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Securities Code: 6707  
June 6, 2024

To Those Shareholders with Voting Rights

Hiroshi Takahashi  
President  
Sanken Electric Co., Ltd.  
6-3, Kitano 3-chome, Niiza-shi,  
Saitama Prefecture

## NOTICE OF CONVOCAION OF THE 107TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby notify you of the 107th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

We would like to express our deepest sympathies to those who have been affected by the 2024 Noto Peninsula Earthquake.

In convening this General Meeting of Shareholders, the Company has taken measures for providing information in electronic format (the “electronic provision measures”) and has posted matters subject to the electronic provision measures on the following Company website as “Notice of Convocation of the 107th Ordinary General Meeting of Shareholders.”

The Company website:

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

Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

For the Tokyo Stock Exchange website, please access the above link, enter our company name or securities code, and then click on “Basic Information” and “Documents for Public Inspection/PR Information” in this order to view the information.

Please review the Reference Documents for the General Meeting of Shareholders contained in matters subject to the electronic provision measures and exercise your voting rights by 5:00 p.m., Thursday, June 20, 2024. The Reference Documents for the General Meeting of Shareholders documents are also included in this notice.

## Notice

1. **Date and Time:** 10:00 a.m., Friday, June 21, 2024
2. **Place:** The Company's Head Office  
6-3, Kitano 3-chome, Niiza-shi, Saitama Prefecture

### 3. Agenda of the Meeting:

#### Matters to be reported:

1. The Business Report, the Consolidated Financial Statements and results of the audit on the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board for the 107th Fiscal Term (from April 1, 2023 to March 31, 2024)
2. The Non-Consolidated Financial Statements for the 107th Fiscal Term (from April 1, 2023 to March 31, 2024)

#### Proposal to be resolved:

##### Proposal:

Election of Eight Directors (excluding Directors who are Audit and Supervisory Committee Members)

- The following matters subject to the electronic provision measures are not included in the paper-based documents to be delivered to shareholders who have requested the delivery of documents in accordance with laws and the regulations and Article 16 of the Articles of Incorporation of the Company. Please note that the following matters constitute part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Board Members and the Accounting Auditor in the preparation of the Audit Reports.
  - The CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
  - The NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
- If the matters subject to the electronic provision measures are amended, the amended items will be posted on each of the websites on which the matters subject to the electronic provision measures are posted.

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

Please refer to the *Sanken Report* posted on our website for details about our SDGs initiatives.

## REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposal and references

#### Proposal: Election of Eight Directors (excluding Directors who are Audit and Supervisory Committee Members)

The terms of office of all ten Directors (excluding Directors who are Audit and Supervisory Committee Members; applicable to the rest of this Proposal) will expire at the closing of this General Meeting of Shareholders. The Company transitioned to a company with an Audit and Supervisory Committee at the 106th Ordinary General Meeting of Shareholders held last year with aims to promote separation of management and execution, to adopt a monitoring model for the Board of Directors and to further strengthen the corporate governance system. Accordingly, the Company proposes the election of eight Directors.

When selecting candidates, the Nomination Committee, chaired by an External Director and the majority of whose members are External Directors, deliberates and reports its results to the Board of Directors, which in turn makes a decision respecting such results as much as possible and consult with the shareholders. After approval of this proposal, there will be four internal Directors and seven external Directors, and the majority of the Board of Directors will be external Directors.

The candidates are as follows.

No.	Name	Gender		Current position and responsibility at the Company	Attendance at Board of Directors meetings
1	Hiroshi Takahashi	Male	Reelection	President and Representative Director Member of Nomination Committee and Compensation Committee	100% (12/12)
2	Katsumi Kawashima	Male	Reelection	Director, Senior Vice President Head, Corporate Design Headquarters Member of Compensation Committee	100% (12/12)
3	Mizuki Utsuno	Male	Reelection	Director, Senior Corporate Officer Head, Business Promotion Headquarters	100% (12/12)
4	Noriharu Fujita	Male	Reelection External Independent	External Director Member of Nomination Committee and Compensation Committee	100% (12/12)
5	Takaki Yamada	Male	Reelection External Independent	External Director Member of Nomination Committee and Compensation Committee	100% (12/12)
6	Hideki Hirano	Male	Reelection External Independent	External Director Chairperson of Nomination Committee and Compensation Committee	100% (10/10)
7	Yumi Ogose	Female	Reelection External Independent	External Director	100% (10/10)
8	Mariko Sugawara	Female	Newly appointed External Independent	-	-

(Reference)

Skills matrix under the new management structure

- Below is the skills matrix of the new management subject to shareholder approval of the Proposal.
- This skills matrix was prepared to ensure that the Board of Directors fulfills its roles and responsibilities appropriately and contributes to the realization of the Group's medium- to long-term growth strategy. The Board of Directors deliberates and selects candidates for the Board of Directors (excluding Directors who are Audit and Supervisory Committee Members) based on the skills matrix after deliberations by the Nomination Committee.

