



# SANKEN REPORT 2022

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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. Publication of the report uses the International Integrated Reporting Framework proposed by the IFRS Foundation.

#### (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

Applicable period: April 1, 2021 to March 31, 2022  
(Some content will include matters from April 2022 onward)  
Applicable organization: Sanken Electric Co., Ltd.

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#### Inquiry Form

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

## About Sanken

### Sanken Electric Aims for Conserving Energy on a Global Scale

Sanken Electric's mission as a company is to provide optimal solutions in the broad and expansive field of electricity and electronics with semiconductors, our core business, power electronics and peripheral fields.

Electricity and electronics are indispensable to modern life.

Power semiconductors\* are devices needed every time electricity is used.

They are involved in the control and supply of power sources, adjusting voltage and converting AC to DC to drive motors and recharge batteries, for example.

Sanken Electric products are used in familiar things like cars, air conditioners and televisions, as well as in places that aren't as visible. For over 70 years, our products have supported people's lives.

Now, in the 2020s, on a global scale, addressing environmental problems and saving energy have become urgent challenges.

Sanken Electric makes a major contribution to global energy conservation through power electronics. While business opportunities will be successively generated by the new industrial revolution being driven by IoT, AI, big data, autonomous driving, and 5G, the sustainability of global society is at a major turning point, reflecting the impact of the pandemic on the economy, society and other developments.

Sanken Electric works to constantly innovate its technological capabilities and provides products of assured quality to help solve global, environmental, and social issues and further develop industry, the economy and culture.

#### \* What are Power Semiconductors?



**Power semiconductors are chips that convert electricity and control motors and lighting. They handle large voltages and currents.**

LSIs such as CPUs and memory are widely known types of semiconductors with functions to compute and store data. Power semiconductors, however, supply electric power to motors, charge batteries, and run the CPUs and LSIs by performing AC to DC conversions such as suppressing voltage to 5 V or 3 V.



## To Our Stakeholders

# Through power electronics, we will contribute to society and raise corporate value.

We would like to thank you warmly for your continued support for the Sanken Group.

Since our establishment in 1946, Sanken Electric has been working in accordance with our Corporate Philosophy toward innovation in technology and creativity for our core business of semiconductors. Along with promoting business globally through use of our own technology, we are pushing forward to increase corporate value to the utmost extent by consistently addressing the demands of society and environmental harmony as a company should.

We are currently in the midst of significant changes in the environment that surrounds our business. Demands are being made for new technologies due to the spread

of electronic vehicles and evolution of autonomous driving, and society's demands for this era are also increasing to achieve a sustainable society.

To beat the competition in these rapidly changing times and meet the needs of society as a responsible company, we will steadily implement ESG management aimed at development of a sustainable society. In addition, as we stay abreast of the changes being wrought by the times, we will work to become a highly profitable company that grows on the performance of its unique technologies, people and organization to realize the vision we have for ourselves for the future.

We are publishing the Sanken Report to convey to all our stakeholders about how the Sanken Group, going

forward, will address social issues through our business activities and how we continuously enhance corporate value and contribute to society.

Through the thoughts and efforts forming the basis of the Sanken Group's growth and development, and furthermore showing the many possibilities these bring to society, we seek to share value with you all, and aim to raise corporate value to a higher level. We would be delighted if this report helps in gaining greater understanding of the Sanken Group.

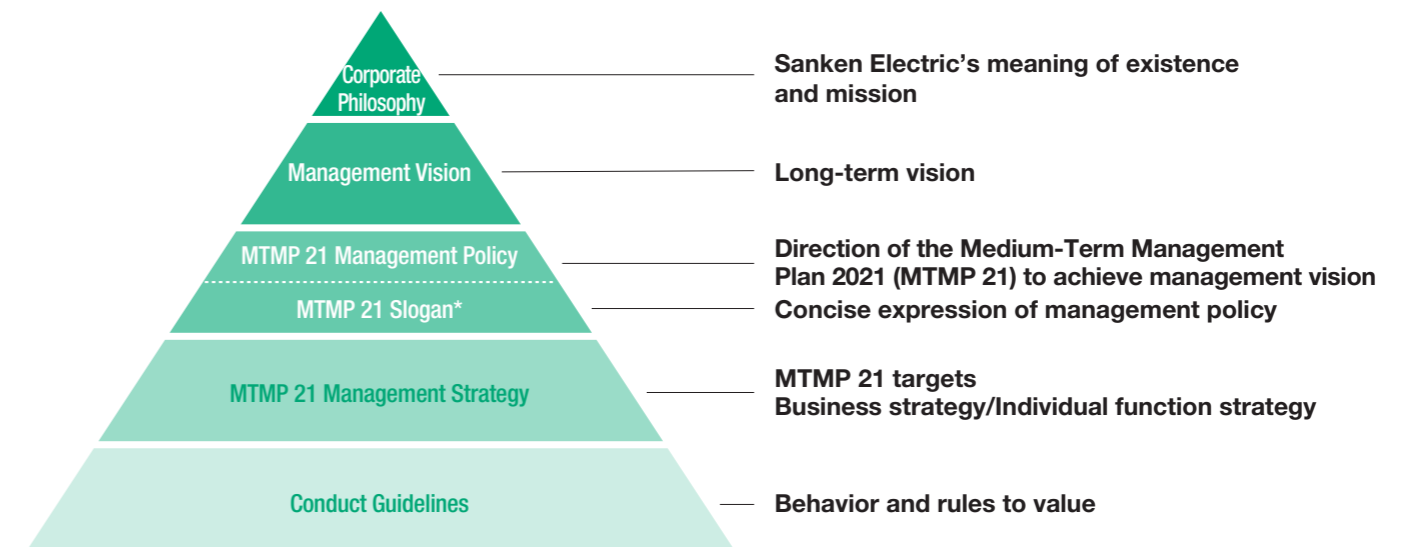
**Hiroshi Takahashi**

Representative Director, President

## Sanken Group's Shared Values

The philosophical system of the Sanken Group is comprised of the five elements of the Corporate Philosophy, management vision, Medium-Term Management Plan 2021 (management policy and slogan), Medium-Term Management Plan 2021 (targets and management strategy) and Conduct Guidelines, which form the basis of value co-creation on which all Sanken Group employees rely.

Based on its philosophical system, the Sanken Group aims for further growth, and all members are unified as one in moving forward on global activities.



**Power Electronics  
for Your Innovat!on**

\* Our slogan for the current medium-term plan, "Power Electronic for Your Innovat!on," expresses our expectations, which we have been using slogans for since the Medium-Term Management Plan 2018. The slogan embodies Sanken Electric's aspiration as a company to contribute through power electronics to the innovations of its customers, its individual employees, and society.

## Our Progress

Sanken Electric's Corporate Philosophy not only derives from a manufacturing standpoint, but also encompasses contributions to development of the world's industrial, economic, and cultural development, and is a spirit carried on by each and every employee.

Sanken Electric supports various industries, spreads business throughout the world and believes in further development as a company with technologies and quality that can contribute to society. Sanken Electric's business philosophy contains five thoughts as its guiding principles for deciding what is necessary, how this can be communicated, and what society needs from companies. (For details, please refer to the Complementing the Corporate Philosophy section on the right-hand side of this page.)

### Complementing the 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.

» pp.22-23 Business Strategy

#### 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.

» pp. 6-7 At a Glance pp. 24-25 CTO Interview

#### 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.

» pp. 32-33 Human Resources

#### 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.

» pp. 36-41 Governance

#### 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.

» pp. 28-31 Climate Change

### History

In 1937, Yasuzaemon Matsunaga, then president of the former Toho Electric Power Co., Ltd., established the Toho Industrial Research Laboratory as a 50th anniversary project of the company intended to conduct industrial development that is realistically useful to society.

Toho Industrial Research Laboratory was dissolved at the end of World War II, and in 1946, Tetsuji Kotani, who had been chief of its semiconductor laboratory, took over the engineers and facilities of the laboratory and established Toho Sanken Electric Co., Ltd. Later, in 1962, the company adopted its current name, Sanken Electric Co., Ltd. As the business began as a research laboratory, it retains to this day a strong culture of seriousness and sincerity in regard to research. We have grown together with the electronics industry and built a solid position within the power electronics field. From now on, too, we will continue to be an innovator in the power electronics field and keep taking on the challenge of developing original and cutting-edge products.

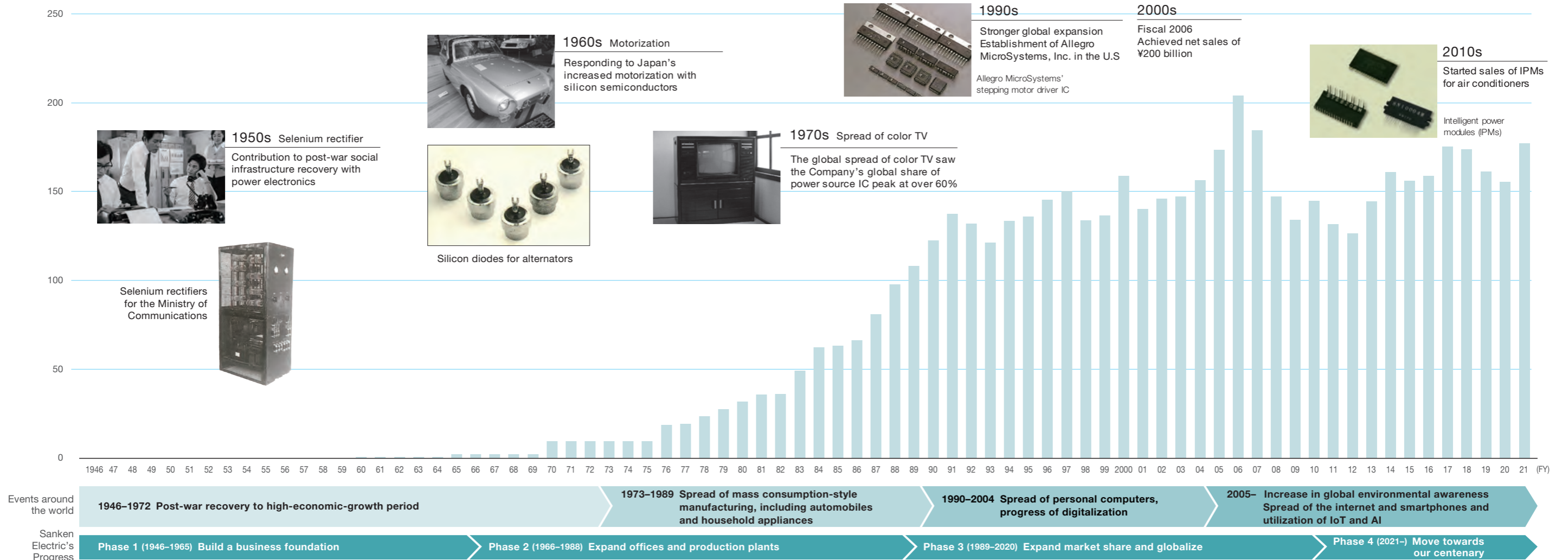


Yasuzaemon Matsunaga



Tetsuji Kotani

Consolidated Net Sales  
(Billions of yen)



## At a Glance

Our main business activities are the manufacture and sale of semiconductor devices and associated services.

Overseas sales account for over 70% of the Company's total net sales, and we are focusing on eco-friendly, energy-conserving initiatives at the industry forefront in dealing with the entire world.

### Established

# 1946

### Number of Employees

# 8,101

(Consolidated)

(As of March 2022)

### Number of Bases Globally

## Business bases

# 24

Development bases — 11  
Production bases — 9

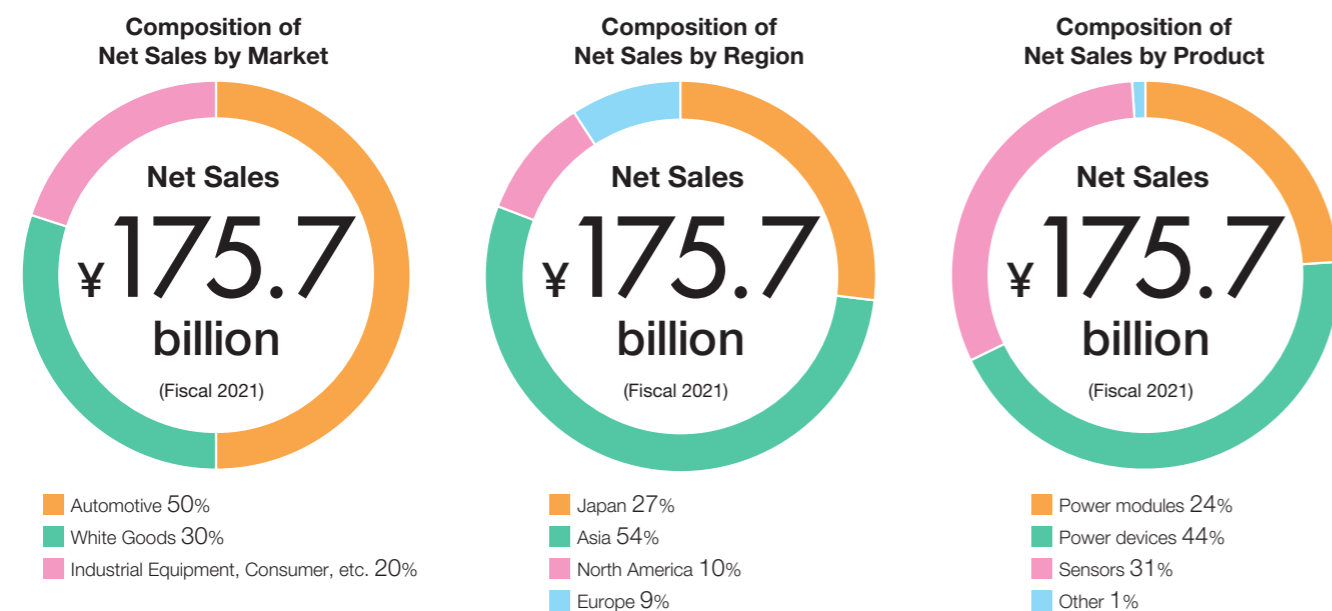
Located in 13 countries or territories around the world

### Key Competitive Edges in Sanken Electric's Business

- » A power semiconductor manufacturer with a wide-ranging lineup
- » Independent company with a broad customer base in Japan and overseas
- » Accumulated technical know-how leading to greater efficiency and power saving capability
- » Global production, supply and technical support capabilities on a global network system foundation

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

Sanken Electric has omitted posting by business segments as the importance of segments other than the Semiconductor Business has declined. Instead, it aggregates business by market, region and product.

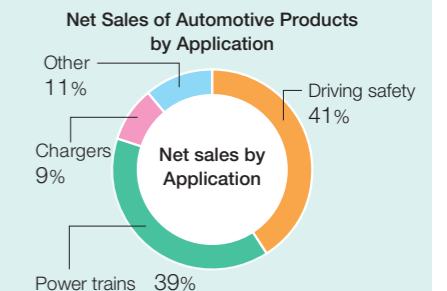


### Automotive Products

# ¥87.9 billion



Automotive components are rapidly progressing with electrification in pursuit of comfort, safety, and driving performance. In the past few years, we have been steadily adding products for hybrid vehicles and electric vehicles to our existing products, such as alternator diodes and regulator ICs, which have proven to be strong performers. We also have a leading position in the global market for magnetic sensors for automobiles.

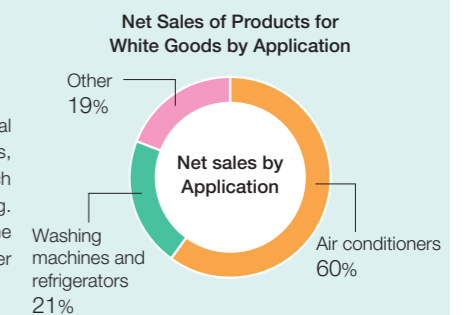


### Products for White Goods

# ¥53.4 billion



As countries around the world respond to background environmental issues by tightening CO<sub>2</sub> regulations and electricity supply restrictions, the move to adopt energy-saving inverters for electrical appliances such as air conditioners, washing machines, and refrigerators is accelerating. Sanken Electric's intelligent power modules (IPMs), which serve as the cornerstone of motion control, are helping to reduce household power consumption around the world.

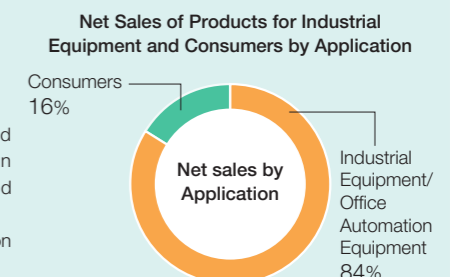


### Products for Industrial Equipment and Consumers

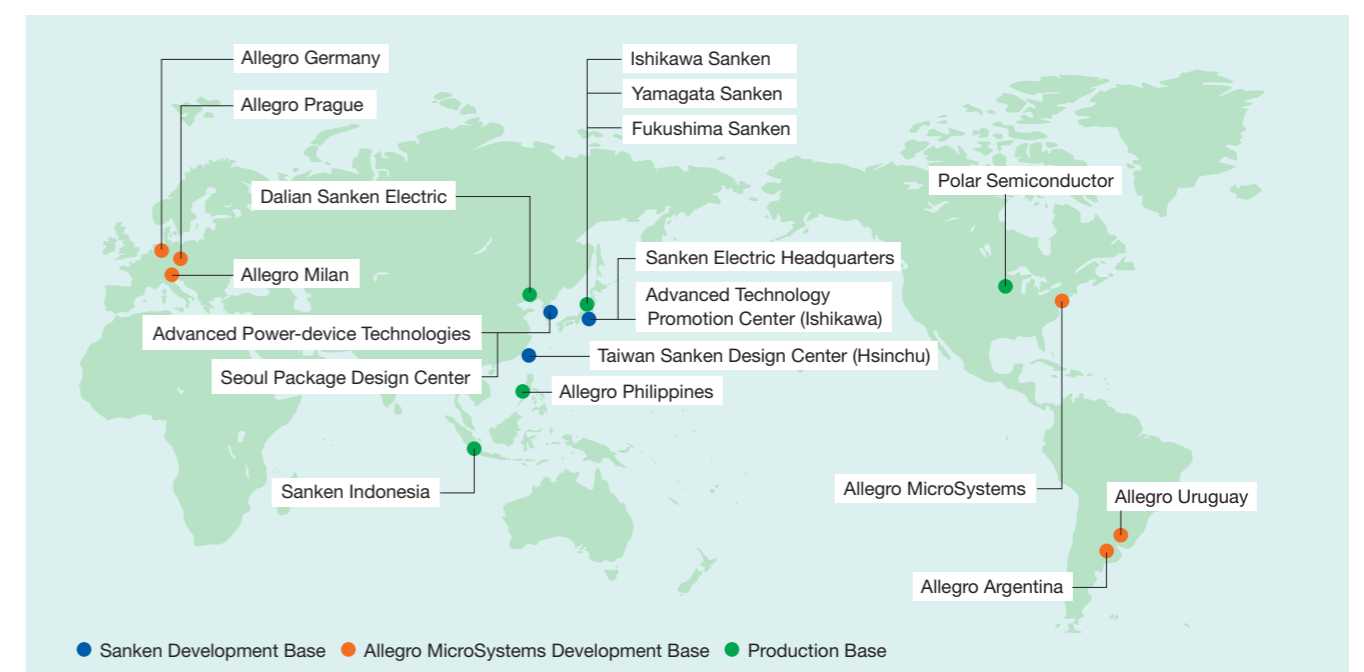
# ¥34.4 billion



In the industrial equipment and consumer markets, sales were solid from an increase in telecommunications demand due to expansion in the use of remote environments and growth in stay-at-home demand during the COVID-19 pandemic, centered on servers and printers. In the industrial equipment market, we will promote sales expansion of IPM products jointly developed with ST Microelectronics.

