	12,215	21,086	(6,592)	11,712	51,275
Financial indicators											
Return on assets (ROA) (%)	4.8	5.8	2.0	2.7	6.4	4.9	1.4	(1.6)	5.7	10.0	(7.0)
Return on equity (ROE) (%)	11.4	14.3	0.3	3.2	(20.8)	7.0	(10.3)	(10.4)	3.6	9.3	(7.0)
Per share*											
Total net assets per share (yen)	401.75	516.22	441.96	448.87	2,283.31	2,405.01	2,063.21	3,463.44	3,934.87	4,601.59	4,943.45
Profit (loss) per share (yen)	41.47	65.50	1.41	14.35	(471.22)	163.70	(229.83)	(287.96)	132.79	394.87	(335.99)
Cash dividends per share (yen)	6.00	6.50	3.50	3.50	30.00	30.00	30.00	0.00	30.00	30.00	15.00

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

Non-Financial Data (5 Years)

Environmental Data

(FY)	2019	2020	2021	2022	2023
Power consumption (kWh)	159,258,107	150,688,423	153,251,762	143,655,463	135,629,933
Scope 1 CO ₂ emissions (t-CO ₂)	6,462	6,440	5,882	6,223	6,126
Scope 2 CO ₂ emissions (t-CO ₂)	86,620	79,855	74,938	69,458	61,338
Scope 3 CO ₂ emissions (t-CO ₂)	–	242,837	–	285,935	329,213
Water intake amount (m ³)	2,246,563	2,120,489	2,062,447	1,990,970	1,711,233
Service water (m ³)	373,652	343,314	319,945	301,649	296,696
Groundwater (m ³)	753,947	720,002	620,965	634,982	458,260
Industrial water (m ³)	1,118,964	1,057,173	1,121,536	1,054,339	956,277
Water intake per unit of sales (m ³ /1 billion yen)	14,022	13,524	11,741	8,834	7,275
Total waste emissions (t)	4,659	4,521	4,170	3,318	1,915

* Scope of calculations includes all Group companies (Group companies include: Sanken Electric Head Office, Ishikawa Sanken¹, Yamagata Sanken, Fukushima Sanken, Dalian Sanken², Former Kawagoe Plant³, Sanken Opt Products⁴, Kashima Sanken⁵, Sanken Electric Semi Devices Reliability Evaluation Center, non-production sites (sales offices, Sanken Plaza))

From fiscal 2022, calculated for Sanken Core (reporting scope: Sanken Electric, Ishikawa Sanken (Horimatsu, Shika, Noto), Yamagata Sanken, Fukushima Sanken, Sanken Plaza, Semi Devices Reliability Evaluation Center and Dalian Sanken)

1. January 2022: Reorganization of Ishikawa Sanken's internal plants (Machino Plant was integrated into Uchiura Plant and reorganized as Noto Plant). As of April 2023, Horimatsu Plant, Shika Plant, and Noto Plant were in scope.
2. April 2022: Added to scope of calculation
3. April 2021: Reorganization of business within the Group (transferred to other companies)
4. April 2021: Reorganization of business within the Group (integrated into Ishikawa Sanken Horimatsu Plant)
5. December 2021: Reorganization of business within the Group (integrated into Ishikawa Sanken Horimatsu Plant; closed in May 2022)

Human Resources Data

(FY)	2019	2020	2021	2022	2023
Employees (people)	9,183	8,431	8,101	8,707	8,534
Domestic employees (people)	3,327	3,092	2,547	2,479	2,408
Overseas employees (people)	5,856	5,339	5,554	6,228	6,126
Percentage of overseas employees (%)	63.8	63.3	68.6	71.5	71.8
Percentage of managerial positions held by women ^{6,7} (%)	1.5	2.0	3.2	4.5	3.3
Rate of paid annual leave usage ^{6,7} (%)	62.80	52.90	57.00	59.20	63.00
Employment rate of people with disabilities ^{6,7} (%)	2.11	1.96	2.38	2.50	2.43
Frequency rate of workplace accidents ⁶ (%)	0.48	0.00	0.00	0.00	0.00
Severity rate of workplace accidents ⁶ (%)	0.020	0.000	0.000	0.000	0.000
Rate of eligible men taking childcare leave ⁶ (%)	12.5	18.8	47.1	53.8	93.8
Total number of working hours per person ⁶ (annual)	1,730	1,790	1,804	1,884	1,834
Total number of working hours per person ⁶ (daily equivalent)	7.45	7.61	7.61	8.40	8.40
Smoking rate ⁶ (%)	19.72	15.93	15.18	13.01	10.89
Number of whistleblower reports ⁸	22	16	7	6	15

6. Non-consolidated

7. Calculated based on updated calculation methodology (including restated data for past years)

8. Total for domestic sites



Corporate and Stock Information

Corporate Information

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

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

Corporate Website



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

Investor Relations



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

Sustainability



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

Official YouTube Channel



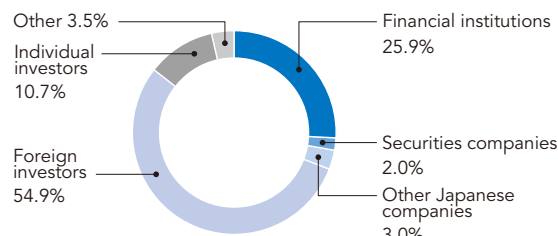
<https://www.youtube.com/@sankenelectric/about>

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

Share Information (As of March 31, 2024)

Number of authorized shares	51,400,000 shares
Number of shares outstanding (incl. 874,214 shares of treasury stock)	25,098,060 shares
Number of shareholders	9,535

Distribution of Shareholders by Category (As of March 31, 2024)



Principal Shareholders (As of March 31, 2024)

Shareholder name	Number of shares owned (Thousands)	Ownership percentage
ECM MF	2,722	11.23%
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,450	10.11%
SAITAMA RESONA BANK, LIMITED	1,202	4.96%
GOLDMAN SACHS INTERNATIONAL	941	3.88%
SUNTERA (CAYMAN) LIMITED AS TRUSTEE OF ECM MASTER FUND	905	3.73%
BNP PARIBAS LUXEMBOURG / 2S / JASDEC SECURITIES / UCITS ASSETS	839	3.46%
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	787	3.25%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	767	3.16%
SHINSEI TRUST & BANKING CO., LTD. ECM MF TRUST ACCOUNT 8299005	650	2.68%
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	561	2.31%

Share Price and Trading Volume