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

## Concept of skills set

The Company believes that the Board of Directors and the Audit and Supervisory Committee each shall be in good balance of the skills sets of their members to contribute to improve our medium- to long-term corporate value through appropriately exercising their supervisory function. The definition of the skills are as follows:

Skills	Definition of skills
Corporate management	A skill that contributes to realization of management from a comprehensive perspective amid the changing business environment
Finance and accounting	A skill that contributes to financial strategies in medium- to long-term perspectives, such as strengthening our financial base to prepare for optimum capital distribution and risks
Industry knowledge	A skill that contributes to high level of managerial decisions on businesses based on their knowledge and personal connections relating to our businesses such as semiconductor business
ESG	A skill that contributes to planning continuous improvement of our corporate value, as well as to aiming at interaction and cooperation with all of our stakeholders of the Group through our business initiatives, and to realizing a sustainable society
DX	A skill that contributes to promoting streamlining of operation of R&D, production and sales and to strengthening cyber resilience by reform using our digital technology and data
Global operations	A skill that contributes to business promotion based on their knowledge on market trends and country risks and experiences in international business while most of our customers and business fields exist outside of Japan
Risk management and compliance	A skill that contributes to recognition of and appropriate response to risks that may severely affect management through sensing changes in the external environment and understanding relevant laws and regulations

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	<p style="text-align: center;"><b>Hiroshi Takahashi</b> (February 1, 1964)</p> <p style="text-align: center;">&lt;Reelection&gt;</p>	<p>April 1986: Entered the Company</p> <p>April 2012: Vice General Manager, MCD Division, Engineering Headquarters</p> <p>April 2015: General Manager, MCBBD Division, Engineering Headquarters</p> <p>April 2018: Head, Production Headquarters, Device Business Corporate Headquarters</p> <p>June 2018: Corporate Officer</p> <p>June 2020: Director and Senior Corporate Officer</p> <p>June 2021: President and Representative Director (to the present)</p>	4,700
	<p><b>– Reasons for the appointment as a candidate for Director</b></p> <p>Mr. Hiroshi Takahashi has been engaged in the development of semiconductor device products for a long period and has played a leading role in the technological development of motor control. In April 2018, he served as Head, Production Headquarters, Device Business Corporate Headquarters. Since then, he has fulfilled an important responsibility by playing the role of an engine for semiconductor device production for the entire corporate group, and has driven the structural reform measures for production system optimization in the semiconductor device business sector since 2019.</p> <p>Since assuming the position of President in June 2021, he has forged ahead to achieve the plan for the Group’s growth over the medium to long term. Further, he established the Sustainability Committee in an effort to enhance the ESG promotion structure and strengthen the ESG initiatives, while also bringing together the efforts of a number of employees in addressing environmental, social, and governance issues.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the medium- to long-term growth strategy for the corporate group by promoting the 2024 Medium-Term Management Plan that has just started. Thus, the Company selected him as a candidate for Director.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held		
2	<p style="text-align: center;"><b>Katsumi Kawashima</b> (July 30, 1964)</p> <p style="text-align: center;">&lt;Reelection&gt;</p>	<p>April 1989: Entered Saitama Bank, Ltd. (currently Saitama Resona Bank, Limited)</p> <p>April 2008: General Manager, MIYASHIRO branch, Saitama Resona Bank, Limited</p> <p>July 2010: General Manager, HON-KAWAGOE branch, Saitama Resona Bank, Limited</p> <p>April 2014: General Manager, KASUKABE branch, Saitama Resona Bank, Limited</p> <p>April 2016: General Manager, Treasury Planning Division, Resona Holdings, Inc.</p> <p>April 2018: Seconded to the Company Deputy General Manager, General Affairs and Human Resources Division</p> <p>April 2019: Transferred to the Company</p> <p>April 2021: General Manager, General Affairs and Human Resources Division</p> <p>June 2021: Corporate Officer</p> <p>April 2022: Head, Corporate Design Headquarters (to the present)</p> <p>June 2022: Director, Senior Corporate Officer</p> <p>June 2023: Director, Senior Vice President (to the present)</p>	200		
		<p><b>– Reasons for the appointment as a candidate for Director</b></p> <p>Mr. Katsumi Kawashima has many years of experience and expertise in the areas of administration and sales at banks, and has served as a manager of general affairs and human resources divisions. He has also played important roles in the ESG management through the Sustainability Committee, and has made contributions in the fields of employee health promotion and women’s empowerment programs. Since April 2022, as Head of Corporate Design Headquarters, he has committed to creating new value in corporate division, as well as in the traditional functional areas of management such as corporate planning, general affairs, finance, and ESG.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the medium- to long-term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
3	<p style="text-align: center;"><b>Mizuki Utsuno</b> (May 3, 1965)</p> <p style="text-align: center;">&lt;Reelection&gt;</p>	<p>April 1986: Entered DC Pack Co., Ltd.  October 1987: Entered SET Engineering Co., Ltd.  October 1996: Entered the Company  May 2016: President and Representative Director, Fukushima Sanken Co., Ltd.  April 2018: General Manager, Marketing Division, Engineering Headquarters, Device Business Corporate Headquarters  April 2021: Head, Business Promotion Headquarters and General Manager, Promotion Management Division, Semiconductor Business Corporate Headquarters  June 2021: Corporate Officer  April 2022: Head, Business Promotion Headquarters and General Manager, Promotion Management Division  June 2022: Director, Senior Corporate Officer (to the present)  April 2023: Head, Business Promotion Headquarters (to the present)</p>	1,400
	<p><b>– Reasons for the appointment as a candidate for Director</b></p> <p>Before and since joining the Company, Mr. Mizuki Utsuno has engaged in the development of a wide variety of products from switching power supplies to semiconductor devices for many years. In 2016, he became the President of a subsidiary of the Company and gained experience in corporate management. Since then, as a manager of the marketing division of the Company, he has made contributions in technological development and marketing fields. Since April 2021, as Head of Business Promotion Headquarters, he has performed his duties as a manager of managerial accounting and DX promotion.</p> <p>The Company therefore anticipates that his experience and insights gained therefrom will contribute to achieving the medium- to long-term growth strategy for the corporate group. Thus, the Company selected him as a candidate for Director.</p>		