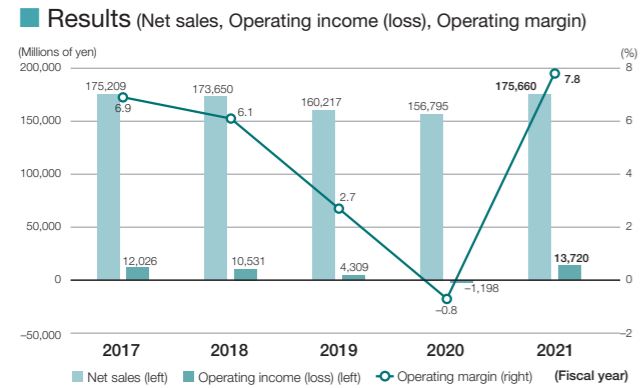


### Main Global Development and Production Bases

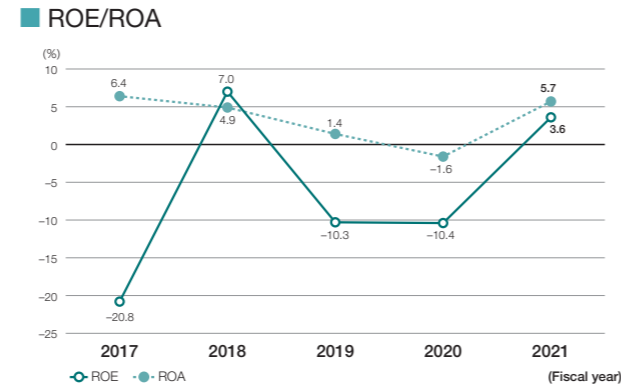


# Key Consolidated Financial and Non-Financial Highlights

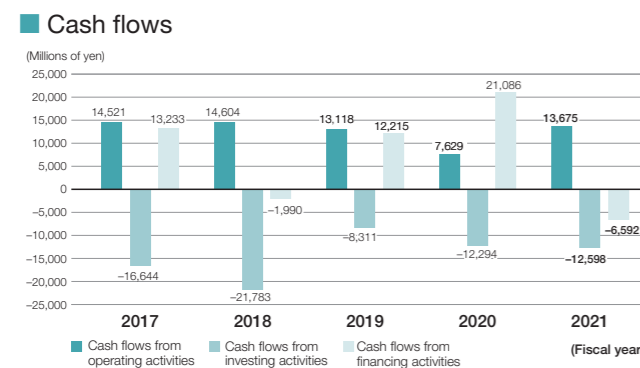
## Financial Highlights



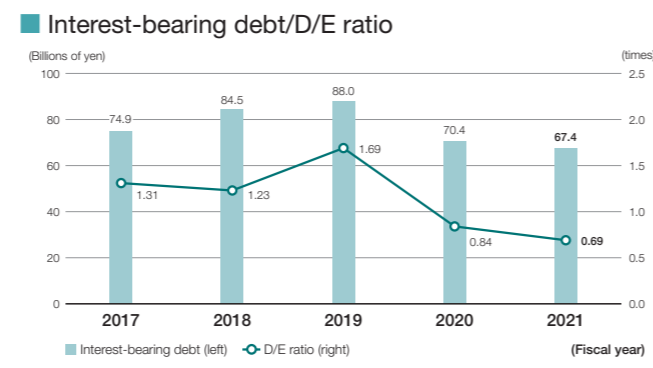
The Sanken Group achieved the targeted figure of consolidated net sales of at least ¥170 billion in the first year of the Medium-Term Management Plan 2021 due to an increase in consolidated net sales in fiscal 2021 on the back of a tailwind of strong demand for semiconductors compared to fiscal 2020, which felt the significant impact of the spread of COVID-19. In terms of income, accompanying the increase in net sales, the consolidated operating margin improved by 7.8% in fiscal 2021.



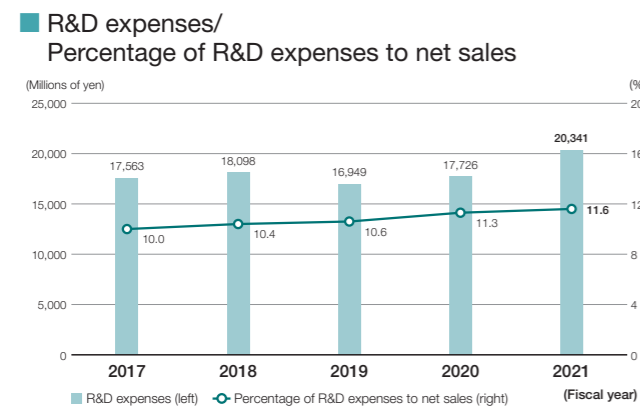
Net income returned to profitability in fiscal 2021, and ROE and ROA improved following Allegro's IPO and structural reforms.



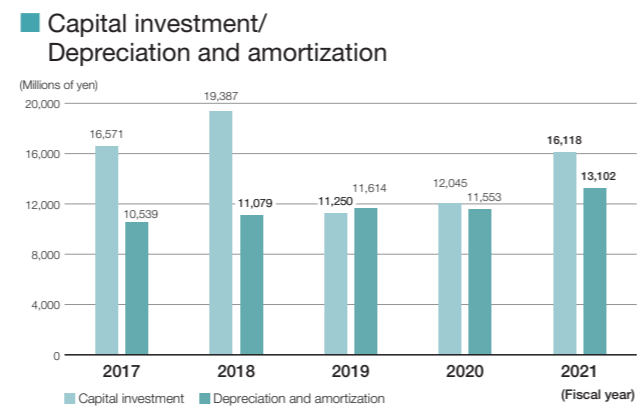
Net cash provided by operating activities was ¥13,675 million, mainly due to an increase in net income. Net cash used in investing activities was ¥12,598 million, mainly due to an increase in purchase of property, plant and equipment. Net cash used in financing activities was ¥6,592 million, mainly due to repayment of interest-bearing debt.



The balance of interest-bearing debt has tended to decline in the past few years as Sanken Electric has strengthened its financial structure. The Sanken Group has made "Strengthen the Financial Strategy" one of its priority issues in the second year of the Medium-Term Management Plan 2021. Having finished structural reforms, capital accumulation through a stable financial base and improved credit ratings form the pillars of the Medium-Term Management Plan 2021.

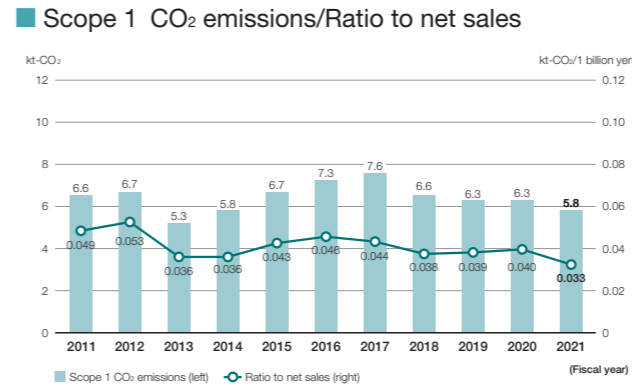


The Company invests at least 10% of net sales every fiscal year into research and development to realize the growth strategy with a core in the eco-friendly, energy-conserving and green energy markets, and to promote new product development by establishing technology marketing and efficient development management.



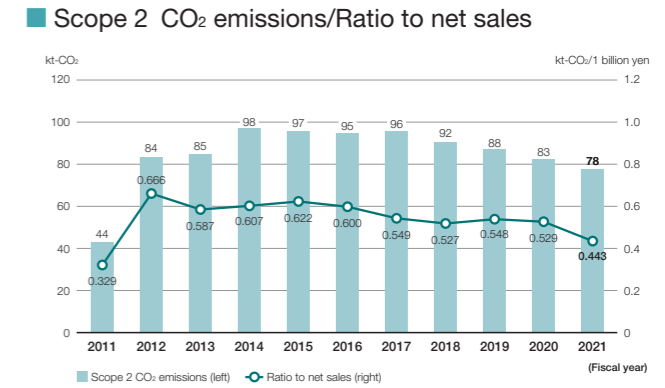
Capital investment for fiscal 2021 was ¥16,118 million, which was mainly used to purchase production equipment and testing and research equipment.

## Non-Financial Highlights



The Sanken Group strives to control and reduce CO<sub>2</sub> emissions by incorporating reduction activities at each business location to engage in global warming countermeasures based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In fiscal 2021, we reduced emissions by 7.9% compared to the previous fiscal year, exceeding the targeted reduction. We will aim to achieve the reduction target in fiscal 2022 as well as strive to reduce energy loss.

Scope 1: Direct greenhouse gas emissions controlled by the Company (fuel combustion, industrial processes).



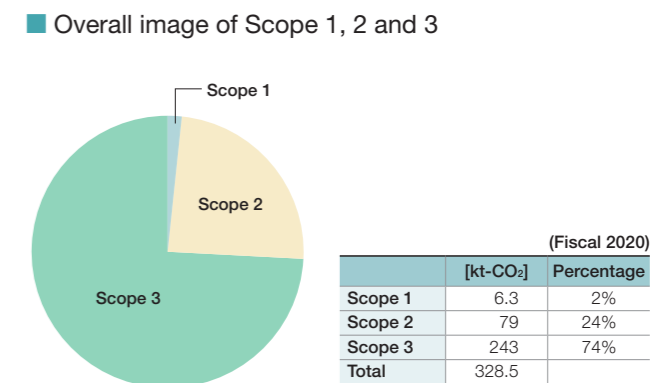
Scope 2 calculates the volume of greenhouse gas emissions generated in the process of producing electricity when using electricity supplied by electric power companies. The Sanken Group reduced emissions by 6.3% in fiscal 2021 compared to the previous fiscal year, achieving greater than targeted emissions in such ways as restructuring business locations through structural reform and introducing renewable energies such as solar power generation.

Scope 2: Indirect emissions accompanying use of electricity, fuel or steam supplied by a company other than the Company.

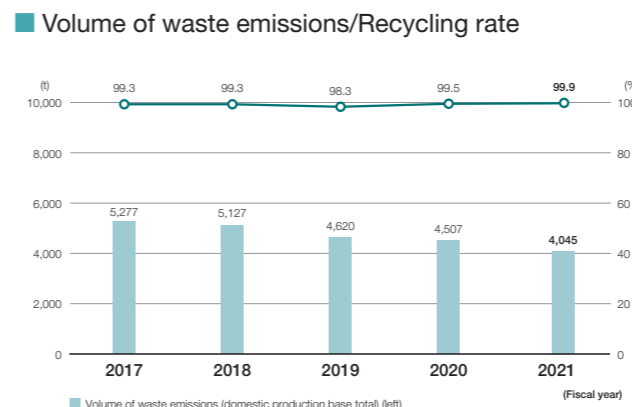
### Calculation of CO<sub>2</sub> emissions in Scope 3

Categories	Total (t-CO <sub>2</sub> )	Remarks
1 Purchased goods and services	204,823	
2 Capital goods	9,437	
3 Fuel or energy-related activities not included in Scope 1, 2	11,651	
4 Transport, distribution (upstream)	3,933	
5 Waste generated in operations	288	
6 Business travel	463	
7 Employee commutes	1,072	
8 Leased assets (upstream)	-	Excluded from calculation
9 Transport, distribution (downstream)	9,632	
10 Processing of sold products	-	Excluded from calculation
11 Use of sold products	-	
12 Disposal of sold products	1,538	
13 Leased assets (downstream)	-	Excluded from calculation
14 Franchise	-	Excluded from calculation
15 Investment	-	Excluded from calculation
<b>Total</b>	<b>242,837</b>	

Scope 3 CO<sub>2</sub> emissions volume in fiscal 2020 was 242.8 kt-CO<sub>2</sub>.  
Scope 3: Indirect emissions apart from Scope 1 and Scope 2 (emissions by other companies related to the Company's activities)



The Sanken Group total CO<sub>2</sub> emissions volume was 328.5kt-CO<sub>2</sub>. Scope 3 emissions accounted for over 70% of the total.



As part of our efforts to effectively use resources and prevent depletion, we are continuously implementing measures to curb the generation of waste, reduce emissions, and promote recycling, and we are maintaining a recycling rate of at least 99% at each domestic site.

### Workplace Accident Index

Sanken Group (domestic) workplace accidents frequency rate and severity rate

	Frequency rate			Severity rate		
	2019	2020	2021	2019	2020	2021
Sanken Electric	0.47	0.00	0.00	0.01	0.00	0.00
Ishikawa Sanken	0.86	1.48	1.38	0.00	0.04	0.00
Yamagata Sanken	0.00	2.20	2.11	0.00	0.00	0.07
Fukushima Sanken	0.00	0.00	0.00	0.00	0.00	0.00

Frequency rate: Number of fatalities and injuries in workplace accidents/total actual working hours x 1,000,000  
Severity rate: Number of lost working days/total actual working hours x 1,000

## A Message from the President

Based on our outstanding proprietary technologies and robust management structure, we will work to execute Sanken Core growth strategies and deepen ESG management as we pursue sustainable growth in corporate value.

One year has passed since we transformed our business portfolio and started a new journey as a specialized semiconductor manufacturer. The Sanken Group is currently concentrating its management resources on its medium- to long-term growth strategy of driving growth through both the Sanken Core and the Allegro Core, under the Medium-Term Management Plan 2021, which started in fiscal 2021. Hiroshi Takahashi, Representative Director and President, explains the Group's perception of the market environment and its future vision.



### Hiroshi Takahashi

Representative Director, President

#### Second Year as President

##### **Pursuing management based on engagement**

Since joining Sanken Electric in 1986, I have always been involved mainly in the engineering field, and my career has progressed along with the growth of the Company. In June 2021, I was appointed representative director and president, and I am now in my second year. In managing the Group, I take care to listen seriously to the feedback from various stakeholders, and to emphasize engagement with them in management. In particular, with regard to employees, who are the source of our growth potential, in addition to streaming video messages, I actively hold monthly discussion sessions with employees. Through these discussion sessions, I strive to raise their awareness of strategies and

initiatives, while I try to listen to the opinions of young and mid-level employees to reflect them in management.

"It always seems impossible until it's done." This is a quote from the late Nelson Mandela. He never lost his faith through 27 years in prison, and overcame numerous difficulties to succeed in abolishing apartheid. He was a great person whom I respect, and he truly trod an uncharted path to make the impossible possible. I have resolved that I will also not shrink from the various difficulties and challenges in management, but will constantly build on my small efforts with the spirit of a challenger to realize our vision for the Group.

#### Leveraging the Strengths of the Company

##### **Contributing to the development of industrial society through our original integral technologies**

The greatest strength of Sanken Electric is its inimitable and unrivalled technological capability. After its establishment in 1946, the Company began full-fledged research and development into transistors and integrated circuits, and as semiconductors assumed a major role in Japan's industry, the Company supported the development of core industries such as electronics and automobiles through the development and production of power semiconductors in particular. Among these, we won high praise from customers in wide ranging industries for our integral technologies, which

integrate multiple elemental technologies and commercialize them as modules or systems.

Another strength of the Group is its outstanding global development capability. From an early stage, we set our sights on the growth of the global market, and established a worldwide production and sales network, starting with the establishment of Allegro MicroSystems, Inc. (U.S.) in 1990.

Today, the Group has become one of Japan's leading global companies, offering solutions for various industrial fields using cutting-edge power conversion and motion control technologies. In May 2021, we transferred the infrastructure business and Sanken Electric made a new start as a specialized semiconductor manufacturer with core products being power modules, power devices, and sensors. In April 2022, with the reorganization of market segments on

the Tokyo Stock Exchange, we selected the Prime Market, and we expressed our intention, both internally and externally, to retain close collaborative relationships with shareholders and investors around the world.

#### Review of Fiscal 2021

#### **Responding to expansion of demand by optimizing the production system**

Fiscal 2021 was the first year of the Medium-Term Management Plan 2021. At the start of the plan, we announced a management strategy of aiming for further growth with the dual drivers of the Sanken Core, developed by Sanken Electric, and the Allegro Core developed by Allegro MicroSystems in the United States. At the same time, based on our business structure reforms over the past few years, we have worked out a basic product strategy that involves focusing management resources in three domains: power modules, power devices, and sensors. Furthermore, in a reorganization conducted in April 2021, we merged the previous Product Development Division, Elemental Technology Development Division, and marketing functions to establish a new Marketing Headquarters that will serve as an organizational platform for promoting market-oriented elemental technology development.

The management environment in fiscal 2021, when we started our new history, was marked by a lingering cloud of uncertainty over the future due to factors such as the resurgence of COVID-19 and increased geopolitical risks following Russia's invasion of Ukraine. In this situation, the Group closed two plants in Japan and started operations at a new power module plant, optimizing its production system for the relevant businesses. At the same time, we accelerated new product development a step further at our core organization, the Production Development Center, established at Headquarters in May 2021. We also made a concentrated effort to advance ESG management and digital transformation (DX), and we are promoting initiatives to realize carbon offsets at Ishikawa Sanken's Horimatsu Plant and at Fukushima Sanken (Details on Specific Carbon Offsetting Measures on page 31).

As a result of these activities, consolidated operating results for fiscal 2021 were net sales of ¥175.7 billion, up 12.0% year on year, operating income of ¥13.7 billion, a turnaround change of ¥18.9 billion into profitability, and ordinary income of ¥13.7 billion, a new record high. We see these favorable results as being mainly due to our successful steady execution of the measures of the Medium-Term Management Plan 2021, which will be described later, and the Group's internal capture of soaring semiconductor demand, mainly for the automotive and industrial equipment markets. On the other hand, challenges remain from the year, with U.S.-based Polar Semiconductor LLC experiencing a decline in productivity due to the background impact of the COVID-19 pandemic, and a flagging profit margin for the Sanken Core.