No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
	<p style="text-align: center;"><b>Noriharu Fujita</b> (September 26, 1950)</p> <p style="text-align: center;">&lt;Reelection&gt; &lt;External Director&gt; &lt;Independent Officer&gt;</p> <p>Term of office as an External Director: Eight years as of the closing of this meeting</p>	<p>September 1975: Entered Ito Accounting Firm May 1980: Obtained MBA from The University of Illinois at Urbana-Champaign July 1980: Entered ICI Japan Ltd. January 1989: Senior Manager, Ernst &amp; Young, LLP Chicago Office October 1997: Partner, Ernst &amp; Young, LLP New York Office (retired from the entity in June 2007) September 2008: Executive Partner, Ernst &amp; Young ShinNihon LLC October 2008: JBS Global Services Leader, Ernst &amp; Young ShinNihon LLC (retired from the entity in June 2013) July 2013: Representative, Fujita Noriharu Accounting Firm (to the present) August 2015: Independent Non-Executive Director, CITIC Limited (retired from the entity in April 2018) June 2016: External Director, the Company (to the present) August 2018: External Director, Allegro Microsystems, Inc. (retired in June 2022)</p>	-
4	<p><b>- Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experiences as a partner in a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the auditing of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as more than ten years have passed since his retirement from the above audit corporation, we believe that he can maintain an independent standpoint and supervise the Company's management from an objective viewpoint.</p> <p>He currently serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he has also contributed to ensuring the appropriateness and adequacy in the promotion of the Group growth strategies through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings. He also has extensive knowledge in the semiconductor industry inside and outside Japan as he previously held offices as an External Director of principal U.S. subsidiaries of the Company. His knowledge is expected to make similar contributions to supervising the management of the corporate group.</p> <p>For the reasons above, the Company believes that he will appropriately perform his duties such as ensuring the appropriateness of overall business execution and strengthening supervisory functions as well as contribute to ensuring the transparency of the Company's corporate governance and enhancing its adequacy, while the Group will promote a medium- to long-term growth strategy. Thus, the Company selected him as a candidate for External Director.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
5	<p><b>Takaki Yamada</b> (October 31, 1950)</p> <p>&lt;Reelection&gt; &lt;External Director&gt; &lt;Independent Officer&gt;</p> <p>Term of office as an External Director: Three years as of the closing of this meeting</p>	<p>April 1969: Entered Oki Electric Industry Co., Ltd. April 1995: General Manager, Production Planning Division, Electronic Device Business Headquarters, Oki Electric Industry Co., Ltd. April 1997: Director, Plant Manager, Oki Thailand Co., Ltd. April 2005: President, Semiconductor Production Company, Oki Electric Industry Co. Ltd. June 2006: External Director, ChipMOS TECHNOLOGIES INC. (retired in October 2008) April 2008: President and Director, Oki Thailand Co., Ltd. (retired in July 2012) September 2012: Furukawa-Sky Aluminum Corporation (currently UACJ Corporation) January 2014: Vice President, UACJ (Thailand) Co., Ltd. (retired in March 2016) May 2016: Vice President, Thai Special Gas Co., Ltd. (to the present) June 2021: External Director, the Company (to the present)</p>	—
	<p><b>– Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>Mr. Takaki Yamada has many years of experience at semiconductor manufacturers and is well-versed in the semiconductor industry and business. He also has corporate management experience in semiconductor manufacturing gained through the years at Oki Electric Industry Co., Ltd. by serving as President of Semiconductor Production Company and President and Director of the overseas production subsidiary company. During the foundation of UACJ (Thailand) Co., Ltd. he leveraged his overseas experience to lead a large-scale project. Currently, as Vice President of Thai Special Gas Co., Ltd., he possesses a wealth of work experience in various fields and maintains a vast network of connections by actively being engaged in business development.</p> <p>He currently serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to the Company’s corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he has also contributed to ensuring the appropriateness and adequacy in the promotion of the Group growth strategies through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings. The Company therefore anticipates that he will contribute to ensuring the appropriateness of overall business execution, and present fruitful advice in an effort to promote business for the corporate group as a semiconductor manufacturer.</p> <p>For the reasons above, the Company believes that he will appropriately perform his duties such as ensuring the appropriateness of overall business execution and strengthening supervisory functions as well as contribute to ensuring the transparency of the Company’s corporate governance and enhancing its adequacy, while the Group will promote a medium- to long-term growth strategy. Thus, the Company selected him as a candidate for External Director.</p> <p>The semiconductor department of Oki Electric in which he worked in the past is currently a group company of ROHM Co., Ltd. with which the Company has business transactions. The transaction amount is less than 2% of the consolidated net sales between the Company and ROHM Co., Ltd., and therefore the Company believes that this transaction does not apply to a major business relationship.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
6	<p style="text-align: center;"><b>Hideki Hirano</b> (August 30, 1954)</p> <p style="text-align: center;">&lt;Reelection&gt; &lt;External Director&gt; &lt;Independent Officer&gt;</p> <p style="text-align: center;">Term of office as an External Director: One year as of the closing of this meeting</p>	<p>April 1978: Entered Saitama Bank Ltd. (currently Saitama Resona Bank, Limited)</p> <p>April 2008: Managing Executive Officer and General Manager of Saitama Corporate Banking Division, Saitama Resona Bank, Limited</p> <p>October 2009: Managing Executive Officer in charge of Compliance Division, Loan Planning Division and Risk Management Division, Saitama Resona Bank, Limited (retired in June 2010)</p> <p>April 2012: Representative Director and President of Resona Guarantee Co., Ltd. (retired in March 2015)</p> <p>October 2014: External Director of Daizo Corporation (retired in October 2022)</p> <p>June 2015: External Director of Sanyo Engineering &amp; Construction Inc. (retired in June 2019)</p> <p>June 2019: External Audit and Supervisory Board Member, the Company</p> <p>June 2023: External Director, the Company (to the present)</p>	-
<p><b>- Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>Mr. Hideki Hirano has deep knowledge in finance and accounting based on his background in the banking business. In addition, we believe that his experience as an Executive Officer will contribute to strengthening supervisory functions of business execution from the viewpoint of management. In 2019 he assumed office as External Audit and Supervisory Board Member of the Company and has an understanding of the Company's business. He currently serves as the chairperson of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he has also contributed to ensuring the appropriateness and adequacy in the promotion of the Group growth strategies through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings.</p> <p>For the reasons above, the Company believes that he will appropriately perform his duties such as ensuring the appropriateness of overall business execution and strengthening supervisory functions as well as contribute to ensuring the transparency of the Company's corporate governance and enhancing its adequacy, while the Group will promote a medium- to long-term growth strategy. Accordingly, the Company nominated him as a candidate for External Director.</p>			