#### Progress of the Medium-Term Management Plan 2021

#### **Pursuing sales growth outpacing semiconductor market growth**

The Group has expressed its long-term goal (management vision) as "Drive a focused organization to become a highly profitable company that contributes to innovation for our society through the development and implementation of unique technologies." We have incorporated our determination to achieve the long-term vision of the Group in the slogan, "Power Electronics for Your Innovation."

Going forward, the semiconductor market is expected to continue to show an underlying expansion trend, driven by environmental response, which is a universal issue for all industries. To take advantage of this favorable market environment to generate earnings and realize medium- and long-term growth, we will formulate and execute strategies based on our management vision.

Our current Medium-Term Management Plan 2021 presents our process for realizing the management vision and sets out the steps that we must take in a systematic manner. Under the plan, we will build a balanced business portfolio comprising three established pillars—power modules, power devices, and sensors—by strengthening sales of power

modules for automobiles and industrial equipment. Furthermore, under an optimized production system, we will deploy strategic sales activities aiming to achieve sales growth outpacing semiconductor market growth.

In our KPIs, we have set consolidated targets for fiscal 2023 of an operating margin of at least 13%, net sales of at least ¥170.0 billion, and return on equity (ROE) of at least 12%. Among these, the sales target was achieved in the first year of the plan, fiscal 2021. Looking ahead, we will focus on further strengthening profitability and increasing capital efficiency, aiming to achieve our targeted operating margin and ROE.



#### New Product Development Strategy

#### **Ratio of new products in net sales of 15% now in range**

One of the targets of the Medium-Term Management Plan 2021 is a ratio of new products in net sales of 15%. Compared to existing products, new products offer higher added value, and contribute more to profit. By increasing the ratio of these products, we aim to expand the profit of the Group overall. The ratio of new products in net sales for fiscal 2021 was approximately 12%, but now that customer evaluation of new products has restarted and the adoption of new products by the Company's top salespeople is accelerating, the ratio is expected to surpass 15% and near 20% in the fiscal year ending March 31, 2024. Moreover, beyond new products, we are also making steady progress on growing sales of strategic products with high profit margins, such as power modules for xEVs and digital integrated circuits



(ICs) for advanced driving assistance systems (ADAS), among others. I believe these activities will ultimately strengthen the Company's earning capability.

The Group's new product development is supported by the Production Development Center. Constructed onsite at Headquarters in Niiza-shi, Saitama Prefecture, the center brings together dozens of engineers, who are mainly involved with the development of production technologies such as automation of quality inspections and preparation of mixed production systems.

To speed up new product development and achieve early market penetration, we must conduct development not only of elemental technologies at each R&D base, but also production technologies to be applied to mass production lines. The Production Development Center coordinates with the Technology Center and the Evaluation and Analysis Center, while pinpointing problems in the production process of new products and so forth and making a focused effort to establish efficient manufacturing methods. In addition, engineers



Interior of the Production Development Center

who have accumulated experience at the Production Development Center return to production bases nationwide to continue production and development operations on site, thereby encouraging technology exchange between sites. This is expected to further promote unified development and production activities as a Group.

## Risk Management

### Responding to risks due to external environmental changes

With people settling into new lifestyles due to the COVID-19 pandemic, DX and digitalization continuing to advance, geopolitical risks associated with Russia's invasion of Ukraine mounting, and pressure on supplies of raw materials and energy, we are currently facing a period of historic change. Apprehending the latest trends in the economic environment and strengthening risk management to an even higher level than before in management are important for the Group to realize sustainable growth. Under a multilayered risk management structure, the Group will strive to understand and analyze factors influencing management and business and propose and implement appropriate countermeasures.

With its worldwide network of production bases, the Group is making firm progress on creating a system that will be resilient to global economic fluctuations, including supply chain optimization, so that production activities need not stop if an unexpected event should occur, now that geopolitical risks are increasing.

## Contribution to Sustainability

### Leading the construction of a sustainable economic society

The Group considers ESG management and DX promotion as basic conditions for company survival. In the Medium-Term Management Plan 2021, we have also set integration of business activities and social value improvement as well as enhancement of management and business through digital transformation as key themes going forward.

ESG management is led mainly by the Sustainability Committee, which we established in October 2021, through three Task Forces—Environmental, Social, and Governance—which engage in team activities for each theme. For these Task Forces and teams, we call for participants from Group companies and so forth to create a unified activity structure for the Group.

The Environmental (E) axis is made up of reducing CO<sub>2</sub> emissions through the advancement of our main business (energy savings, higher efficiency), and reducing environmental impact through business activities. The Group has product lines that contribute to the decarbonization of society, such as power modules for xEVs. Going forward, we will contribute to energy savings and higher efficiency in our target fields by supplying high quality products to a wide range of industries such as automotive, industrial equipment, and white goods. In addition, we will accelerate initiatives to reduce the environmental impact of our own production activities and resolve the climate change issue through measures such as upgrading to energy-saving production equipment and introducing onsite power purchase agreements (PPAs).

With regard to Society (S), we will strive to create work environments that enable all employees to leverage their capabilities fully and work easily by promoting diversity and workstyle reforms. At the same time, we are focusing on making further advances in health and productivity management, which places employees' physical and mental health at the center of corporate activities. These efforts have been applauded, and in March 2022 we were selected for a fourth consecutive year as an outstanding organization under the Certified Health & Productivity Management Organization Recognition program, jointly sponsored by the Ministry of Health, Labour and Welfare and Nippon Kenko Kaigi.

With regard to Governance (G), we have appointed a director in charge of ESG, who chairs the Sustainability Committee, and in June 2022, we invited a female lawyer with a deep knowledge of diversity to sit on the board as an external director. Through these and other initiatives, we have been focused on strengthening the functions of the Board of Directors and increasing the transparency of management.

ESG initiatives are not the same as social contribution activities; we consider them to be a company's proper mission to the economy and society. The Group will stimulate environmental and social awareness in each individual employee and pursue even deeper ESG management through the communication of information from top management.



**DX Promotion****Through the utilization of digital technology, we will drive social innovation**

Along with ESG management, the Group positions DX promotion as the resilient foundation for the Sanken Core. The Group has formulated the “Sanken Digital Vision” as a common vision for the Group, and we have declared that through proactive utilization of digital technology we will enhance productivity in our business and operations, while also providing innovative products and services to customers, thereby contributing to innovation for society.

The Group is executing two strategies to realize the Sanken Digital Vision. The first is “initiatives to increase productivity,” where we will aim to realize smart factories with high productivity by transforming manufacturing processes with digital technology. We will also convert various operational information and personal knowledge and insight into data and utilize it to increase operation quality and achieve greater efficiency.

The second is “initiatives to strengthen human resources.” In this we will provide education for all employees about digital technologies and operational transformation skills in a focused effort to develop the next-generation of IT personnel. We have already completed operating an online DX education course for 3,000 employees, and going forward we intended to continue multi-level education following the newly formulated digital human resource education plan.

**Management Policy for the Second Half of the Fiscal Year Ending March 31, 2023****Communicating Sanken Electric’s original value to society**

We are already in the second half of the fiscal year ending March 31, 2023, the second year of the Medium-Term Management Plan 2021. At the start of this year, we set the following key objectives: (1) Results from Structural Reforms, (2) Realize the Growth Strategy, (3) ESG Management, (4) DX Promotion, and (5) Strengthen the Financial Strategy. Going

forward, we will aggressively invest management resources in these key objectives. At the same time, we will work to build new systems that will enable increased share capital due to a stable financial base and a ratings improvement to be turned into further growth investment.

The business environment for the second half of the year is expected to remain unpredictable. There are many concerning aspects, such as high oil and material prices and supply chain disruptions due to the prolongation of the Ukraine crisis. It is a time that calls for a steady hand on the wheel. The Group has put its main focus on power semiconductors, which are expected to see solid demand against a backdrop of the adoption of inverters for white goods and the penetration of EVs.

Under these conditions, the Group will focus on development of new products, which is the key to strengthening its earning capabilities, and plans to further cultivate the fields of automobiles and industrial equipment. In addition, through the use of digital technology, we will provide value to both customers and employees, and communicate with society at large. Moreover, the Company will stay close to customers by strengthening technology support by its engineers, with a view to promoting the new adoption of new products or a switch from existing products. Rather than becoming complacent with the good market environment and the customers’ high rating of our products, we will take steps to promote the growth of the Sanken Core and the Allegro Core, aiming to become a highly profitable company that contributes to innovation for society.

**Return of Profits to Shareholders and Investors Efforts to maximize shareholder value**

The Company has positioned the return of profits to shareholders and investors as an important priority for management. In the fiscal year ended March 31, 2021, we did not pay a dividend. However, in fiscal 2021, we paid a dividend of ¥30 per share as operating results recovered. Going forward, our policy is to focus on paying appropriate and stable dividends in consideration of

consolidated operating results so that we may meet the support and expectations of our shareholders and investors, who are important stakeholders.

An equally important matter alongside dividends is the expansion of shareholder value due to steady profit growth. The Company will continue to pay a stable dividend going forward, with an awareness of the need to enhance internal reserves, which are the source for future investments. We will pursue maximization of shareholder and corporate value through sustainable profit growth. In addition, we will provide timely and accurate information on the status of management, financial situation, and progress of growth strategies so as to maintain good relationships with shareholders and investors.

**Resolution Going Forward****Aiming to be a corporate group trusted by all stakeholders**

The Group has developed steadily since its establishment in 1946 with support from many stakeholders. In the fiscal year ended March 31, 2021, we experienced a slowdown in the economy due to the COVID-19 pandemic as well as

outflow of IPO related expenses associated with the public listing of Allegro MicroSystems, Inc., which resulted in unsatisfactory results. In fiscal 2021, however, we achieved a rapid recovery in operating results and returned firmly to a growth trajectory.

The Group will continue working to strengthen its human resources, which are its most important management resource, with an eye to the targets in the Medium-Term Management Plan 2021. Meanwhile, we will aim to further develop the Sanken Core. As the leader of the Sanken Group, I will make every effort to execute our medium- and long-term growth strategies and to further strengthen our management structure. My aim is to ensure that the Group is trusted and expected to deliver by all stakeholders. I ask all of you to continue offering your understanding and support as before.



Special Feature 1

# ESG and DX Management

We have built a new structure for promoting ESG management and digital transformation (DX) to help realize our 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.” In Special Feature 1, we introduced these specific strategies.

## Creation of the Corporate Design Headquarters

In April 2022, we established the Corporate Design Headquarters. The headquarters integrates our former administrative divisions and serves as the Sanken Group’s command center for the execution of ESG management. The goal of our activities is to develop close coordination within the Group and a speedy response, while increasing the Company’s corporate value as a proactive organization.

The Corporate Design Headquarters’ functions are diverse. We manage progress on medium-term plan KPIs, while proposing medium- to long-term strategies that look ahead to the next 2024 Plan and beyond. In IR activities, we proactively communicate information to each stakeholder, while striving to engage in dialogue with shareholders, investors, and analysts and conduct supervision of IR in close coordination with management.

With regard to the U.S. business, which has an important role in the Sanken Group, the headquarters is working to strengthen governance over the business in order to promote further growth of the Allegro Core, while promoting a closely coordinated response among top management.

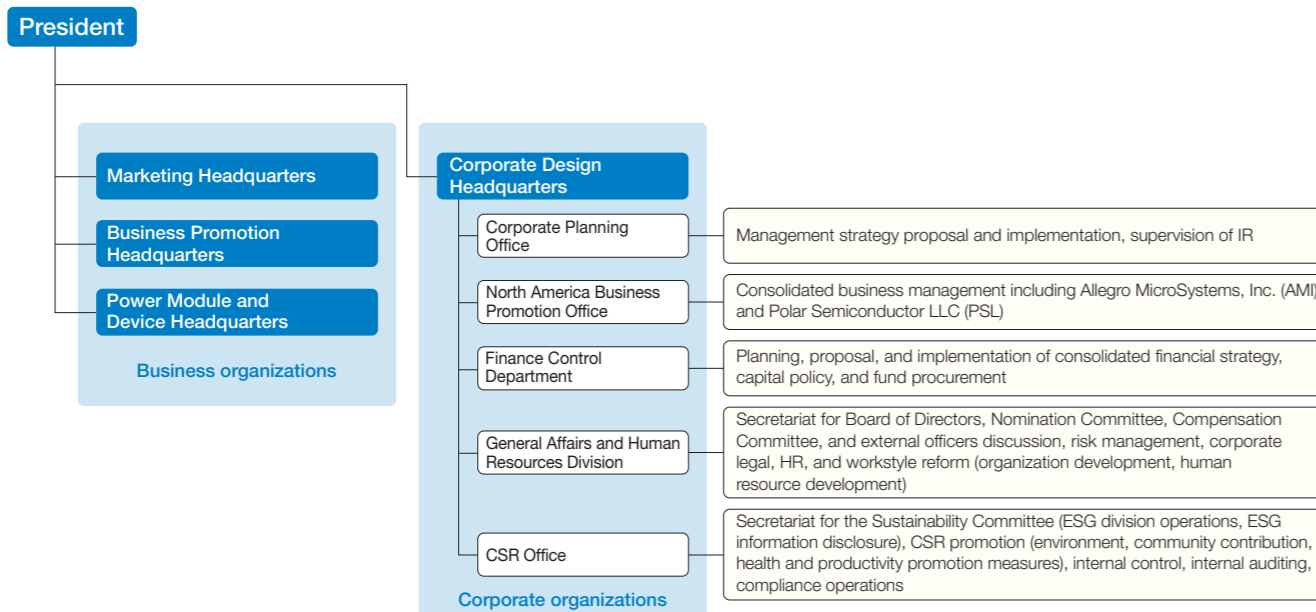
In the area of finance, the headquarters is working closely with the business divisions to conduct fund procurement with the use of funds restricted to environmental improvement objectives (green bond issuance, etc.), with a view to realizing the Company’s objectives for social contribution. We are also promoting activities to improve the Company’s

credit rating, aiming to establish a stable financial foundation.

In the area of human resources, the headquarters is strengthening recruiting, development and workstyle reforms. We are actively promoting diverse recruitment, including talent with specialist skills and from overseas. In terms of development, we are building a development system for the overall Group and providing oversight and management, including career support using skill maps. Moreover, to realize more flexible workstyles, we have been promoting various system reforms, such as introducing a flextime system that does not have a core time and preparing an environment to support working from home and use of parental leave entitlements.

In promoting ESG management, we will incorporate our identified materiality issues into management, and tie these to social contribution and the Company’s sustainable development. We have established the Sustainability Committee as a supporting body for these efforts, strengthening our environmental, social, and governance initiatives throughout the Company; and the Corporate Design Headquarters plays a central role in this. Furthermore, we also conduct regular discussions and study sessions for external officers, aiming to achieve more effective governance.

Through these various strategies, the Corporate Design Headquarters will design a new vision for the Sanken Group and work to make it a reality.



## DX strategy

### We will revamp Sanken’s business by promoting DX

The Sanken Group is responding to changes in the business environment for power semiconductors by aggressively promoting DX with the goal of achieving dramatic productivity gains by adopting advanced digital technologies. We will use DX to motivate all of our employees to “enable people to have rich and fulfilling lifestyles through power semiconductors” and advance a step further towards being “a useful business for everyone.”

#### Sanken Digital Vision

##### Formulate a common Group vision for promoting DX

DX promotion requires that all employees involved in all organizations and operations of the Sanken Group participate without exception, sharing their targets and working towards them. The Company has formulated a shared Group vision for DX promotion.

**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 Initiatives

##### 1. Manufacturing DX

We will promote measures to increase productivity by changing to smart factories. Specifically, we will ensure thorough management of warning signs for equipment operation and maintenance, shift to unmanned operations, and automate sensory analysis of product quality with the aim of doubling productivity per operator.

##### 2. HR Development

We have formulated a DX education program to enable all personnel involved in operations to incorporate DX. All employees, including those at our plants in Japan, have been offered education to promote DX since fiscal 2021 to help them become conversant with DX. At Sanken Electric headquarters, we are starting by providing education to develop 250 digital personnel as core personnel.

##### 3. DX Management

We established a new DX Promotion Management Division with the aim of optimizing selection of and investment in IT programs necessary for DX promotion. A DX Promotion Producer has been appointed to determine the investment effect of digital programs, and we have set themes regarding the expected effect of digital reforms in line with the issues of each division. Furthermore, a DX Promotion Committee held by top management has been established to guide the Group’s decision making on DX promotion. The intention of top management will be properly reflected in the initiatives of the DX Promotion Producer. The DX Promotion Committee discerns the investment effect and the final investment decision is approved by the president, strengthening governance for DX promotion companywide.



Special Feature 2

# Accelerating the Development and Spread of Environmentally Friendly Products

## Economic Value × Social Value

In the field of power electronics that efficiently control large currents and high voltages, Sanken Electric's power semiconductors contribute to eco-friendly, energy-saving, and more efficient equipment within a wide range of equipment from home appliances to automobiles, to industrial equipment.

By engaging strategically in the development and spread of products that create a virtuous cycle between the environment and the economy, we will contribute to the building of a sustainable society. We also believe this is important for strengthening our competitive advantage in the market by establishing a competitive position.

### Supplying components for products that have a significant energy-saving effect, contributing to global warming prevention by reducing CO<sub>2</sub> emissions

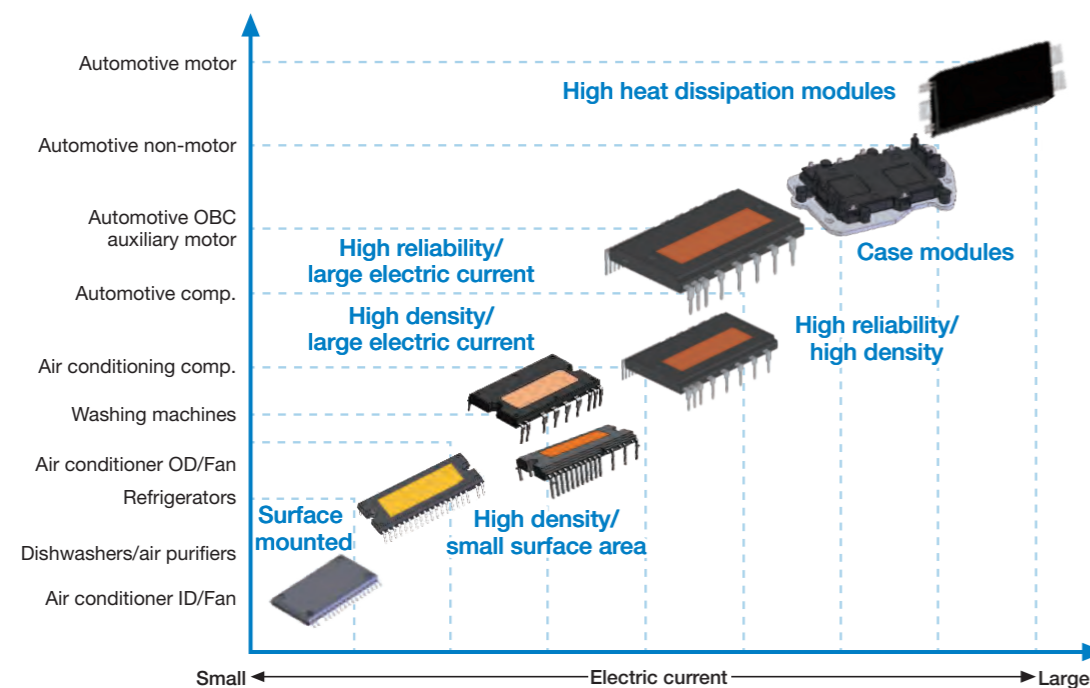


Energy-saving and environmental products are a strategic market, where we will contribute using the power electronics that we have developed over many years. Our contributions include the switch to use of inverters in white goods to increase efficiency and following up on new related technologies in the automotive market, such as advanced driver assistance systems (ADAS) and xEVs.