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
7	<p><b>Yumi Ogose</b> (December 4, 1959)</p> <p>&lt;Reelection&gt; &lt;External Director&gt; &lt;Independent Officer&gt;</p> <p>Term of office as an External Director: One year as of the closing of this meeting</p>	<p>April 1982: Entered the Japan Patent Office</p> <p>March 1997: Deputy Director, Secretarial Unit, Trial and Appeal Department, Japan Patent Office</p> <p>April 2000: Chief Senior Attorney, 2nd Examination Department, Japan Patent Office</p> <p>April 2002: Part-time Lecturer, Graduate Schools of Shinshu University (concurrently served until 2004)</p> <p>April 2003: Managing Examiner, 2nd Examination Department, Japan Patent Office (retired in March 2005)</p> <p>October 2003: Assistant Professor, National Graduate Institute for Policy Studies</p> <p>April 2005: Professor, MOT, Department of Management of Technology, Graduate School of Management, Tokyo University of Science (to the present)</p> <p>June 2023: External Director, the Company (to the present)</p>	-
	<p><b>– Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>Ms. Yumi Ogose serves as a full-time professor of the Department of Management of Technology at the Graduate School of Management of Tokyo University of Science and is engaged in developing human resources who can build business competitive advantage using technology and culture from the perspective of corporate management. Based on her knowledge gained therefrom, the Company anticipates that she will present valuable advice and opinions in the Company’s management of technology from an objective viewpoint. Patent is a crucial element of the corporate growth and she has many years of experience in the intellectual property area. She not only serves as a university professor, but also has been active in various fields such as serving as a member of the Committee for Contents and Japan Brand Promotion of the Intellectual Property Strategy Headquarters, a Cabinet body. Based on her knowledge gained from many years of these academic activities, the Company believes that she will present valuable advice and opinions regarding its intellectual property strategy from an objective viewpoint. Furthermore, we also believe that she will present fruitful advice and opinions as Female External Director from the perspective of diversity such as the advancement of female employees in the Company, especially from a third-party viewpoint regarding the Sustainability Committee of the Company.</p> <p>For the reasons above, the Company anticipates that she will appropriately perform her duties such as ensuring the appropriateness of overall business execution and strengthening supervisory functions, while the Group will promote a medium- to long-term growth strategy. Thus, the Company selected her as a candidate for External Director.</p>		

No.	Name (Date of Birth)	Brief personal history, position and assignment of the Company, and significant office(s) concurrently held	No. of the Company shares held
8	<p><b>Mariko Sugawara</b> (April 13, 1966)</p> <p>&lt;Newly appointed&gt; &lt;External Director&gt; &lt;Independent Officer&gt;</p> <p>Term of office as an External Director: -</p>	<p>April 1994: Registered as an attorney-at-law</p> <p>April 1994: Entered OHHARA LAW OFFICE</p> <p>April 2005: Part-time Lecturer, Graduate Law School, Meiji Gakuin University</p> <p>April 2005: Part-time Lecturer, Faculty of Law, Keio University</p> <p>December 2023: Board Member, Japan Association of Tax Litigators (to the present)</p>	-
	<p><b>- Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>Ms. Mariko Sugawara has engaged in corporate legal affairs and M&amp;A in various industries as well as tax suits in the field of tax laws, which is her area of study, and has a wealth of knowledge and experience as a legal professional. Accordingly, the Company believes that she will present valuable advice and opinions in the areas of legal risk and compliance. She is expected to monitor management objectively from an independent standpoint as an attorney-at-law, and the Company anticipates that she will also contribute to strengthening the supervisory function of the Company's Board of Directors.</p> <p>We also expect that she will present fruitful advice and opinions to the Sustainability Committee of the Company as Female External Director from the perspective of diversity of the Company, especially from a third-party viewpoint.</p> <p>For the reasons above, the Company anticipates that she will appropriately perform her duties such as ensuring the appropriateness of overall business execution and strengthening supervisory functions, while the Group will promote a medium- to long-term growth strategy. Thus, the Company selected her as a candidate for External Director.</p> <p>* Mariko Sugawara's name in the family register is Mariko Nomura.</p>		

- Notes:
1. No conflicts of interest exist between the Company and any of the above candidates.
  2. On November 30, 2023 in the terms of office of Mr. Noriharu Fujita, Mr. Takaki Yamada, Mr. Hideki Hirano and Ms. Yumi Ogose as External Directors, the Company received a recommendation from the Japan Fair Trade Commission based on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. These External Directors have usually provided their opinions for support of thorough compliance to the laws and regulations at the Board of Directors and other occasions. After the fact of legal violation was revealed, they have also fulfilled their responsibilities by providing advice for measures to prevent recurrence and by other actions.
  3. Matters concerning a notification with respect to INDEPENDENT OFFICERS:  
The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Mr. Noriharu Fujita, Mr. Takaki Yamada, Mr. Hideki Hirano and Ms. Yumi Ogose who are currently External Directors, as independent officers of the Company. If their election is approved, the Company plans to continue to appoint them as independent officers. Ms. Mariko Sugawara who is a new candidate satisfies the requirements for independent officer set forth in the regulations of the Tokyo Stock Exchange. If her election is approved, the Company will appoint her as an independent officer.
  4. Matters concerning the candidates for External Director:  
The Company has entered into agreements with Mr. Noriharu Fujita, Mr. Takaki Yamada, Mr. Hideki Hirano and Ms. Yumi Ogose who are currently External Directors to limit their liabilities for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act. If this Proposal is approved as proposed, the Company plans to continue the same agreements. The Company also plans to enter into the same agreement with Ms. Mariko Sugawara.
  5. The Company has entered into a directors' and officers' liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2024 and each candidate will be insured under the contract.
  6. Ms. Yumi Ogose will be appointed as an external director of MANAC Chemical Partners Co.,Ltd on June 28, 2024.
  7. The Audit and Supervisory Committee has verified that the candidates of Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company were selected after evaluation of their business execution status, performance, and opinions at the Board of Directors in the current fiscal year as well as their careers, and that the procedure of selecting the candidates was appropriate and the candidates are eligible Directors. As for the compensations for Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company, the Audit and Supervisory Committee has checked the compensation standards, the compensation structure, the specific method for calculating compensations and other factors, and verifies that the procedure of the determination of the compensations was appropriate and the content of the determination is appropriate.

## BUSINESS REPORT

(from April 1, 2023 to March 31, 2024)

### 1. Current Status of the Group

#### 1. Business Results and Summary of Assets

Category		Fiscal term ended March 31, 2020 (103rd Term)	Fiscal term ended March 31, 2021 (104th Term)	Fiscal term ended March 31, 2022 (105th Term)	Fiscal term ended March 31, 2023 (106th Term)	Fiscal term ended March 31, 2024 (107th Term)
Net sales	(millions of yen)	160,217	156,795	175,660	225,387	235,221
Operating profit (loss)	(millions of yen)	4,309	(1,198)	13,720	26,156	19,539
Ordinary profit (loss)	(millions of yen)	2,674	(3,406)	13,700	27,229	18,246
Profit (loss) attributable to owners of parent	(millions of yen)	(5,559)	(6,952)	3,204	9,533	(8,112)
Net income (loss) per share	(yen)	(229.83)	(287.96)	132.79	394.87	(335.99)
Total assets	(millions of yen)	194,024	233,673	244,732	301,951	383,591
Net assets	(millions of yen)	71,776	113,250	137,404	173,195	198,619

Note: Net income (loss) per share is calculated based on the average number of shares outstanding in each fiscal term. The average number of shares outstanding excludes treasury stock.

#### 2. Review of Operations

With regard to the business environment during the consolidated fiscal year ended March 31, 2024, the U.S. economy remained solid amid persistently high inflation. Meanwhile, the growth of the Chinese economy continued to slow in the face of prolonged real estate market correction in the country, resulting in generally increased uncertainty over the global economic outlook.

Under these circumstances, the Group made prior investments in a bid to achieve medium- to long-term growth. In fact, at Niigata Sanken Co., Ltd., established in May last year, the Group worked to improve productivity and strengthen the capacity of front-end and back-end processes, as well as renovated production processes to launch volume production.

At the beginning of the fourth quarter, however, Ishikawa Sanken Co., Ltd., the main post-processing factory for the Group, was affected by an earthquake with a maximum intensity of 7 on the Japanese seismic scale that hit the Noto region of Ishikawa Prefecture. In the aftermath of the earthquake, the Group made efforts to resume production activities earlier, including confirming the safety of all employees, ascertaining the extent of damage to buildings and production facilities, and securing the electricity and water infrastructure necessary for production. As a result, we fully resumed production at all factories by the end of March 2024.