We have won high regard for semiconductors used in fuel injector control units for gasoline cars. Automotive semiconductors need to be highly reliable, and we now intend to apply our expertise in these components in the field of xEVs.

For power modules, the core of the Company's growth strategy going forward, new products like next-generation intelligent power modules (IPMs) for automobile motor compressors and power modules for EV traction motors are beginning mass production. Utilizing motor control technologies cultivated with products for the white goods market, we will expand our IPM lineup with more compact and higher output options to further increase sales. In addition, we will expand our business domain to the automobile and industrial equipment markets by enhancing product complexity and performance, aiming to achieve sustained growth and contribute to society in the Power Semiconductor Business.

#### Expanding Products and Strengthening Power Module Lineup



### Contribute by improving water use efficiency

#### Supplying parts to water-saving products



We developed the SIM6879M—the first power device mounted on an IPM to use a field-stop insulated-gate bipolar transistor (FS-IGBT). By mounting an FS-IGBT on it, we were able to realize lower saturation voltage and switching loss compared to conventional IGBTs, and succeeded in increasing the current rating from 5A to 10A. The SIM6879M is able to drive a washing machine drum of up to 10 kg with a smaller package compared to conventional products, and is expected to capture new market value.



Front-load washing machine



High-voltage three-phase motor driver SIM6897M

Sanken Electric sells around 9 million IPMs a year for use in inverter washing machines. Through meticulous motor control, they are able to significantly reduce washing times and water usage.

Compared to conventional washing machines, we expect inverter washing machines using our IPMs to save around 6,656 L of water per machine per year, and multiplied by the number of inverter washing machines, we estimate total savings of 59.2 billion L. This volume is enough to fill the Tokyo Dome 48 times and will contribute to saving water resources (estimate calculations by the Company).

### Column

#### A Large Number of Projects Involving Strategic Product IPMs Announced at the Technology Presentation Seminar



The Company hosts a Technology Presentation Seminar as a forum for engineers to present the results of their daily work. This year, the 56th seminar featured presentations on a large number of advanced technologies from the Company and Group companies in Japan and overseas broadcast in real time to sites around the world.

Various presentations were made of elemental and related peripheral technologies for IPM products, which are a particular focus of the Company, showing the cultivation of technologies over a wide range from white goods to industrial equipment and electric vehicles. With its many engineers who specialize in IPMs, the Company will create environmental products that contribute to energy savings, higher efficiency, and CO<sub>2</sub> emissions reduction.



#### Engineer of the Power Module Development Division

The Company's IPM technology is used in all aspects of motor control technology worldwide, and boasts a high market share in the fields of air conditioners, washing machines, and refrigerators.

Because the Company's products are used in diverse devices, we contribute not only to energy savings and higher efficiency, but also to reducing the number of components and increasing their reliability. I believe this also counts as environmental products under the Company's ESG management strategy, which is a source of job satisfaction for me.



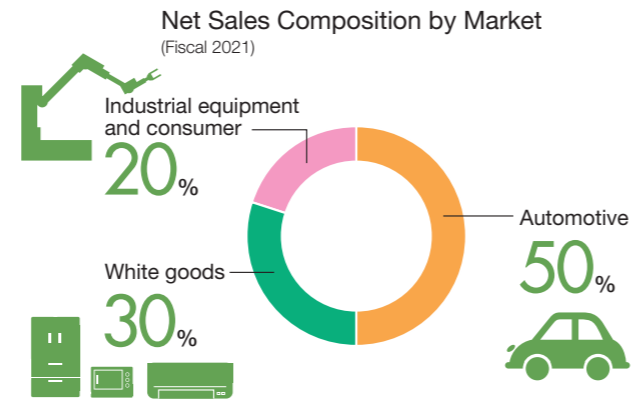
#### Engineer of the Assembly Development Department

The transition to xEVs in recent years has driven increased needs for high current, high voltage applications. The Company's IPM technology is also the subject of increasing attention. As the world shifts from gasoline cars to xEVs, I feel that my engineering knowledge can contribute to reducing CO<sub>2</sub> and protecting the global environment, and I recognize that this is connected to SDGs initiatives.



## Business Strategy

The Sanken Group will rebuild its portfolio, starting from the Medium-Term Management Plan 2021, and will arrange its growth strategy under three pillars: power modules, power devices, and sensors. These are mainly used in the field of power electronics, in products that use motion control, electric power conversion, or sensing technologies. They are used as key devices in a wide range of applications including automobiles, white goods, industrial devices, office automation equipment, and TVs.



### Fiscal 2021 Results

#### Net sales

¥ **175.7** billion

In fiscal 2021 (fiscal year ended March 31, 2022), aided by strong semiconductor demand, the Company recorded consolidated net sales of ¥175,660 million, an increase of ¥18,864 million (12.0%) from the previous fiscal year, which was heavily impacted by the COVID-19 pandemic.

By market, in the automotive market, sales increased 37.2% year on year to ¥87,899 million, driven by continued strong demand reflecting moves to secure high-level components in supply chains amid the COVID-19 pandemic, as well as the shift to xEVs and growth in ADAS.

Turning to our products for the white goods market, which includes air conditioners, washing machines, and refrigerators, our mainstay IPM products performed briskly, supported by an

#### Operating income

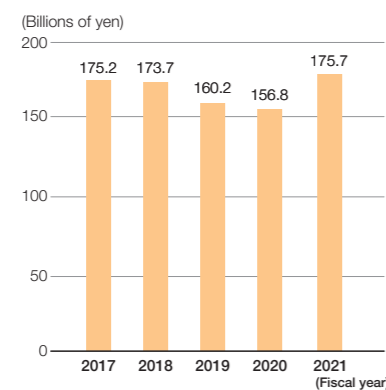
¥ **13.7** billion

increase in demand driven by a shift to inverters and DC motors for home appliances. As a result, sales for the white goods market increased by 15.4% year on year to ¥53,383 million.

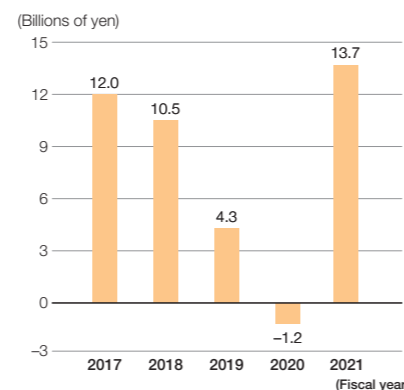
In the industrial equipment and consumer markets, sales increased by 27.7% year on year to ¥34,377 million, as sales for equipment for servers and printers trended firmly atop an increase in telecommunications demand due to expansion in the use of remote environments and growth in stay-at-home demand during the COVID-19 pandemic.

With regard to profits, consolidated operating income was ¥13.720 billion, due to the increase in sales. Furthermore, consolidated ordinary income reached a new record high of ¥13.7 billion.

#### Net Sales



#### Operating Income



### Growth Strategies of the Sanken Core

Power module products support the Sanken Core growth strategy. We are expanding these products from their main focus in the white goods market to include the automotive and industrial equipment markets also, pursuing a strategy of further enhancing products that offer the reliability, high density, and high heat dissipation sought by those markets. Furthermore, we are also developing new-generation power chips, including SiC chips, and seeking to climb further in our global ranking for power module sales, which stood at 6th in the world in 2021.

Our vision for the growth of the Sanken Core over the medium to long term is for a net sales compound annual growth rate (CAGR) from 2021 to 2026 of 15% for the automotive market, 8% for the industrial equipment and consumer markets, and 6% for the white goods market.

Strategy (direction) by major market	Net sales growth 2021▶▶2026
[Automobiles] Power modules for xEVs Digital ICs for ADAS	CAGR <b>15%</b>
[Industrial equipment and consumers] Expand sales of high reliability/ large current power module power supply ICs (digital/analogue)	CAGR <b>8%</b>
[White goods] Maintain top share with dual drivers of modules and devices	CAGR <b>6%</b>

First in the automotive market, as the shift to electrification speeds up, new products for xEVs are expected to expand from fiscal 2023. Traction motor power modules, a typical product for xEVs, are expected to see an increase in demand in fiscal 2023, and we decided to make additional investments to bolster

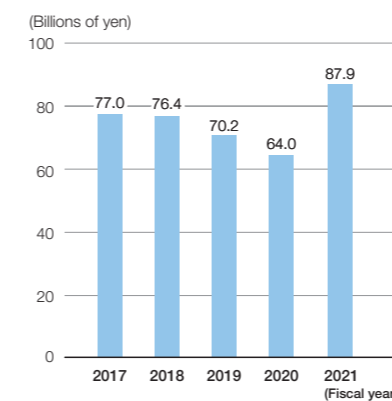
capacity. From fiscal 2024 onward, we expect demand to increase even further, with a projected CAGR for fiscal 2023 to 2027 of 22%. Investment decisions for the period from fiscal 2024 onward are to be made during fiscal 2022. In power device products, we will steadily advance into digital ICs for ADAS.

For the industrial equipment and consumer markets, we are proceeding to expand sales of products for the high voltage resistance and large electric current domains, and adoption is growing for use in commercial air-conditioning. The jointly developed products from our strategic partnerships with ST Microelectronics have started sales for the industrial equipment market. The products have been highly rated and we now expect stronger demand than originally envisaged. We are now in discussions for the development of a second program, which is expected to drive even further business expansion.

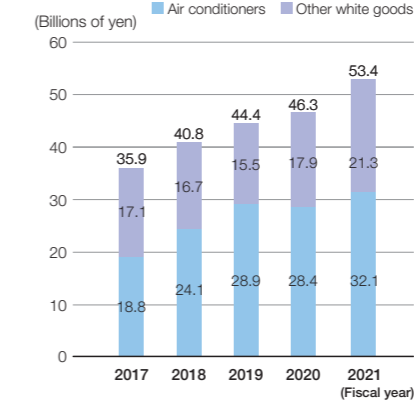
In the white goods market, we have completed development of new products with a 40% surface area reduction compared to conventional products, for use in air conditioners and washing machines. These products are scheduled for market launch in the fall. We will steadily expand these products, aiming to replace existing products while achieving better profitability. Going forward through to 2024, we expect the products to be adopted by Asian white goods manufacturers, and we have decided to bring forward our expansion of production capacity and implementation period by moving ahead with sales expansion. We will continue to maintain our high market share for mainstay IPM products, and work to expand our lineup of power supply ICs.

Looking ahead to the next Medium-Term Management Plan 2024, we aim to achieve further growth as a power semiconductor company by investing steadily in new products and establishing a production system.

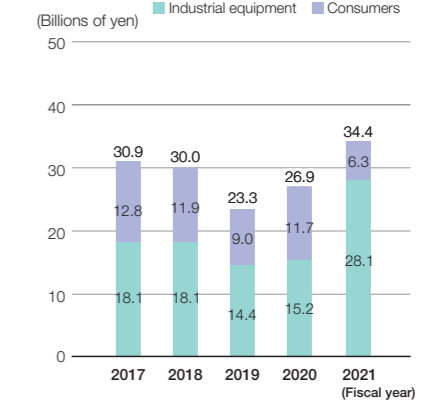
#### Sales of Semiconductors for Automobiles (Semiconductor Devices Business on a consolidated basis)



#### Sales of Semiconductors for White Goods (Semiconductor Devices Business on a consolidated basis)



#### Sales of Semiconductors for Industrial Equipment and Consumers (Semiconductor Devices Business on a consolidated basis)



## CTO Interview

We will accelerate the development of new products that transform the market and contribute to building a sustainable society on the strength of our marketing and proprietary platform technology.

**Hideki Nakamichi**

Director and Senior Vice President  
Head of Marketing Headquarters

### Investing management resources in building SPP, our proprietary platform technology

The Sanken Group has been focusing on building SPP (Sanken Power-electronics Platform), a shared platform encompassing areas such as development technology, production technology, manufacturing, material procurement, and marketing.

Until now, Sanken Electric had been deploying a research and development strategy based on a customization-oriented approach of developing and offering products with different specifications for each customer. However, recently there has been a rapid increase in the types of electronic components being used, especially in the automotive industry where electrification is progressing, so our conventional customized development cannot adequately meet customers' needs. In addition, the problem of reduced efficiency in our development and production has also become apparent. In light of these changes in the external environment and recognition of such issues, our Medium-Term Management Plan 2018, which began in April 2018, made a major focus shift from customized development to building SPP, which is primarily based on shared concepts. In building SPP, the shared use of elemental technologies for wafer processes, packages, control circuits, and ICs significantly shortens development lead times and reduces costs by sharing production lines.

### Promoting market-oriented product development

As part of its efforts to build SPP, the Group is also focusing on upgrading its research and development system. In the organizational restructure carried out in April 2021, the previous Product Development Division, Elemental Technology Development Division, and the marketing functions merged to create a new Marketing Headquarters. At the Headquarters, we promote market-oriented research and development activities with an emphasis on the market. Through cooperation with the Business Promotion Headquarters, which manages development costs and progress, we are improving development efficiency.

In May 2021, we also established the Production Development Center. Engineers from production bases all around Japan gather at the Production Development Center, which is located at our Headquarters, to develop new production technologies such as automated quality inspection and mixed production lines (multiple packages produced on the same line). Upon finishing development according to plan, the engineers are to return to their home bases to introduce the production technologies that they learned at the Center.

Sanken Electric's strength is in its integral technology. Integral technology is to optimize the characteristics of each component or each elemental technology by tuning them to each other. SPP's integral technology is characterized by incorporating the optimization envisioned in product development at the

elemental technology stage, thereby eliminating rework in development as much as possible, maximizing development efficiency, and improving product design quality. The power module we are working on consists of up to 20 chips. Under the integrated organization of the Marketing Headquarters, the warp and woof threads of integral technology and SPP work together organically, enabling us to develop products that accurately meet the latent needs of the market.



Production Development Center

### Aiming for a new products' share of sales of at least 15%

In our Medium-Term Management Plan 2021 which began in April 2021, we put forth the medium- to long-term strategy of pursuing further growth around the two axes of Sanken Core developed by Sanken Electric and Allegro Core developed by Allegro MicroSystems, Inc. in the US. With a view to improving profitability, another important management theme is to increase the share of sales of new products with high profit margins to account for 15% or more of total sales. Although the new products' share of sales was 12% in fiscal 2021, this was mainly due to delays in new product evaluations at client companies stemming from the spread of COVID-19. We expect to reach our target of 15% in fiscal 2022, when corporate activities are expected to normalize. We will continue to accelerate new product development, especially for automobiles and industrial equipment, where market growth is expected.

The Marketing Headquarters is also focusing on responding

to the SDGs and DX (digital transformation). In the area of the SDGs, we contribute to reducing the environmental impact of global production activities by developing and offering highly efficient products that save energy, and we strive to further conserve resources by making our products smaller and more lightweight. In the area of DX, we are working towards the realization of smart factories, which will upgrade production systems by introducing digital technology.

Through these initiatives, we are seeing the results of SPP. In the automotive market, our new IPM (intelligent power module) product has been adopted for use in electric compressors for air conditioners in xEVs, and mass production has begun. In addition, production for power modules that drive xEV traction motors has also begun. In the consumer electronics market, digital ICs with our proprietary control technology have been adopted by major manufacturers for use in large flat-screen televisions as a solution to meet increasingly strict energy-saving regulations. Our proprietary digital control can handle multi-channel power supplies with differing load power, rapid changes in load power, and complex power supply configurations. We are developing it with the expectation that it will be used in ADAS (Advanced Driver Assistance Systems), which will become increasingly complex with the realization of automated driving in the future. To enhance our competitive advantage, we plan to further refine SPP and develop new products based on new concepts for new markets as well as products that anticipate customer needs.

The Sanken Group will continue to strengthen its three pillars of power modules, power devices, and sensors with the Marketing Headquarters as its core organization, aiming to realize sales growth that exceeds the semiconductor market growth rate. We are also determined to contribute to a sustainable society through the development of unique technologies and active efforts to promote the SDGs and DX.

### Power module development strategy that contributes to the realization of carbon neutrality

Electrification has been progressing not only in energy-saving home appliances but also in a wide range of fields such as robots, drones, and rapidly expanding EVs. Applications for power modules have been increasing, and the Sanken Group has developed and commercialized a variety of power modules.

From the beginning, Sanken has had a corporate DNA of paying attention to the feelings of customers, understanding their expectations, and creating products to the best of its abilities. In addition to this, Sanken has also built SPP as a cornerstone of its technology. These two cornerstones are the driving force behind development.

The global movement towards achieving carbon neutrality has been accelerating, leading to growing expectations for power modules. In order to use electricity more efficiently to run motors, it is necessary to have a deep understanding of the structure and operation of the equipment in which the modules are mounted, and to provide proposals to meet expectations.

While refining the abovementioned corporate DNA even further and deepening our understanding of systems, we will focus on product development that meets needs through the development of SPP.

We must understand complex systems and energy management, particularly in the electrification of cars. I am confident that I can make use of my own experience in the development of EVs in the automotive industry, and I am committed to contributing to the team.

It is also essential to speed up development. In collaboration with the Production Development Center, we will continue our efforts to create products faster and more intelligently.

With Sanken's corporate DNA and SPP as our cornerstones, we will further improve customer satisfaction and contribute to the realization of carbon neutrality.



**Mitsunobu Fukuda**

Corporate Officer  
General Manager, Power Module Development Division,  
Marketing Headquarters

## Materiality

# Priority Measures in ESG Management

It is becoming increasingly difficult to anticipate changes in the times and the environment, such as globalization, digitalization, increasingly severe disasters, increasing demands for global environmental protection, responding to diversity, and responding to COVID-19. In order to keep pace with such changes in the times and achieve sustainable corporate growth, we have organized various social issues into risks and opportunities as issues the Sanken Group should address.