At the same time, during the consolidated fiscal year ended March 31, 2024, the Group decided to withdraw from businesses associated with former unit products and to dissolve the manufacturing subsidiary producing these products. Also, Allegro MicroSystems, Inc., a consolidated subsidiary in the United States, acquired all shares of Crocus Technology International Corporation, a company that supplies advanced Tunnel Magnetoresistance (TMR) sensor technology. In addition, with regard to our initiative to increase the capital of Polar Semiconductor, LLC, a consolidated subsidiary in the United States, by issuing new shares to a private equity fund through third-party allotment, the application for the U.S. semiconductor grant has been completed and is in the final stages of review.

The market environment during the fiscal year ended March 31, 2024 is as follows.

Sales of products for the automotive market picked up 21.0% year on year. Specifically, while sales of ICE, xEV, and other power trains, power modules for advanced functions, power devices, and sensors increased significantly, inventory adjustments by overseas sales representatives and the impact of the earthquake disaster dragged down sales in the fourth quarter and later. Sales of products for white goods decreased 17.0% year on year, although sales of products for washing machines of a Korean customer for the North America market increased. The decrease in sales of products for white goods is attributable largely to inventory adjustments by customers in the face of prolonged real estate market correction in China. Sales of products for the industrial machinery and consumer goods markets declined 9.7% year on year, which is mainly attributable to the adjustment of inventories overseas for data centers, etc.

As a result of these market situations, combined with the impact of the falling value of the yen, consolidated net sales were ¥235,221 million, up ¥9,833 million (4.4%) from the previous fiscal year. In terms of profit and loss, due mainly to the impact of the inventory adjustments mentioned above, costs related to overseas acquisitions and a decline in added production value following the suspension of operations in the aftermath of the earthquake disaster, we recorded a consolidated operating profit of ¥19,539 million, down ¥6,617 million (25.3%) from the previous fiscal year, and a consolidated ordinary profit of ¥18,246 million, down ¥8,982 million (33.0%) from the previous fiscal year. We also recorded a loss attributable to owners of parent of ¥8,112 million (profit attributable to owners of parent of ¥9,533 million in the previous fiscal year) as we recognized extraordinary losses including loss on disaster in the aftermath of the earthquake disaster, impairment losses for a U.S. subsidiary, and loss in connection with the withdrawal from former unit products.

We received recommendations and guidance (hereinafter referred to as the "Recommendations") from the Japan Fair Trade Commission based on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (hereinafter referred to as the "Subcontract Act") on November 30, 2023. We lent our metal dies used to manufacture some parts of our products to business partners certified as subject to the Subcontract Act. The act of causing the business partners to store the metal dies for free and perform inventory work, such as confirming the current status of the metal dies, even though our company has not placed orders for the parts using the metal dies for a long period of time has been determined to be in violation of Article 4, Paragraph 2, Item 3 of the Subcontract Act (causing a subcontractor to provide cash, services or other economic gains for oneself). By November 30, 2023, we have negotiated compensation with all applicable subcontractors and have paid the amount equivalent to the cost of storing the metal dies, etc. In addition, we have already taken measures, such as discarding metal dies, for which we cannot indicate the specific timing of next orders. We took the Recommendations seriously and thoroughly informed our officers and employees regarding this matter. In addition, we implemented measures to prevent recurrence, such as providing internal training on compliance with the Subcontract Act and putting in place an appropriate internal system, and then submitted an improvement report to the Japan Fair Trade Commission.

### 3. Tasks to be Addressed

The outlook for the global economy is expected to remain uncertain due to rising geopolitical risks and the trends of economic and monetary policies in each country. At present, in each of the automotive, white goods, and industrial machinery markets surrounding the Company, the shortage of semiconductors due to the past COVID-19 crisis led to over-ordering, resulting in inventory adjustments in the supply chain, which is expected to continue for the time being. For the second half of the fiscal year, we expect market conditions to recover and demand to pick up after a temporary decline due to the earthquake.

Under these circumstances, our group has launched the "2024 Medium-Term Management Plan" (hereinafter referred to as the "24 Medium-Term Plan"). The 24 Medium-Term Plan positions the fiscal year ending March 31, 2025, when the effects of the earthquake will remain strong, as a period for restructuring. As a result, it is a four-year plan from April 2024 to March 2028, instead of the previous three-year plan. During the period of the 24 Medium-Term Plan, Sanken Core's highest priority will be to improve profitability. We intend to achieve this by continuing to improve the sales ratio of new products and obtaining appropriate selling price terms for existing products, as well as by working on thorough cost improvement. We will also strive to enhance corporate value by promoting DX strategy and ESG management.

Through these efforts, Sanken Electric will become a company that contributes through power electronics to realize a sustainable future for the innovation of our customers, for the innovation of each and every employee, and for the innovation of society.

We greatly appreciate your ongoing support and encouragement.