### Basic Stance on Social Issues

The Sanken Group's Corporate Philosophy is "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," which expresses the Company's basic stance for addressing social issues.

The management policy of the Medium-Term Management Plan 2021 calls for establishing specific methods for addressing social issues with the aim of expanding sales of products that meet the needs of future markets by accelerating electrification and digitalization. This approach is expressed in the slogan "Power Electronics for Your Innovation."

### Expressing the attitude toward ESG as a logo mark

Color tones (green, orange, and blue) in ESG 3 fields are placed on the leaves of wood sorrel, which represent "sustainable prosperity," showing "clean/sanitary, diverse, and future/growth" respectively.



### Identifying Materiality

The Sanken Group examined materiality from comprehensive viewpoints, including with regard to the medium-term management plan and confirming our Corporate Philosophy. The process involved mapping the degree of social interest with the impact on Sanken Electric's business to identify the Sanken Group's materiality as "CO<sub>2</sub> reductions through promotion of our main business (energy savings, higher efficiency)" and "reduce the environmental impact of our business activities."



In FY2022, we have newly set SDGs targets 5, 10, and 16 in order to enhance respect for human rights in our corporate activities and to protect our corporate culture that values people.

### ESG Promotion Organization

In promoting ESG management, the Sustainability Committee plays a central role in the development of three Task Forces on Environmental (E), Social (S), and Governance (G) areas, as well as team activities for each theme, such as climate change. These Task Forces and team activities are composed of members of the Sanken Group and make up a unified group activity system. Reports to the Sustainability Committee are also made once every six months, and the results are reported to the Executive Committee or the Board of Directors. The chairman is Satoshi Yoshida, director who is the "Officer in charge of ESG."



### ESG Management Initiatives

Sanken Electric links its contribution to society with its sustainable development by incorporating identified materiality into ESG management. We have set and manage progress toward KPIs (Key Performance Indicators) and goals in each theme.

Category	Item	KPI	Related SDGs	Measures to Achieve KPIs	
Environment	Decarbonization	Reduce CO <sub>2</sub> emissions Reduce power use	CO <sub>2</sub> emissions reduction in S and G fields ⇒ 33% reduction in Scope 1 and 2 (by 2030) Reduction of power use ⇒ 1% reduction in ratio to net sales Development of environmentally-friendly products ⇒ Expansion of supply volume of environmentally-friendly products for air conditioners Utilization and visualization of solar and other natural energy sources Purchase of energy conservation certificates	7, 13	Development of on-site PPA (Ishikawa Sanken) Electricity reduction target: 1% reduction in ratio to net sales each year Supply volume of environmentally-friendly products for air conditioners Utilization of solar and other natural energy sources Amount of energy conservation certificates secured Reduction of S and G overall electricity expenses (introduction of LED lighting, reduction of compressor power)
	Bio-diversity	Reduction of water consumption	Reduction of water consumption ⇒ Disclosure of water consumption in S and G fields (1% reduction in ratio to net sales)	6	Water consumption reduction target: 1% reduction in ratio to net sales (S and G fields)
	Waste Management	Reduction of total waste Reduction of plastic waste	Hazardous substance emissions reduction amount ⇒ 1% reduction in ratio to net sales Waste recycling rate and waste volume ⇒ Waste recycling rate of 99% or higher Plastic waste volume ⇒ 1% reduction in ratio to net sales	9, 12	Total waste targets in S and G fields: 1% reduction in ratio to net sales Waste recycling rate of 99% or higher Reduction of total amount plastic waste: 1% reduction in ratio to net sales
Social	Diversity	Women's success, life events, etc.	Percentage of managerial positions held by women ⇒ 3.7% (July 2022) → 4.6% target (by March 2024) * Sanken Electric (non-consolidated)	5, 8	Quantify bias and identify trends in the workplace, etc. Conduct managerial training, etc.
		Childcare leave system for men	Paid leave granted for childcare leave for men: 5 days ⇒ 20 days (system changed from October 2022)	5, 8	Conduct managerial training regarding childcare leave for men: once a year
		Internal system reforms	Increased childcare leave days for men: 5 days ⇒ 20 days Increased nursing care leave days: 5 days ⇒ 20 days	5, 8	Conduct internal system reforms (increase childcare leave days, salary and evaluation)
		In-house education	Harassment and human rights training: once a year	5, 8	Number of internal promotion training sessions: once a year (e-learning, etc.)
	Percentage of female employees	Number of female employees hired (new graduates and mid-career recruits): 1 (April 2021) → 3 (April 2022) * Sanken Electric (non-consolidated)	5, 8	Promotion of efficient recruitment of new graduates and mid-career recruits Reference: Ratio of female employees to total employees: 20.0% (2020) → 18.5% (2021) * Sanken Electric (non-consolidated)	
	Improvement of the employment rate of people with disabilities	Employment rate of people with disabilities: Increase year-on-year → 1.96% (2020) → 2.38% (2021) * Sanken Electric (non-consolidated)	8, 10	Provision of a suitable work environment for people with disabilities and promotion of their effective recruitment	
Health Management	Reduction of the prevalence of findings	Early health checkup recommendation and re-examination rate: 90% or higher Provision of specific health guidance to dependents Decrease in the prevalence of findings after health checkups: target of year-on-year decrease Improvement of lifestyle indicator values (diet, sleep, exercise)	8	Early health checkup recommendation and re-examination rate of 90% or higher Raise awareness of the need to increase implementation rate of specific health guidance for dependents Number of sleep training sessions: once a year Number of exercise opportunities provided: once a year	
	Decrease in smoking rates	Ratio of smokers to total employees → Decrease by half year-on-year (Management took the initiative)	8	Identification and numerical management of the number of smokers Management of e-learning attendance rates for smokers and programs to quit smoking	
	Mental health	Regularly held consultations ⇒ once a year Improvement of rate of paid annual leave usage: 52.9% (2020) → 57.0% (2021) * Sanken Electric (non-consolidated)	8	Number of regularly held consultations: once a year (October) Number of workplace improvement programs implemented	
Occupational Safety and Health	Number of workplace accidents	Decrease in frequency of workplace accidents from the previous year: Sanken Electric and domestic group companies continue to achieve zero accidents resulting in lost workdays	8	Identification of the number of risk assessment improvements and reduction in the number of workplace accidents	
Social Contributions	Visualization of social contribution	Number of social contribution activities ⇒ 53 (FY2021 results) → 76 (planned for FY2022) Social contribution activities participation rate ⇒ Total 1,200 hours, 1,900 people (target for FY2022)	10	Number of Sanken Group social contribution activities Set targets for the number of people/employees making social contributions	
Governance	Internal audit	Percentage of audits conducted based on audit plan: 100%	16	Percentage of audits conducted based on audit plan	
	Compliance	Number of compliance training sessions: At least once a year for the entire company and all employees Number of compliance communications sent out: At least once a month	16	Level of awareness of laws and regulations (link to E and S survey items) Number of internal training sessions for all employees	
	Internal reporting	Number of whistleblower consultations (including harassment): decreased from the previous year 16 instances (2020) → 7 instances (2021)	16		
	Ratings	Ratings Targets ⇒ FTSE rating of 4.0 or higher, MSCI rating of A	8	Number of rating improvement measures completed	
	Human rights	Number of times conducting human rights education ⇒ Conducted at management level	5, 10	Number of times conducting human rights education Number of investigations of business partners, etc. and human rights investigations	
	Information security	Acquisition of security certifications Success rate of security training		Conducting of security audits Number of information security education and cyber-attack training sessions: Essential once a year	
	Non-financial information	Number of visits to the sustainability page Number of YouTube visits		Number of evaluation improvement items from external organizations that have been improved	

Environmental

# Climate Change

Climate change has an impact that is becoming increasingly serious year by year. The frequent occurrence of extreme weather and natural disasters, which are considered to be a cause of climate change, is having a significant impact on the semiconductor supply chain, which is the core of the value that the Group provides.

Sanken Electric recognizes the importance of moving forward on measures to address the risks presented by these external environment changes related to climate change, as well as considers and prepares for multiple scenarios envisaging new business opportunities.

Therefore, the Company considers climate change scenarios in line with the framework of “Governance,” “Strategy,” “Risk management” and “Indicators and Targets” as recommended for disclosure by the Task Force on Climate-related Financial Disclosure (TCFD) regarding the impact of climate change, and hopes to use disclosure of appropriate information to engage in constructive dialogue with stakeholders.



## Governance System Related to the TCFD

The Company has established the Sustainability Committee to take responsibility for the ESG management of the Sanken Group across the organization as the Governance section of the TCFD recommendations requires the establishment and disclosure of a governance system in response to the risks and opportunities presented by climate change.

The Sustainability Committee is established as an advisory body to the president and chief executive officer. The committee discusses various environmental issues, including responses to climate change, and reports on the results of its deliberations to the Executive Committee.

In addition, climate-related deliberations at the Executive Committee are regularly reported to and discussed by the Board of Directors, and information is disclosed as appropriate.



- The committee discusses the following matters in relation to climate.**
- Climate-related scenario analysis
  - Identification and importance assessment of short-, medium- and long-term climate-related risks and opportunities
  - Strategic approach policies for significant identified climate-related risks and opportunities
  - Consideration of specific responses to climate-related risks and opportunities
  - Managing the progress of responses adopted with respect to climate-related risks and opportunities

## Strategy

The Sanken Group is engaged in the business of designing, developing, manufacturing and selling semiconductors and electronic application products, and envisages climate change having an impact on it in many ways.

Recently, in accordance with the International Energy Agency’s (IEA) STEPS (published policy scenario), SDS (sustainable development scenario), APS (published national ambitions reflection scenario) and the Intergovernmental Panel on Climate Change (IPCC) RCP2.6, RCP8.5, etc., we analyzed medium- to long-term (2030 and 2050) changes in the social and business environment associated with climate change based on three temperature band scenarios of 1.5°C, 2°C and 4°C.

Throughout our products and their supply chains, our Sustainability Committee discusses how social responses to climate-related issues and issues can have an impact and identifies climate-related risks and opportunities.

## Risk

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

Type	Major Risks	Measures	Degree of Importance	
Transition risk	Higher fossil fuel prices lead to soaring electricity costs and higher operating costs	Reduce CO <sub>2</sub> emissions • Energy-saving activities • Electricity replacement for renewable energy	High	
	Introduction of carbon tax raises operating costs	• Efficiency in production • Optimization of transport • Promoting recycling	High	
	Decrease in sales due to lower demand for existing products caused by new regulations on climate change	Expand sales by developing new energy-saving and highly efficient products under the medium-term management plan	Medium	
	Reputation	Delays in climate change measures reduce stakeholder confidence and market reputation	Formulate and implement a plan for realizing carbon neutrality	Medium
Physical risk	Acute	Decrease in sales due to the impact on production caused by natural disasters, the shutdown of suppliers, and damage to logistics functions	Strengthen risk management such as enhancement of crisis management system	Low

## Opportunities

As a result of scenario analysis, the provision of products that meet the low carbon needs of society and customers and the efficient use of energy resources could have a significant impact on our results of operations.

Type	Overview	Measures	Degree of Importance
Products and services	Increase in sales due to the market expansion of products for a low-carbon society (automotive, white goods, etc.)	• Development of products for inverters • Development of IPM • Development of high-efficiency power supply devices • Development of next-generation semiconductors	High
Efficiency of resources	Energy and resource conservation on production lines and in-house infrastructure	Introduce DX/Smart factory	High
Reputation	Enhance trust of stakeholders by promoting low-carbon production	Formulate and implement a plan for realizing carbon neutrality	Medium

## Method for Identifying Risks and Opportunities

The Company identified climate change-related risks and opportunities in accordance with each of the following steps.

STEP 1	List of conceivable risks and opportunities
STEP 2	Department managers from Headquarters and each plant analyzed the degree of importance of each of the following five criteria items using a three-level classification. • Magnitude of the impact if the risk materializes (Financially/strategically) • Duration of the impact (How long will it last, and will the impact continue?) • Frequency of occurrence (How often will materialization of the risk have an impact?) • Possibility of materialization (What degree can the possibility of the risk materializing be considered?) • Timing of the risk materialization (Should the risk materialize, how far into the future it is likely to happen?)
STEP 3	Collate results (also considering the degree of importance and frequency of items) and summarize similar items, identify five risks and three opportunities, and evaluate and classify their importance as “high,” “medium” or “low.”

(Summary)

- Use three scenarios for analysis of 1.5°C and 2°C temperature bands, and two scenarios for 4°C analysis.
- Risks include introduction of a carbon tax, which can be considered to lead to higher electricity costs, raw material prices and transportation costs.
- Conducted multifaceted energy-saving activities as a measure to reduce risk, and purchased natural energies such as electricity generated through hydropower.
- As opportunities, increased sales of power modules for EVs and other products can be expected amid growing need for low-carbon products due to climate change, and the outlook is for accelerated development of next-generation devices such as SiC.
- The Sustainability Committee (including respective ESG Task Forces) and Risk Management Committee, etc. will collaborate and supervise as the risk management system.



# Environmental

## Risk Management

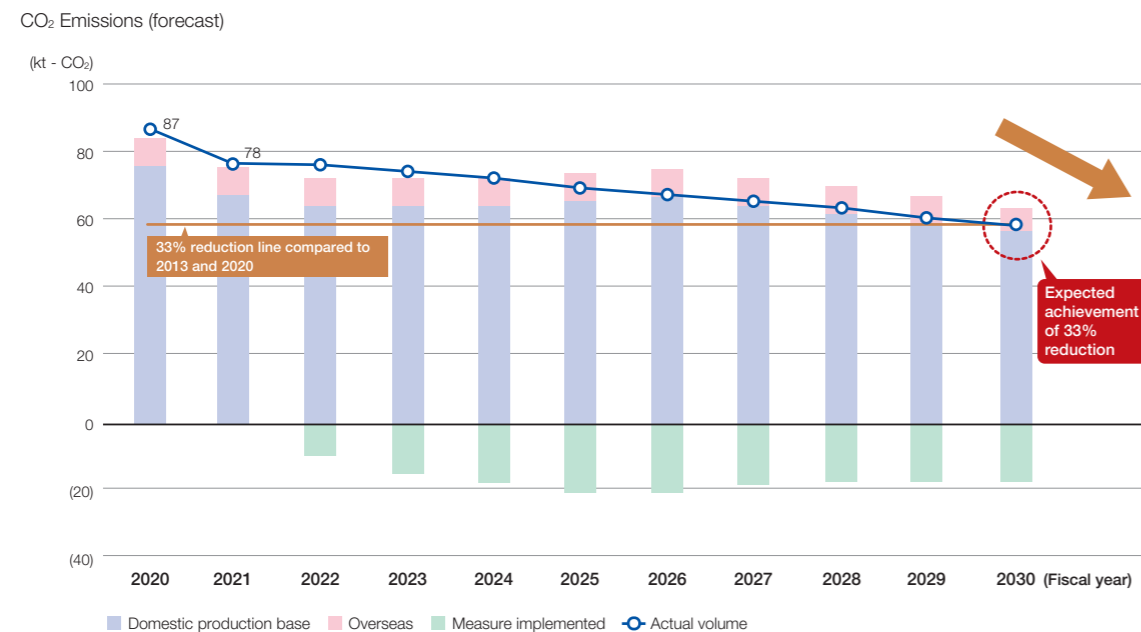
Climate change-related risks are discussed by the Sustainability Committee, and the content of the discussions is communicated to the Executive Committee and reported to the Board of Directors.

In addition, under the Sustainability Committee, we have established Task Forces specializing in Environmental (E), Social (S), and Governance (G) areas. Under the Social (S) Task Force, we have established a Crisis Management Committee to respond to natural disasters, information management risks, and other issues. In addition, by establishing the Internal Control Promotion Committee within the Governance (G) Task Force, we support the inspection of operations in each division of our company and Group companies, and review and evaluate the effectiveness of control activities at the company-wide level and at the business process level. The content of this risk management is reported to the Sustainability Committee, where all business risks, including climate change-related risks, are managed in an integrated manner.

## Indicators and Targets

Emissions of greenhouse gases (CO<sub>2</sub>) can be a significant risk factor in our financial condition. In addition, providing products that respond to carbon neutrality will also lead to business opportunities. We recognize the reduction of CO<sub>2</sub> emissions on a Group-wide basis as one of the most important issues in sustainability. We set medium-to long-term emission reduction targets, plan specific efforts to reduce emissions, and establish indicators to manage the progress of our efforts.

### Setting the Sanken Group's Scope 1, 2 Targets



### Sanken Group's Medium- to Long-Term GHG Emission Reduction Targets

- The Sanken Group has set a target of a 33% reduction in Scope 1 and 2 emissions by fiscal 2030, with 2020 as the base year, both domestically and internationally (Dalian Sanken) (This scenario is based on limiting the post-industrial temperature increase to 2°C or lower).
- Going forward, Sanken will accelerate activities to reduce emissions toward 2030, develop further measures to endeavor to reduce the risk of climate change and work toward becoming carbon neutral by 2050.

<b>Specific Measures</b> <ul style="list-style-type: none"> <li>Promote energy-saving activities domestically and globally</li> <li>Install solar power generators</li> <li>Convert to electricity from renewable sources</li> </ul>	<b>Scope 3</b> Scope 3 emissions for the Sanken Group in FY2020 were 243 kt-CO <sub>2</sub> , according to company research. Going forward, the Company will enhance the accuracy of Scope 3 calculations and set targets for reductions.
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## Specific Carbon Offsetting Measures

**Carbon Offsetting Plan for Ishikawa Sanken's Horimatsu Plant**  
 Ishikawa Sanken has launched the Horimatsu Plant Carbon Offsetting Plan as an initiative to combat climate change, and is developing measures to reduce Horimatsu District CO<sub>2</sub> emissions from power use to zero by 2025.



Overall view of Ishikawa Sanken Horimatsu District

- Final goal: Reduce CO<sub>2</sub> emissions from power use to zero by 2025**
- Breakdown of CO<sub>2</sub> reductions**  
 Solar power generation: 15%, electricity from hydropower: 80%, power-saving initiatives and forest absorption: 5%

### Fukushima Sanken's Active Introduction of Renewable Energy Means 100% of Power Used Now Derives from Renewables

Since April 2022, we have switched all electricity used from 100% renewable energy sources. We plan to reduce 7,000 tons of CO<sub>2</sub> emissions annually by purchasing electric power generated from Tohoku Electric Power Co., Inc., including hydroelectric and geothermal power.



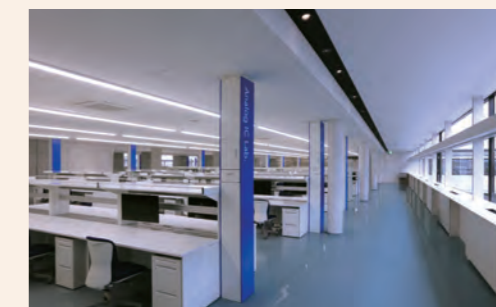
Overall view of Fukushima Sanken

### Sanken Electric Manufacturing Development Center

We have also adopted light shelves and top lights for indoor lighting and achieved an A rating for CASBEE through the use of natural energy by incorporating daylight.

\* CASBEE

CASBEE (Comprehensive Assessment System for Building Environmental Performance) is a method of evaluating and grading buildings based on their environmental performance. This system comprehensively evaluates the quality of buildings, including not only environmental considerations such as energy conservation and the use of materials and equipment with less environmental impact, but also indoor comfort and consideration for the landscape. Rank A is a "very good" rating rank.



Manufacturing Development Center 3rd floor test room

## Taking Ownership of ESG Issues



Award ceremony for the ESG Power-Saving Competition

### Holding an ESG Power-Saving Competition

Sanken Electric widely solicited ideas from employees on power-saving in response to requests from the government and electricity companies to save electricity in summer 2022. We received 380 ideas. The objectives of the ESG Power-Saving Competition were to make people take ownership of the ESG issues affecting society, and then to take on the challenge of addressing social issues in a cheerful and fun manner.

We will continue to engage in various initiatives to deepen employees' understanding of the Sanken Group's thoughts on ESG management and disseminate them.

**Social**

# Human Resources



Based on our management philosophy of “respecting each and every employee and treating all employees fairly,” the Sanken Group respects employees’ identities and works to establish an environment in which diverse human resources can compete so that it can achieve growth through a virtuous cycle of business, people and organizations.

## Basic Approach to Human Rights and Work

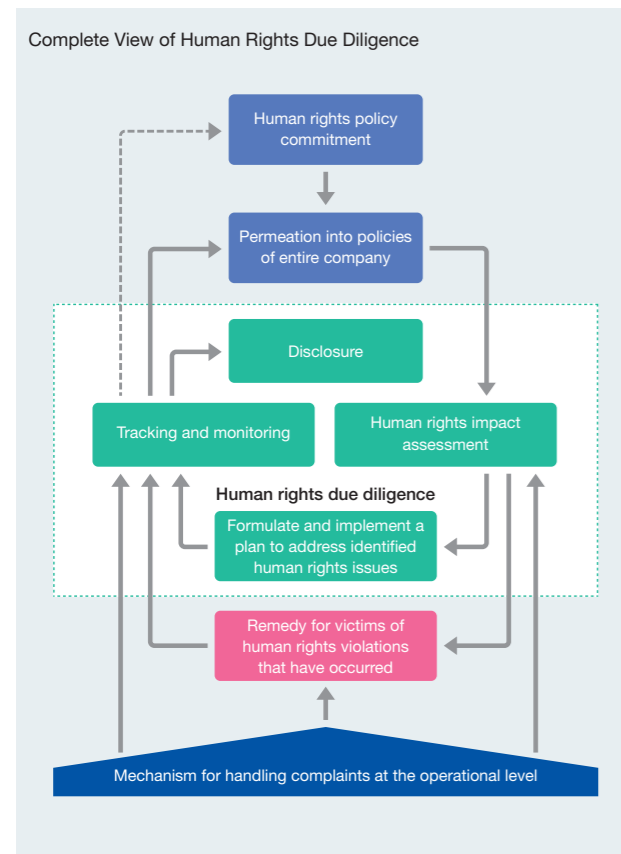
The Sanken Group supports and respects global standards on fundamental principles and rights at work, sets human rights and labor policies, and respects the human rights and will of all workers. In order to promote activities to respect human rights, we will build and strengthen a PDCA cycle centered 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 business partners and all other stakeholders.

### Overview of 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 will work to establish due diligence for human rights. Based on the two perspectives of respect and remedy listed in the Guiding Principles on Business and Human Rights, we will move forward with priority placed on addressing human rights risks in supply chains, addressing human rights risks among employees, and creating access to remedies.



## Efforts to Respect Human Rights

The Sanken Group regularly conducts education on harassment prevention for the company’s leaders, managers and general employees in order to ensure that its efforts to respect human rights are made more reliably. In the future, we plan to identify human rights risks and identify issues throughout the Group.



A workshop on human rights

## Countermeasures against Harassment

The Amendment to the Whistleblower Protect Act went into effect in June 2022. In response, Sanken Electric and its domestic Group companies conducted not only lectures for those in managerial positions but for all employees, including dispatch staff, and confirmed their understanding.

The Company is promoting awareness activities to eliminate harassment by using an information sharing tool called “Yammer.”



## Diversity, Equity & Inclusion

The social structures and economic conditions surrounding the Company, including a decline in the working population and lifestyles during and after the COVID-19 pandemic, are undergoing significant and rapid changes. The Company has been undertaking reform in order to address these rapid environmental changes in a flexible and efficient manner. One key strategy aimed at this reform is diversity, equity, and inclusion. Through respect for individuality, mutual acknowledgement, and maintaining fairness, the Company works to create a work environment in which each employee can maximize their respective abilities to the fullest extent, regardless of affiliation such as nationality or culture, gender, age, disability, employment history, or values.

### Basic Values of Diversity

In the Diversity Promotion Team, which is one of the task teams under the Sustainability Committee, promotional members selected from each business location have formulated their core values to serve as the foothold of daily conduct and achieving operations, and are working to promote diversity even more.

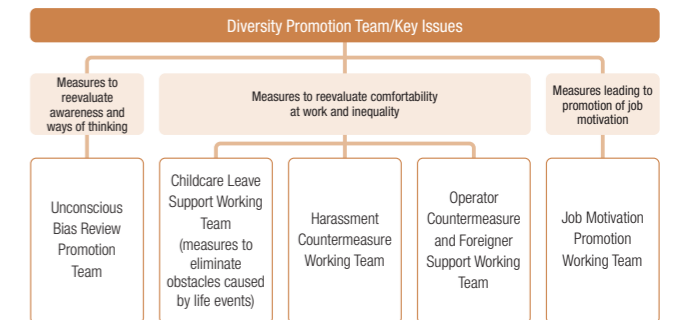
### Core Values

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

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

### Diversity Promotion System

For promoting diversity management, the Company has established five working teams underneath the Diversity Promotion Team, and evaluates policies and activity content, and future plans led by these working teams. It periodically reports and deliberates on the results at the Executive Committee and Board of Directors meetings.



## Conducting Training on Unconscious Bias

When unconscious bias is left untreated, there are many kinds of negative impacts, such as a reduction in individual enthusiasm and lower organizational performance. The Sanken Group has promoted awareness of various unconscious biases and conducted training to improve awareness among those in managerial positions regarding the active participation of women, with a primary focus on its domestic locations. It will strive to realize a better working environment by understanding the impacts that are likely to occur through each type of bias and aiming to improve and increase operational efficiency.

## LGBTQ Initiatives and ALLY

As part of LGBTQ initiatives, the CSR Office has taken training courses for companies in the Saitama Prefectural Government on initiatives related to LGBTQ and is rolling them out internally.

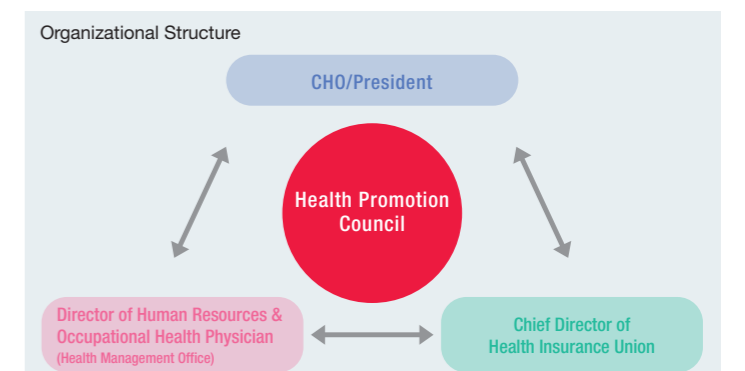
We also announced Ally (ALLY) as part of our activities. An “ally” refers to a person who understands and supports sexual minorities (LGBTQ).



## Health Management Promotion

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

Sanken Electric appointed its president as Chief Health Officer, and established a Health Promotion Council comprised of the director of the human resource department, industrial physicians, and the president of the health insurance union. The Company and the health insurance union work together on various measures to promote health management, which is positioned as a core strategy of management.



## Social

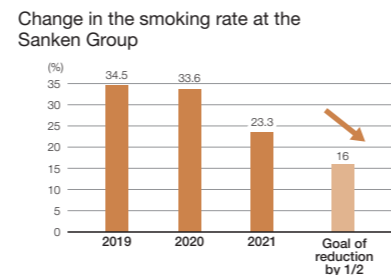
### Measures to Protect Employees from Smoking-Related Health Hazards

Although the smoking rate is trending toward a decline year after year, the Company aimed to reduce this rate, which was 23.3% in fiscal 2021, by half, and announced the “Realization of a Non-Smoking Company.” As part of those efforts, since April 1, 2022, it has been making active advancements such as enacting a ban on smoking within company premises outdoors, and having upper management take the lead in quitting smoking in order to strengthen and accelerate initiatives to eliminate smoking during work hours.

The Company will continue to promote initiatives aimed at reducing the health and environmental risks posed by smoking.



A poster to educate employees about quitting smoking



## Human Resource Development

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

The Company has a strong fixation on human resource development and developing abilities, and advances multi-faceted and multi-stage plans for development when forming employees’ career plans based on individual skill maps.

### Human Rights Development Policy

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

We actively conduct training seminars based on the idea that employee growth leads to company growth.

Category	New employees	Young employee class	Mid-level class	Managerial class
Selective training		Next-generation leader training		
		Global career development		
		Female career support training		
Stratified training	New employee training (classroom lectures, practical factory learning)	Management training		
	On-the-Job Training			
Language learning	English, Japanese (for foreigners), other			
Other		Career training (life plan training, etc.)		
		Training according to job type		
		Self-improvement and correspondence education		
		Compliance education, mental health education, etc.		

- **Selective training**
  - Next-generation leader training:** Future candidates for managerial positions are selected, and training is conducted continuously and systematically in order for these candidates to obtain the knowledge, perspective, and leadership, etc. necessary for managers.
  - Global career development:** In addition to language study, overseas training is conducted to learn business customs in different cultures, technology, and knowledge. The Company works to develop global human resources and global leaders.
  - Female career support training:** Since March 2013, career training to support the active promotion of women has been sponsored in a joint effort by the Sanken Group as part of diversity promotion, and the Company works to create a corporate culture where women can thrive.
- **Stratified training**
  - Training is conducted to acquire knowledge suitable for each level. The Company conducts training alongside promotions in order to support smooth career advancement.
- **New employee training**
  - Training begins by transitioning from the mentality of a student to that of a member of society, and by acquiring basic business manners. Classroom lectures and practical production training are carried out to deepen employees’ understanding of the company.
- **Language learning**
  - The Company actively conducts language learning in order to develop human resources who can support global business development. Employees can learn English in addition to other languages as well.
- **Career training**
  - Training is conducted at critical turning points, such as when employees reach their 30s and 50s, in order to identify a future career plan that best suits each employee.
- **Training according to job type**
  - Training is conducted in each division so that employees can increase the knowledge and technical abilities required according to each job type, whether it be technology, sales, or administrative duties.

## Social Contribution Activities

### Regional promotion utilizing the “magnificent lights” of the PETBOTAL®

As the basic policy of our social contribution promotion activities, we place great importance on earning the trust of our stakeholders and aiming for sustainable development.

PETBOTAL®, which utilize LED lights, are used in various town revitalization projects, etc. in regions all across Japan as “magnificent lights” that sway like candles and twinkle like stars. Some people have said that the illuminations created by PETBOTAL® not only draw in tourists but even help to foster a sense of regional unity. The lights of these PETBOTAL® are spread across approximately 260 total installations as far north as Hokkaido and as far south as Kyushu, and it has been estimated that the regional economic benefits will exceed ¥4.0 billion.

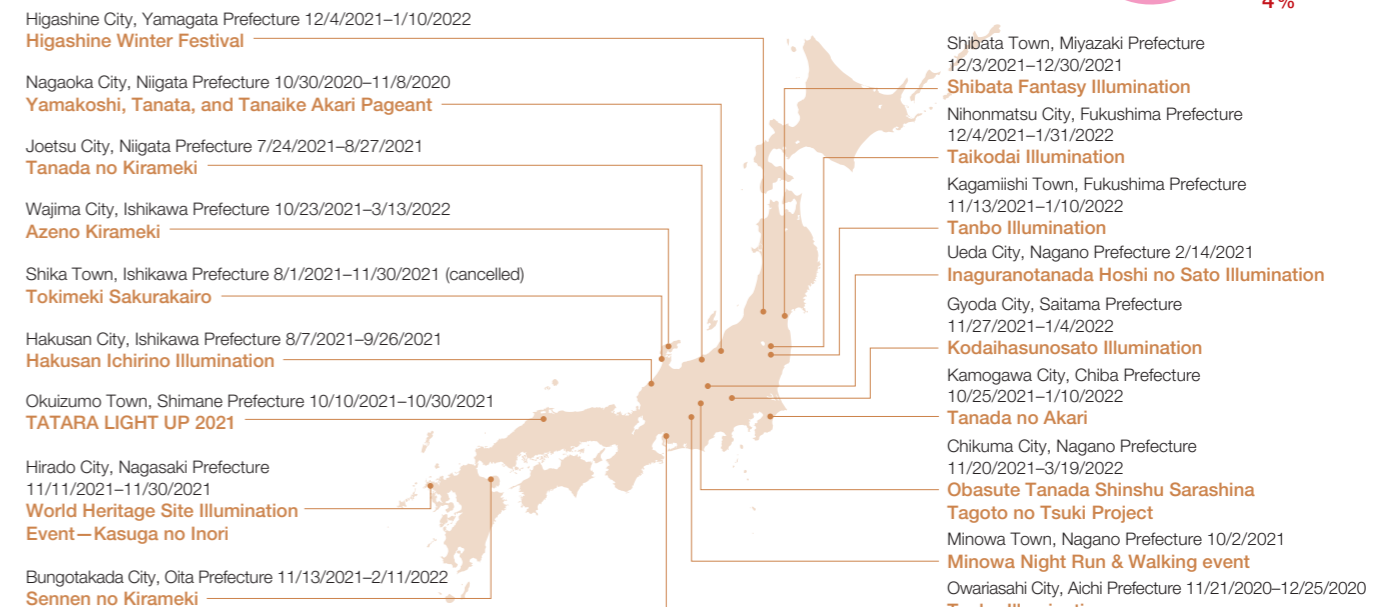
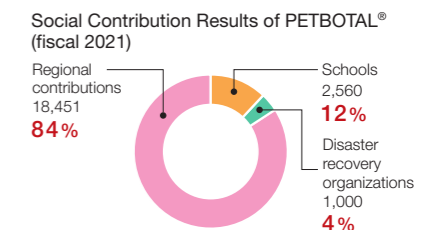


### About PETBOTAL®

PETBOTAL® are environmentally friendly, light-emitting devices made of containers that incorporate solar panels, storage batteries and LED lights. The PETBOTAL® generate and store power through solar energy during the daytime, and the LED lights, which are manufactured in-house, automatically turn on when it becomes dark. They are called PETBOTAL® because they emit light similar to fireflies, which are called *hotaru* in Japanese. PETBOTAL® is a registered trademark of Sanken Electric.

### The Growing Regional Contribution of PETBOTAL® Shines a Light on Regional Communities

Using LED PETBOTAL®, which harness products manufactured in-house, the Sanken Group shines a light to revitalize local communities in regions all across Japan, starting with the Senmaida Illumination Event in Wajima City, Ishikawa Prefecture.




### Topics

#### 7,000 Elementary School Students per Year Participating in “Environmental Education,” Next-Generation Training Using Sanken Electric’s Expertise

The Company understands that communicating the importance of things like the value of the environment, the promotion of ecological and energy-saving activities, and activities to reduce waste to young talent who will lead the next generation is the most important CSR issue, and has so far hosted children’s environmental classroom lectures for elementary school students.

These children’s environmental classroom lecture activities continue to become entrenched at each Sanken Group company, and are held periodically at elementary schools and community centers in each region. The Company hopes to help heighten awareness of environmental conservation by continuing these types of activities.



 Governance

# Corporate Governance

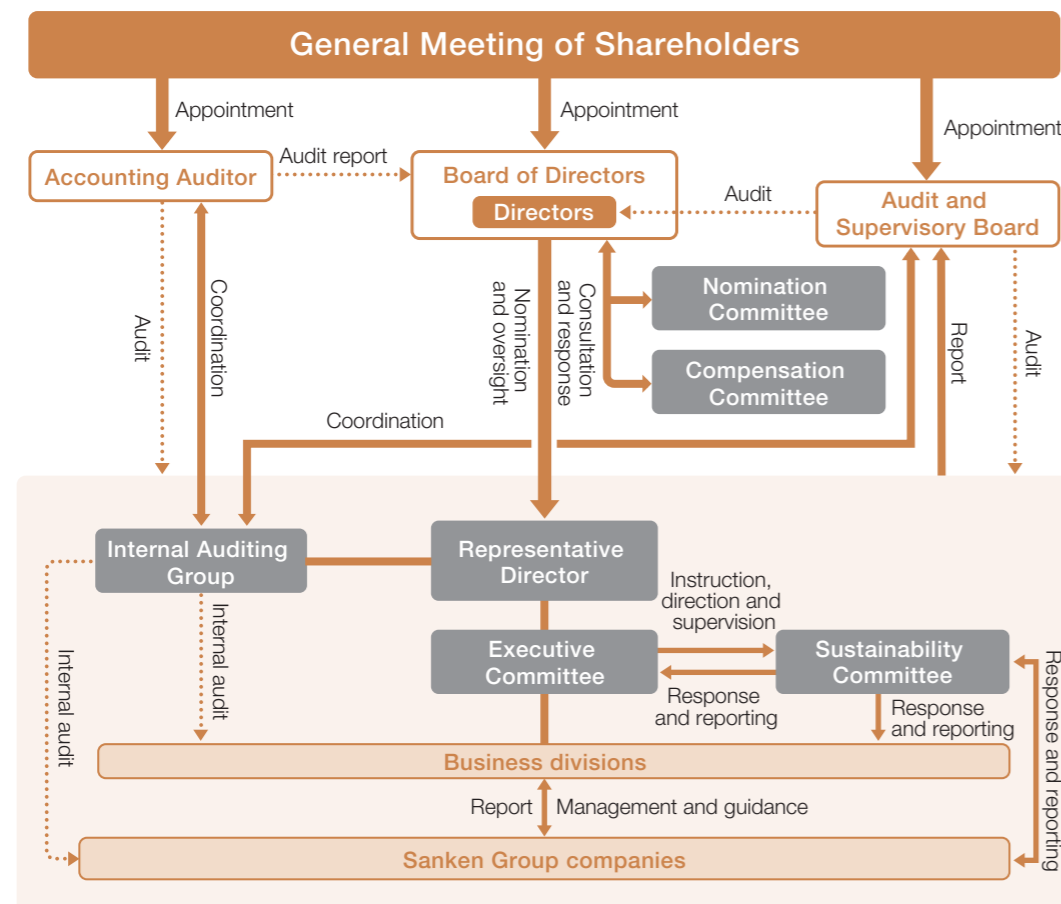
With the objectives of increasing management efficiency, improving transparency and maintaining soundness, Sanken Electric has voluntarily established the Nomination Committee and Compensation Committee and also appointed external directors and external Audit and Supervisory Board members in order to ensure rapid and accurate decision-making by the Board of Directors while reinforcing supervisory functions for business execution.