#### 4. Status of Principal Subsidiaries

Name	Common stock	Percentage of equity participation	Principal business	Offices	Location
Ishikawa Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors	Head Office, Horimatsu Plant	Shika-machi, Hakui-gun, Ishikawa Prefecture
				Shika Plant	Shika-machi, Hakui-gun, Ishikawa Prefecture
				Noto Plant	Noto-machi, Housu-gun, Ishikawa Prefecture
Yamagata Sanken Co., Ltd.	100 million yen	100.0%	Manufacture of semiconductors	Head Office	Higashine-shi, Yamagata Prefecture
Fukushima Sanken Co., Ltd.	50 million yen	100.0%	Manufacture and sale of semiconductors	Head Office	Nihonmatsu-shi, Fukushima Prefecture
Niigata Sanken Co., Ltd.	95 million yen	100.0%	Manufacture of semiconductors	Head Office	Ojiya-shi, Niigata Prefecture
Dalian Sanken Electric Co., Ltd.	136 million yuan	100.0%	Manufacture of semiconductors	Head Office	Liaoning, China
Allegro MicroSystems, Inc.	1,932 thousand US dollars	51.0%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Allegro MicroSystems, LLC	43 million US dollars	* 51.0%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Polar Semiconductor, LLC	156 million US dollars	85.3% * 15.3%	Manufacture of semiconductors	Head Office	Minnesota, U.S.A.

- Notes: 1. Asterisks (\*) indicate indirect ownership through Allegro MicroSystems, Inc.  
2. On February 6, 2024, the Company decided to withdraw from businesses associated with switching power supply products (former unit products) and to dissolve P.T. Sanken Indonesia, a major production base for these products.  
3. No specified wholly-owned subsidiary exists as of the end of the current consolidated fiscal year.

#### 5. Principal Offices

##### ■ The Company

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

##### ■ Subsidiaries

Please See “4. Status of Principal Subsidiaries.”

## 6. Capital Investment

Capital investment of the current consolidated fiscal year amounted to 29,251 million yen. This mainly consisted of investment for the purpose of developing and expanding the production capacity of semiconductor devices and others.

## 7. Financing

The Company allocated the funds required during the current consolidated fiscal year from its own funds and borrowings, as well as by issuing the 16th Unsecured Bonds.

## 8. Employees

Number of employees	Year-on-year
8,534	- 173

Note: The number of employees on a non-consolidated basis was 810, a decrease of 25 from the end of the previous fiscal year.

## 9. Major Creditors

Creditors	Loan Outstanding
Resona Bank, Limited.	19,650 million yen
Development Bank of Japan Inc.	15,000 million yen
MUFG Bank, Ltd.	10,979 million yen
Mizuho Bank, Ltd.	9,604 million yen
Sumitomo Mitsui Banking Corporation	6,272 million yen

## 2. Shares of the Company

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

**2. Total number of shares issued** 25,098,060  
(The number includes 874,214 shares of treasury stock)

**3. Number of shareholders** 9,535

### 4. Major shareholders

Name	Capital contribution	
	Number of shares (thousands)	Percentage of Ownership
ECM MF	2,722	11.23%
The Master Trust Bank of Japan, Limited (Trust Account)	2,450	10.11%
Saitama Resona Bank, Limited	1,202	4.96%
GOLDMAN SACHS INTERNATIONAL	941	3.88%
Suntera (Cayman) Limited as trustee of ECM Master Fund	905	3.73%
BNP PARIBAS LUXEMBOURG/2S/JASDEC SECURITIES/UCITS ASSETS	839	3.46%
Custody Bank of Japan, Ltd. (Trust Account)	787	3.25%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	767	3.16%
Shinsei Trust & Banking Co., Ltd. ECM MF TRUST ACCOUNT 8299005	650	2.68%
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	561	2.31%

Notes: 1. The Company holds 874,214 shares of treasury stock that are excluded from the major shareholders listed above.  
2. Treasury stock does not include 75,800 shares of treasury stock held in trust by Custody Bank of Japan, Ltd. (Trust Account) for the stock delivery trust for Directors and employees.  
3. Percentage of ownership is calculated after deducting the number of shares of treasury stock held from the total number of shares issued, and digits below the third decimal place are omitted.

### 5. Shares provided to Directors in consideration of the execution of their duties for the year under review

During the fiscal year under review, the Company provided 3,900 shares of its common stock in consideration of the execution of duties to one retired Director (excluding Director who is an Audit and Supervisory Committee Member).

### 3. Officers of the Company

#### 1. Directors (As of March 31, 2024)

Position	Name	Assignment or significant concurrent office
Director, President	Hiroshi Takahashi	
Director	Satoshi Yoshida	Senior Vice President Head, Supply Chain Management Headquarters
Director	Katsumi Kawashima	Senior Vice President Head, Corporate Design Headquarters
Director	Myungjun Lee	Senior Corporate Officer Head, Strategic Business Headquarters and Deputy Head, Technological Development Headquarters
Director	Mizuki Utsuno	Senior Corporate Officer Head, Business Promotion Headquarters
Director <u>External</u> <u>Independent</u>	Noriharu Fujita	Certified Public Accountant Representative, Fujita Noriharu Accounting Firm
Director <u>External</u> <u>Independent</u>	Takaki Yamada	Vice President, Thai Special Gas Co., Ltd.
Director <u>External</u> <u>Independent</u>	Yoko Sanuki	Attorney-at-law Representative, NS Law Office External Audit & Supervisory Board Member, MEDIPAL HOLDINGS CORPORATION
Director <u>External</u> <u>Independent</u>	Hideki Hirano	
Director <u>External</u> <u>Independent</u>	Yumi Ogose	Professor, MOT, Department of Management of Technology, Graduate School of Management, Tokyo University of Science
Director Audit and Supervisory Committee Member (Full-time)	Yasuhisa Kato	
Audit and Supervisory Committee Member <u>External</u> <u>Independent</u>	Atsushi Minami	Attorney-at-law Patent attorney Partner, Minami Patent & Law Office
Audit and Supervisory Committee Member <u>External</u> <u>Independent</u>	Yumiko Moritani	