## Corporate Governance Structure

As a company with global operations, Sanken Electric believes that it should select “a corporate governance system that is best suited for the current nature of the Company,” taking into consideration such factors as the need to open wide channels of communication with various stakeholders. Based on this thinking, we have adopted an Audit and Supervisory Board structure, with nine directors, including three external directors, and four Audit and Supervisory Board members, including two external members, making up the Board of Directors and Audit and Supervisory Board. We have also adopted a corporate officer

system that separates management decision-making and supervision functions from business execution functions, completing a structure able to rapidly address changes in the business environment. As of June 30, 2022, Sanken Electric had 13 corporate officers, including 4 who also concurrently serve as directors. We believe the appropriate execution of duties by three external directors and two external members of the Audit and Supervisory Board ensure the objective and neutral management supervisory functions. Going forward, Sanken Electric will continue the examination of the appropriate system for the Company, taking into consideration stakeholders and matters such as social requirements related to corporate governance.

### ■ Corporate Governance Structure



## Views on the 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 a necessary and 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, the Company selects individuals with knowledge of corporate management and international experience, those qualified as lawyers, and those with knowledge of finance and accounting to serve as external directors and external Audit & Supervisory Board members. In addition, the Company endeavors to ensure diversity and specialization through such means as selecting non-Japanese individuals to serve as directors.

independence and objectiveness of the Board of Directors as it effectively performs its duties and responsibilities. In this context, candidates for the position of senior executive director who are well-versed in the Company's 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 is comprised by a majority of independent external directors, is consulted to advise on candidates for director and corporate officer positions. This committee deliberates and reports to the Board of Directors, which makes decisions while paying the utmost respect to the committee's report. For Audit and Supervisory Board member candidates, individuals with the skills, experience and knowledge necessary for audits of the Company are nominated, and decisions are made by the Board of Directors after obtaining the agreement of the Audit and Supervisory Board.

## Policy and Process for Nominating Officer Candidates

We believe it is important for members of the Board of Directors to be independent and diverse from the standpoint of knowledge, experience and skills, in order to ensure the

### ■ Main Fields of Experience of the Directors and Audit & Supervisory Board Members (Skills Matrix)

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

Name	Corporate Management	Finance and Accounting	Industry Knowledge	R&D and Manufacturing	Sales and Marketing	ESG SDGs	DX	Inter-nationality	Legal Affairs and Risk Management
Hiroshi Takahashi Representative Director, President	●	●	●	●		●	●	●	
Hideki Nakamichi Director	●		●	●	●			●	
Satoshi Yoshida Director			●		●	●		●	
Myungjun Lee Director	●	●	●	●	●			●	
Katsumi Kawashima Director	●	●	●			●			●
Mizuki Utsuno Director	●	●	●	●	●		●		
Noriharu Fujita External Director		●						●	
Takaki Yamada External Director	●	●	●	●	●			●	
Yoko Sanuki External Director						●			●
Noboru Suzuki Standing Audit and Supervisory Board Member		●	●						●
Yasuhisa Kato Audit and Supervisory Board Member			●	●		●			
Atsushi Minami External Audit and Supervisory Board Member									●
Hideki Hirano External Audit and Supervisory Board Member	●	●							

## Governance

### Analysis and Evaluation of the Effectiveness of the Board of Directors and Summary of Evaluation Results

#### • Evaluation Methods

In February and March 2022, to evaluate the effectiveness of the Board of Directors, the Company distributed a questionnaire to all directors and Audit and Supervisory Board members on (1) the functions and composition of the Board of Directors, (2) the management of the Board of Directors, (3) the provision of information to external officers, (4) the status of improvement from the previous year, and (5) overall evaluation, along with conducting interviews of external officers. The Board of Directors deliberated the aggregated responses and analysis results of the questionnaire, as well as the interview findings.

#### • Summary of Evaluation Results

As a result of the evaluation of the Board of Directors' effectiveness, the Company's corporate governance is regarded to be in a state of continuing improvement, and the results of the overall evaluation showed that the Board of Directors' effectiveness is substantially assured. As a result of the questionnaires and interviews of external directors, the Board of Directors confirmed that the Nomination Committee, the Compensation Committee, and the Growth and Reform Committee are being managed effectively, and that the Company's corporate governance is improving. Meanwhile, the number of Board of Directors members and the share of external directors in the future should continue to be examined closely. In addition, it has been observed that, at the time of evaluation, the Board of Directors had not yet achieved gender diversity and that it should further improve the training opportunities it provides for the directors. The Board of Directors has created a shared awareness of these matters as key issues.

#### • Measures Ahead

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

### Activities of the Nomination Committee

Composition:	Chaired by an external director, with external directors making up a majority of members
Number of meetings:	Four (fiscal 2021)
Overview of deliberations:	The committee deliberates the state of succession of top management and the development of the next generation of officers, along with deliberating the selection of candidates for directors and executive officers, while obtaining opinions from external directors based on their knowledge of the aptitude and management decision-making skills required of officers. The committee responds to the Board of Directors by conveying its conclusions on those matters.

### Officer Compensation

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

- The system should contribute to the recruitment of outstanding human resources
- Compensation should be appropriate for the rank of the role and scope of its 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 above basic approach and taking into account the results of deliberation by the Compensation Committee comprised of a majority of external directors, the Board of Directors decides on the policy for determining the details of compensation for individual directors, with a summary of that policy as follows.

- Compensation for the Company's directors consists of basic compensation in a fixed amount decided on in accordance with rank and role and paid monthly, and performance-linked compensation that changes depending on the degree of achievement of earnings targets. Performance-linked compensation is structured to provide short-term incentives that vary based on short-term performance and are paid each fiscal year, and stock-based compensation (stock delivery trust type), which varies based on medium- to long-term performance and is, in principle, a long-term incentive in which the Company's shares are delivered upon retirement.

- In regard to setting the level of compensation for directors, a standard amount of compensation is stipulated for each rank, and to ensure market competitiveness, the results of a compensation survey in which the largest companies in the country are used as a benchmark and the appropriateness of the level of the standard amount is verified each year. Performance-based compensation indicators and ratios are set on the basic approach outlined above and the results of deliberation by the Compensation Committee. The ratio of performance-based compensation for fiscal 2021 was designed to be roughly 40% if all performance targets were achieved.
- Compensation for external directors consists only of basic compensation based on the nature of responsibilities for the position, and it is not linked to performance. Also, compensation for Audit and Supervisory Board members consists solely of basic compensation paid upon consultation with the corporate auditors based on the nature of responsibilities for the position, and it is not linked to performance.

Fixed portion	Fluctuating portion	
Basic compensation 60%	Performance-based compensation 40%	
	Short-term incentives 27%	Long-term incentives (stock-based compensation) 13%

Short-term incentives vary within a range of 0–150% of standard pay, in principle, and are linked to performance indicators for individual fiscal years in order to further raise the motivation of directors to achieve the Company's performance targets for that fiscal year. The performance-linked indicators for all directors have been determined through deliberations by the Compensation Committee, and consist of net sales and operating income, the Company's key performance targets. Additional individual indicators are set depending on the results expected of each director. The results of performance indicators (common items) for short-term incentives for fiscal 2021 were as follows.

	Target value	Actual value	Rate of achievement
Net sales	¥156.0 billion	¥175.6 billion	113%
Operating income	¥11.5 billion	¥13.7 billion	119%

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. The performance-linked indicators for all directors have been

determined in deliberations by the Compensation Committee, and operating income and ROE have been designated as common items as they are important for raising business profitability over the medium and long terms. In addition, as an expression of the Company's commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (value relative to the TOPIX Electric Appliances Exchange) has been set as a performance-based indicator.

Based on these policies, compensation for directors is decided by the Board of Directors with due respect paid to the advice and report following deliberations by the Compensation Committee, the majority of which is independent external directors.

### Activities of the Compensation Committee

Composition:	Chaired by an external director, with external directors making up a majority of members
Number of meetings:	Five (fiscal 2021)
Overview of deliberations:	The committee deliberates on the setting, etc. of the compensation amounts for individual short-term incentives for directors and corporate officers and the performance indicators related to performance-linked remuneration, then reports its determination to the Board of Directors

### Status of Initiatives Regarding Ensuring the Efficacy of Audit and Supervisory Board Members' Audits

Audit and Supervisory Board members share information and make decisions about auditing policy, audit plans and other legal matters. Each member is assigned duties determined by the Audit and Supervisory Board, participates in meetings of the Board of Directors, Executive Committee and other important bodies, reads important documents and reports their findings to the Audit and Supervisory Board. Periodically or when necessary, members convene meetings with directors, the CSR Office, which is the internal audit department, and the accounting auditor to exchange information and enhance the effectiveness of audits. Moreover, the members conduct on-site audits of the business locations of Sanken Group companies inside and outside Japan, and report their findings to the Audit and Supervisory Board.

We have enlisted Ernst & Young ShinNihon as our accounting auditor based on the Companies Act and as our auditing firm to conduct audits based on the Financial Instruments and

## Governance

Exchange Act. Briefings are scheduled for the accounting firm and the Audit and Supervisory Board to exchange opinions and enhance collaboration. There are no particular conflicts of interest between the accounting firm or its corporate officers and the Company.

### Policy on Training of Directors and Audit and Supervisory Board Members

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

### Internal Control System and Compliance System

Sanken Electric has drawn up Conduct Guidelines for adhering to ethical standards, laws and regulations, in addition to its Code of Conduct governing employee behavior. The representative director thoroughly instills within management and employees the spirit and importance of compliance. Through ongoing compliance training, we aim to thoroughly ensure adherence to laws, regulations and the Articles of Incorporation.

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

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

The internal reporting system's reporting desk is entrusted to an external third-party organization to ensure anonymity, and reports are forwarded to the CSR Office anonymously. The CSR Office investigates reported incidents, and, if a problem is identified, strives to resolve it by applying corrective measures. Furthermore, while it manages the system, the Company considers the protection of informants and cooperators with investigations. It prohibits, for example, any unfavorable treatment of informants and cooperators with investigations on the grounds that they filed an internal report using this system.

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

### Information Security

For information security, the System Management Group addresses cyber-attacks, and the Internal Auditing Group conducts audits of information management methods. Furthermore, the Company strives to strengthen information management by routinely providing information management training.

**Training:** The Company promotes information management awareness by including information management as a component of annual compliance training.

**Audits:** When conducting audits of subsidiaries and each Head Office group, the Company confirms information management practices, particularly the status of document storage.

**Others:** The IT Promotion Department conducts phishing email tests through fake email messages, along with other activities including automated anti-virus software updates, management of updates to the latest version of Windows, email encryption and digital transformation (DX) training.

As part of IT governance, the Company conducts regular checks encompassing top management, and is continually implementing safeguard measures against new threats. Specifically, the status of the implementation of various information security measures and their effects, among other matters, are reported twice a year in the Sustainability Committee, for which the CSR Office serves as secretariat. These matters are also reported to the Executive Committee.

### Policy on Cross-Shareholdings

The Company may hold the shares of suppliers and other partners for the purpose of maintaining and strengthening business relationships with them and increasing its corporate value over the medium and long terms. The Company's 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 that owning each individual cross-shareholding is reasonable from a medium- and long-term perspective by comprehensively considering factors such as the benefits gained from maintaining and strengthening business relationships. If the Company cannot confirm that a cross-shareholding is reasonable to own, the Company's policy is to reduce its ownership of such shares.

### Roles of Pension Funds as Asset Owners

The Company's pension funds are managed by an Asset Management Committee. The committee comprises members representing the Company who have been selected from accounting and related personnel and members who have been selected from the employees.

In this committee, the Company has set up a structure for investing in line with strategic asset composition ratios established to achieve investment targets. The committee continually monitors investment management companies to assess investment conditions. If a large divergence between actual investment performance and the investment targets is anticipated, the committee is convened whenever necessary, and implements measures such as revising investments. Through this composition and management of the committee, the Company has built a framework for appropriately managing and supervising any conflicts of interest between the Company and pension fund beneficiaries.

Furthermore, the Company strives to appoint, assign, and provide training opportunities to personnel with the appropriate aptitude, to ensure that it can enhance its expertise in pension fund management and properly monitor investment management companies.

### 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 opportunities. Through engagement in such dialogue, the Company strives to obtain shareholders' understanding of its management policies. Concurrently, the Company absorbs and reflects their management analysis and opinions, as it works to achieve the Group's sustainable growth and improve its corporate value over the medium and long terms. Based on this belief, the Corporate Design Headquarters leads efforts to conduct earnings briefings and investor relations (IR) activities. In meetings with institutional investors, the Company's policy is for the president and representative director and the head of the Corporate Design Headquarters to attend such interviews, as necessary.

## Messages from External Directors



**Noriharu Fujita** External Director

Partner, Ernst & Young, LLP  
New York Office (retired from the entity in June 2007)  
Representative, Fujita Noriharu Accounting Firm  
Director of the Company since 2016

Six years have passed since I was appointed as an external director of Sanken Electric. During this time, Sanken Electric conducted two phases of restructuring, including the transfer of the infrastructure business, and listed the shares of its U.S. subsidiary on the Nasdaq Stock Market. These and other initiatives show that Sanken Electric has accomplished a major transformation as a company during the same period. In the process of making such crucial management decisions, I have held effective discussions with the internal management team with a high degree of urgency and have fulfilled my roles as an external director. In June 2019, the Company increased the number of external directors to three. All three external directors are participating in management as independent officers, each with their own field of specialization. The external directors work to foster interactive communication among the internal and external directors so that they can make meaningful proposals to the Company, and they strive to hold a shared awareness of the Company's issues and strategic direction at all times. I believe that external directors have two roles, broadly speaking. One is the role of monitoring from a corporate governance perspective, and the other is an advisory role to the management team to support the sustainable development of the company and enhance corporate value. I believe that it is crucial for external directors to carry out these two roles to meet the expectations of stakeholders such as shareholders, customers and employees, along with focusing on the major accomplishments made possible by the corporate culture and fulfill their roles in a well-balanced manner. Notably, since the General Meeting of

Shareholders in June 2022, half of the directors have been replaced with new members, and management has begun anew under a younger generation of leaders. Therefore, the roles of external directors with extensive experience will become even more critical.

Regarding the monitoring role, I believe that the first important step is to have vigorous discussions in meetings of the Board of Directors. In addition, Sanken Electric holds a study session known as the External Officers Discussion several times a year to provide an opportunity for them to understand the Company's business and the thinking of the internal management team. It is also a forum for a lively exchange of opinions. Moreover, since fiscal 2022, the Company has scheduled time for extensive discussions among members of the Board of Directors to ensure that action plans can be adopted immediately during the quarterly review of operating performance. Meanwhile, although Sanken Electric has not adopted the company-with-committees structure as its governance system, it has established its own discretionary Nomination Committee and Compensation Committee. The three external directors comprise a majority of the members of these committees, so adequate monitoring functions are in place.

For the other advisory function, Takaki Yamada, an external director, has experience in the semiconductor business, and actively offers his recommendations on matters such as profitability, competitiveness and management capabilities. Yoko Sanuki, an external director who was newly appointed, possesses specialized knowledge and experience as a legal professional, as well as more than 25 years of experience as an external officer in other industries. I'm excited to hear recommendations from fresh perspectives that we haven't considered before. I intend to continue fostering collaboration among the three external directors in the future. With a strong sense of urgency, I'm determined to help the Company evolve further.



**Takaki Yamada** External Director

President, Semiconductor Production Company,  
Oki Electric Industry Co., Ltd. (retired from the entity in July 2012)  
Vice President, Thai Special Gas Co., Ltd.  
Director of the Company since 2021

Since my appointment in June 2021, the Company has provided numerous forums for discussion with top management and divisional leaders to facilitate understanding of the Company and its management issues.

When stepping back and looking at the planned targets and results of the Sanken Core over a long time span, I was able to identify a certain pattern that repeats itself.

To grasp the essential factors underlying this trend, I selected and discussed themes in the fields of development, sales, production and management. I compiled the outcomes of those meetings into an advisory summary titled "My Observations," which I distributed to the external directors and the internal management team.

To revive the Sanken Core, I believe it is crucial to enhance its ability to realize earnings. Specifically, the tracking system leading up to goals (earnings targets) should be transformed, and potential risks and risk hedging measures should be integrated into the goal-setting process. This will enable the analysis of the difference between the current state of the earnings structure and the targets, allowing the development of measures (action plans) to close the gap. This means that management accounting will play a critical role in the stages leading up to this point. Those measures should be clearly assigned to the action takers in each implementing division, and everyone in the organization should be aware of who is accountable for each measure. The action takers should realize the plan by collaborating with an ownership mindset based on communication across the organization's vertical and horizontal dimensions. Naturally, top management is in charge of coordinating this process. I feel it is critical for the internal management team to undertake a quarterly review of operating performance versus

targets and goals for the current and next fiscal years, to anticipate the future, and to evaluate measures. Concurrently, I intend to provide the necessary support to enhance the Company's ability to realize earnings by discussing the development of new measures, and the improvement and entrenchment of systems.

Sanken Electric owns companies that have integrated development and sales operations in the two regions of Japan and the U.S. Allegro Microsystems, Inc., its subsidiary in the U.S., was listed on the Nasdaq Stock Market, and it has delivered successes through decentralized management. Furthermore, the two companies Sanken Electric and Allegro Microsystems have strong, differentiated products in the three business domains of power modules, power devices and sensors with products that command top market shares in niche markets. For those reasons, I believe that the Sanken Group is a unique corporate group that shines brightly in the power semiconductor industry. When considering Sanken Electric's long-term growth strategy, I believe that synergies with Allegro Microsystems are critical. In my opinion, top management and the next generation of leaders should first hold open discussions. I'm confident that such discussions will strengthen their sensibility as global corporate leaders and further refine their capacity to generate imaginative and creative ideas.

Turning to the Sanken Core, there are numerous priorities for realizing growth. The Sanken Core must nurture an organization and human

resources capable of envisioning a long-term growth scenario from multiple vantage points, including the need to anticipate the future, competition, and internal resources. Sales operations are the foundation of net sales and profits, as well as a driving force in management. Therefore, I look forward to major advances in this area. In development operations, the priorities are to achieve a leading share of specific markets, concentrate on No. 1 products, and shift away from general-purpose products with low market shares to the creation of high-value-added products designated by customers in markets for niche applications. To achieve these priorities, it will be necessary to prioritize acquiring development resources, including M&As. In particular, the Sanken Core must concentrate on resources for EV products, which will be a core next-generation business. In production operations, I would like to support efforts to improve productivity indicators through Company-wide activities, specifically evaluating production Manufacturing Automation Protocol (MAP) and technology development based on whether market costs can be addressed as a cost center from a competition viewpoint; assessing whether the Company's resources (4M+information) value is being maximized; and honing skills needed to remove inefficiencies through the benchmarks and best practices of other companies.

I would like to discuss these matters with the management team to enhance the Company's ability to realize earnings and contribute to its growth.



**Yoko Sanuki** External Director

Former External Director, Chairperson of Audit Committee,  
Resona Holdings, Inc.  
Representative of NS Law Office  
Director of the Company since 2022

My name is Yoko Sanuki. I was newly appointed as an external director at the General Meeting of Shareholders held on June 24, 2022. I am excited to work with everyone. I've been an active attorney for the past four decades, specializing in financial legal matters and mostly addressing cases involving general shareholder meetings, real estate, recurring product transactions, receivables collection, and succession. As an external officer, I was appointed as an external auditor of a pharmaceutical wholesaling company in 1996. Subsequently, I served as an external officer for a food manufacturer, a bank, and other enterprises. However, I have never worked in the semiconductor industry as a lawyer or an external officer. First, I'd like to learn the fundamentals of company operations and work to grasp the Sanken Group's areas of specialty, as well as its strengths and weaknesses.

Following the conclusion of the General Meeting of Shareholders, I visited the Production Development Center at Headquarters. The contemporary office design, which included hot-desking and open meeting spaces, impressed me. I was pleased to learn from the female employee who was giving me a tour that the Company provides a good balance between career and child-raising, as she has continued to work while raising two children. I've also heard that promoting diversity is a key issue for the Company; therefore, I would like to meet with many more people and learn their true perspectives on this matter.

Incidentally, while reviewing the Company's Annual Securities Report for the 105th Term, I saw that around 70% of consolidated net sales is generated overseas, with roughly 50% of overseas net sales generated in Asia. I've also noticed that the breakdown of the workforce by domestic and overseas employees shows that domestic employees account for around 30% of the workforce, while overseas employees account for around 70%. These figures have further reinforced my belief that the Company conducts business globally. In the consolidated operating results, Allegro MicroSystems contributes more to earnings than Sanken Electric does, but I believe this is due to the fact that the restructuring of the Sanken Core, which is the domestic business, was completed by the previous fiscal year, and has only recently returned to a growth trajectory.

Rules concerning parent-subsidary listings in Japan were added to the Corporate Governance Code, which was revised last year. The key issues addressed by these rules in the Corporate Governance Code are the independence of the listed subsidiary from the parent company and the protection of minority shareholders. There are no clear guidelines on what to do about a parent company's governance when its subsidiary achieves significant growth as part of the overall Group's expansion,

particularly when the subsidiary group conducts business globally. With this in mind, I believe that the Company has been skillfully managing the parent company and its overseas subsidiaries while interacting properly with its U.S. subsidiary since its listing on the Nasdaq Stock Market. However, I would like to gain a better grasp of this issue from a variety of perspectives and angles.

## Key Risks and Responses

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

The forward-looking statements in this section are based on information available as of March 31, 2022 and contain uncertainties. Therefore, actual results in the future may differ significantly from these statements.

Risks	Risk Identification	Responses to Risks
<b>Business Risks</b>		
International conditions	Risks associated with factors in each country and region such as political and diplomatic issues, heightened geopolitical risk, changes in legal systems and regulations, worsening economic conditions, trade friction, energy shortages, and increases in raw materials and logistics prices	The Sanken Group works to implement responses such as gathering information through overseas subsidiaries and ensuring compliance with laws and regulations through oversight by the responsible divisions.
Infectious disease	Risk of a delay in economic recovery as a result of the spread of infections due to the outbreak of a new variant of COVID-19	The Group will continue the activities of the special response headquarters and implement measures including gathering information about and addressing the impact of COVID-19 on business, introducing measures to prevent infections, making teleworking a regular practice, providing PCR tests to those taking business trips and employees who seek such tests, and offering workplace vaccinations.
New product development	Risk of the Sanken Group being unable to introduce products in a timely fashion or rejection of its products by markets	Based on the SPP (platform development) concept, the Sanken Group will further accelerate new product development activities led by the Production Development Center, along with working to ensure a competitive edge through a strategic partnership with STMicroelectronics.
Price competition	Risk of rivals introducing products at prices the Company cannot match or customer demand changing	Based on the concept of SPP, the Sanken Group is reforming procurement by standardizing parts and reducing material costs starting from the design stage.
Foreign exchange rates	Risk of the Sanken Group's earnings being impacted by the conversion of US dollars, in which a large ratio of its net sales is denominated, to yen for consolidated accounting purposes, depending on the exchange rate at the time of the conversion	The Sanken Group takes out balance hedges for receivables, payables and other transactions in accordance with growth in products and the overseas procurement of raw materials, as well as risk hedges through forward exchange contracts. These hedges are taken in a bid to minimize any adverse impact caused by short-term fluctuations in foreign exchange rates for key currencies including the US dollar and yen.
Capital procurement	Risk of restrictions on the means of procuring funds or increases in the cost of fund procurement due to a decline in the Sanken Group's creditworthiness on the bond market or with financial institutions	The Sanken Group procures funds needed for purposes such as capital investment and R&D through multiple funding methods, such as issuing bonds, including green bonds, issuing commercial paper, taking out commitment lines, and borrowing from banks.
Intellectual property	Risk of a third party using the Sanken Group's intellectual property to manufacture similar products Risk of restrictions on developing and selling products if a third party establishes intellectual property rights that the Sanken Group is unaware of	The Sanken Group aims to differentiate its products from those of rivals through the technologies and expertise it has developed on its own. In order to protect these proprietary technologies, the Company applies for and registers all possible intellectual property rights.
Information security	Risk that in the event of a breach of information security or other type of misconduct, there could be a negative impact on the Sanken Group's brand image and reputation or businesses	For information security, the System Management Group addresses cyber-attacks, and the Internal Auditing Group conducts audits of information management methods. Furthermore, the Sanken Group strives to strengthen information management by routinely providing information management training.

Risks	Risk Identification	Responses to Risks
Disasters	Risk of disruptions in supply chains, or delays or suspensions in business activities due to unpredictable events such as large-scale natural disasters, diseases, terrorism, or power outages	The Sanken Group strives to implement risk management through activities undertaken by the Crisis Management Committee. These activities include surveys, evaluation and analysis, development, and implementation of response plans for various risks associated with operational management, such as natural disaster measures.
Laws and regulations	Risk of earnings being impacted by restrictions on business activities or a decline in social trust due to failure to adhere to various legal regulations in effect in each country and region	As a primary response to this risk, the Import and Export Management Committee, which manages overall import and export operations, provides employees with e-learning programs, seminars and other opportunities on a regular basis to improve compliance with laws and regulations and to prevent customs clearance incidents. In this manner, it strives to improve employee skills and compliance.

### Quality and Environmental Risk

Quality problems	Risk of earnings being impacted by significant costs and a decline in social trust due to product defects that lead to major product recalls	The Company has obtained the international standard ISO 19001 and IATF 16949 certifications for quality management. It also obtains as necessary UL certification and other product safety certifications. In addition, the Company plans and implements quality improvement activities, including human resources development, and monitors progress on such activities.
Environmental problems	Risk of restrictions on business activities or impacts on earnings if the Sanken Group is unable to comply with environmental regulations, or prohibited substances that impact the environment cannot be eliminated from products	The Sanken Group endeavors to measure and reduce substances contained in its products and used in production processes that impact the environment. In terms of initiatives to address sustainability, the Group conducts climate change measures, environmental management, environmental risk management, and initiatives to address resource conservation and biodiversity.

### Treatment of Listed Subsidiary

Treatment of listed subsidiary	Risk of being unable to generate anticipated benefits toward maximizing corporate value due to changes in the economic and business environment	The Sanken Group believes that it should continue to implement unified management of its listed subsidiary to realize its growth strategies, including its business portfolio and development strategies. The Group believes that these efforts will result in the maximization of its corporate value.
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In addition to the aforementioned items, there is the possibility that demand for the Company's products will decline as a result of technological trends in the electronic products that use the Company's products or rapid changes in the market environment. Moreover, there is a risk of an increase in raw materials costs, along with the occurrence of various disasters, including fires at production bases and materials suppliers, and disruptions in public telecommunications infrastructure. Furthermore, there is a risk of significant changes in rules such as laws, regulations, and tax codes in each country. The Company could face a sudden increase in geopolitical risk, such as Russia's invasion of Ukraine, or unexpected country risk, such as trade friction. Additionally, there is a risk that product defects could have an impact on human life, society or the environment, or corporate activities, and could lead to lawsuits or compensation for loss of life, social or environmental damage, or adverse impacts on corporate activities. There are also risks related to changes in base rates for calculating retirement benefit obligations or collaborative businesses with other companies not benefiting due to factors such as large-scale market fluctuations.

In the event that one or several of these risks materialize, leading to loss of social trust, stagnation of business activities, or significant losses, there is a risk that it may have an impact on the earnings of the Sanken Group.



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

Financial data	(Fiscal year)	Millions of yen										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>(Results of operations)</b>												
Net sales		¥131,803	¥126,386	¥144,467	¥160,724	¥155,919	¥158,772	¥ 175,209	¥ 173,650	¥ 160,217	¥ 156,795	¥ 175,660
Operating income (loss)		4,048	4,625	7,777	11,199	6,803	5,930	12,026	10,531	4,309	(1,198)	13,720
Operating margin (%)		3.1	3.7	5.4	7.0	4.4	3.7	6.9	6.1	2.7	(0.8)	7.8
Profit (loss) before income taxes		2,545	4,099	5,468	11,575	2,068	4,582	(6,505)	9,028	(1,638)	(7,197)	13,275
Profit (loss) attributable to owners of parent		436	2,272	5,029	7,942	171	1,739	(11,421)	3,967	(5,559)	(6,952)	3,204
<b>(Cash flows)</b>												
Net cash provided by operating activities		5,345	6,339	10,658	9,973	7,799	19,237	14,521	14,604	13,118	7,629	13,675
Net cash provided by (used in) investing activities		(8,614)	(6,390)	(11,176)	(14,234)	(11,344)	(10,931)	(16,644)	(21,783)	(8,311)	(12,294)	(12,598)
Net cash provided by (used in) financing activities		509	1,294	2,714	5,692	5,044	(3,360)	13,233	(1,990)	12,215	21,086	(6,592)
<b>(Financial indicators)</b>												
Return on assets (ROA) (%)		2.2	2.8	4.8	5.8	2.0	2.7	6.4	4.9	1.4	(1.6)	5.7
Return on equity (ROE) (%)		1.3	6.3	11.4	14.3	0.3	3.2	(20.8)	7.0	(10.3)	(10.4)	3.6
<b>(Per share)*</b>												
Total net assets per share (yen)		272.21	322.92	401.75	516.22	441.96	448.87	2,283.31	2,405.01	2,063.21	3,463.44	3,934.87
Profit (loss) per share (yen)		3.60	18.73	41.47	65.50	1.41	14.35	(471.22)	163.70	(229.83)	(287.96)	132.79
Cash dividends per share (yen)		3.00	6.00	6.00	6.50	3.50	3.50	30.00	30.00	30.00	0.00	30.00


\* Figures for the fiscal year ended March 31, 2018 onward have been adjusted to reflect a 5:1 stock consolidation implemented on October 1, 2018.

Non-financial data	(Fiscal year)											
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Scope 1*1 CO <sub>2</sub> emissions (t)		6,593	6,722	5,261	5,844	6,688	7,286	7,650	6,606	6,312	6,343	5,838
Scope 2*1 CO <sub>2</sub> emissions (t)		44,100	84,188	84,755	97,511	97,029	95,302	96,174	91,600	87,773	82,923	77,756
<b>(Power consumption)</b>												
Sanken Electric (kWh)		8,322,378	8,082,164	8,173,302	7,769,256	7,668,870	7,564,602	7,069,500	4,703,184	3,110,784	3,194,934	3,835,146
Ishikawa Sanken (kWh)		64,973,429	63,051,628	61,761,829	62,566,302	62,112,358	62,123,150	62,750,541	63,937,630	61,116,674	56,214,491	61,606,203
Yamagata Sanken (kWh)		52,779,278	57,042,789	55,228,588	56,341,888	55,171,078	55,208,678	56,205,078	58,015,966	58,865,217	57,969,267	58,732,367
Fukushima Sanken (kWh)		8,076,257	9,072,695	9,885,143	7,980,988	10,550,358	11,160,127	11,965,254	13,462,756	13,800,156	12,966,175	12,942,227
Group total power consumption (kWh)		155,810,680	158,558,465	150,003,130	148,572,485	148,562,564	148,941,439	150,476,696	153,401,607	149,347,690	143,510,114	145,162,372
<b>(Water usage)</b>												
Sanken Electric (m <sup>3</sup> )		123,392	108,643	118,644	110,262	123,816	115,116	126,252	112,176	46,041	39,486	38,881
Ishikawa Sanken (m <sup>3</sup> )		1,163,629	909,942	857,245	787,495	867,816	958,649	918,982	884,502	769,711	735,289	761,595
Yamagata Sanken (m <sup>3</sup> )		852,860	894,994	914,904	999,380	1,010,875	1,055,959	1,093,539	1,099,354	1,117,710	1,065,264	1,129,439
Fukushima Sanken (m <sup>3</sup> )		63,496	46,478	54,657	45,114	35,566	36,079	36,066	40,169	42,772	39,790	51,128
Group total water usage (m <sup>3</sup> )		2,642,076	2,186,795	2,118,552	2,191,922	2,269,128	2,405,022	2,364,990	2,333,727	2,193,787	2,084,644	2,018,547
Waste emissions*2 (t)		6,464	4,567	4,891	5,146	4,417	4,623	5,277	5,127	4,620	4,507	4,045
Employees (people)		9,788	10,427	10,377	10,454	10,044	9,770	9,725	9,481	9,183	8,431	8,101
└ Domestic employees (people)		—	—	—	—	—	3,623	3,502	3,437	3,327	3,092	2,547
└ Overseas employees (people)		—	—	—	—	—	6,102	6,223	6,044	5,856	5,339	5,554
└ Percentage of overseas employees (%)		—	—	—	—	—	62.7	64.0	63.7	63.8	63.3	68.6
└ Percentage of managerial positions held by women*3 (%)		—	—	—	—	—	0.9	0.9	1.3	2.3	2.2	3.0
Rate of paid annual leave usage*3 (%)		—	—	—	67.74	69.13	68.82	70.46	69.57	62.80	52.90	57.00
Employment rate of people with disabilities*3 (%)		—	—	—	2.39	2.32	2.32	2.40	2.29	2.05	1.96	2.38
Frequency rate of workplace accidents*3 (%)		—	—	—	—	0.00	0.45	0.00	0.00	0.54	0.00	0.00
Severity rate of workplace accidents*3 (%)		—	—	—	—	0.000	0.003	0.000	0.000	0.019	0.000	0.000
Rate of male childcare leave usage*3 (%)		—	—	—	—	—	—	—	7.7	16.7	44.4	40.0
Total number of working hours per person*3 (annual)		—	—	—	—	—	1,784	1,768	1,785	1,730	1,790	1,804
Total number of working hours per person*3 (daily equivalent)		—	—	—	—	—	7.59	7.59	7.66	7.45	7.61	7.61
Rate of smokers*3 (%)		—	—	—	—	—	—	24.53	21.84	19.72	15.93	15.18
Number of whistleblower cases*2		—	—	—	—	—	—	13	9	22	16	7

\*1 Total for domestic and overseas (Dalian) sites \*2 Total for domestic sites \*3 Sanken Electric (non-consolidated) \* All values are as of respective fiscal year end (March 31).

## Corporate Information

### Company Overview

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

### Business Settlement Information

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

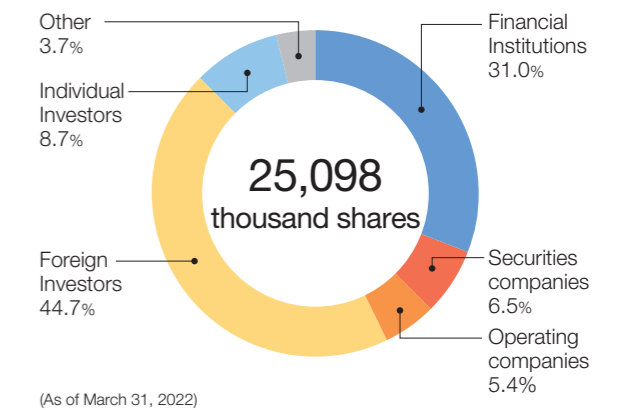
### Bonds (As of March 31, 2022)

Bond name	Date of issue	Balance of bonds (Billions of yen)
The 13th unsecured bonds	September 20, 2018	¥5.0

### Share Information (As of March 31, 2022)

Total number of issuable shares	51,400,000 shares
Number of shares outstanding	25,098,060 shares
Number of shareholders	6,324

### Distribution of Shareholders by Category



### Principal Shareholders (As of March 31, 2022)

Shareholder name	Number of shares owned (thousands)	Ownership ratio
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,984	12.32%
ECM MF	2,722	11.23%
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	1,264	5.21%
SAITAMA RESONA BANK, LIMITED	1,202	4.96%
GOLDMAN SACHS INTERNATIONAL	959	3.96%
MORGAN STANLEY MUFG SECURITIES CO., LTD.	910	3.75%
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	851	3.51%
STATE STREET BANK AND TRUST COMPANY 505103	699	2.88%
SHINSEI TRUST & BANKING CO., LTD. ECM MF TRUST ACCOUNT 8299005	650	2.68%
MSCO CUSTOMER SECURITIES	541	2.23%

Notes: 1. The Company holds 871 thousand (3.47%) shares of treasury stock but is excluded from the principal shareholders listed above.  
2. Shareholding ratio is calculated by subtracting treasury stock from the total number of shares outstanding.

### Share Price and Trading Volume