- Notes:
1. The Company transitioned to a company with an Audit and Supervisory Committee at the 106th Ordinary General Meeting of Shareholders held on June 23, 2023. Accordingly, Messrs. Noboru Suzuki, Yasuhisa Kato, Atsushi Minami, and Hideki Hirano retired from office as Audit and Supervisory Board Members upon expiration of their term of office, and Messrs. Yasuhisa Kato and Atsushi Minami assumed office as Directors who are Audit and Supervisory Committee Members.
  2. Mr. Hideki Hirano and Ms. Yumi Ogose were newly elected as Directors who are not Audit and Supervisory Committee Members, and Ms. Yumiko Moritani as Director who is an Audit and Supervisory Committee Member at the 106th Ordinary General Meeting of Shareholders held on June 23, 2023 and assumed office.
  3. Mr. Noriharu Fujita, Mr. Takaki Yamada, Ms. Yoko Sanuki, Mr. Hideki Hirano, Ms. Yumi Ogose, Mr. Atsushi Minami and Ms. Yumiko Moritani are External Directors. The Company has appointed all of them as independent officers unlikely to have conflicts of interest with general shareholders and has filed a notification to that effect with the Tokyo Stock Exchange.
  4. The Company selects full-time Audit and Supervisory Committee Members to allow information collection from Directors who are not Audit and Supervisory Committee Members, attendance at important internal meetings, and sufficient coordination with internal audit departments.
  5. Mr. Noriharu Fujita, Director, is qualified as a CPA in Japan and the U.S., and Mr. Hideki Hirano, Director, and Ms. Yumiko Moritani, Director who is an Audit and Supervisory Committee Member, have long experience working at a financial institution. Accordingly, each of them has extensive knowledge in finance and accounting.
  6. Mr. Hideki Nakamichi retired from office as Director, upon expiration of his term of office at the conclusion of the 106th Ordinary General Meeting of Shareholders held on June 23, 2023.
  7. Corporate Officers of the Company who do not double as Directors as of March 31, 2024:

Position	Name	Assignment
Senior Corporate Officer	Mitsunobu Fukuda	Head, Technological Development Headquarters
Senior Corporate Officer	Kazuo Akaishi	Deputy Head, Technological Development Headquarters; and General Manager, Manufacturing Development Center
Senior Corporate Officer	Yusuke Harada	Deputy Head, Technological Development Headquarters; and General Manager, Fab Production Engineering Division
Corporate Officer	Toshio Noguchi	Deputy Head, Supply Chain Management Headquarters
Corporate Officer	Kojiro Hatano	General Manager, North America Business Promotion Office, Corporate Design Headquarters, and seconded to Sanken Electric USA Inc.
Corporate Officer	Hirokazu Maruo	General Manager, Corporate Planning Office, Corporate Design Headquarters
Corporate Officer	Mitsuhiro Suzuki	General Manager, Internal Audit Office, Corporate Design Headquarters
Corporate Officer	Hirofumi Mizuno	General Manager, Digital Transformation Promotion Division, Business Promotion Headquarters
Corporate Officer	Hironobu Soh	General Manager, Power Device Development Division, Technological Development Headquarters

## 2. Outline of liability limitation agreement

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

## 3. Outline of directors' and officers' liability insurance contract

The Company has entered into a directors' and officers' liability insurance contract with an insurance company to insure Directors, Audit and Supervisory Board Members, and Corporate Officers, etc. of the Company and some of its subsidiaries, pursuant to Article 430-3 of the Companies Act. The insurance contract covers damages and litigation costs and expenses to be borne by the insured.

## 4. Compensation payable to Directors and Audit and Supervisory Board Members

### ■ Basic concept for the compensation plan for officers

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

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

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

Category and number of persons paid	Total amount of compensation (million yen)	Total amount of compensation by type (million yen)			
		Basic compensation	Short-term incentives	Long-term incentives (share compensation)	
Director who is not an Audit and Supervisory Committee Member	11	246	182	40	22
(of which External Director)	5	55	55	–	–
Director who is an Audit and Supervisory Committee Member	3	36	36	–	–
(of which External Audit and Supervisory Committee Member)	2	18	18	–	–
Audit and Supervisory Board Member	4	15	15	–	–
(of which External Audit and Supervisory Board Member)	2	4	4	–	–

- Notes:
1. The Company transitioned to a company with an Audit and Supervisory Committee by the resolution of the 106th Ordinary General Meeting of Shareholders held on June 23, 2023.
  2. The total amount of basic compensation and short-term incentives of Directors (excluding Directors who are Audit and Supervisory Committee Members) is 500 million yen or less per year (including 200 million yen or less for External Directors), the maximum amount of compensation based on the resolution of the 106th Ordinary General Meeting of Shareholders. The amount of compensation for Directors who are Audit and Supervisory Committee Members is 80 million yen or less per year, the maximum amount of compensation based on the resolution of the above meeting. Note that these maximum amounts of compensation are the same as those before the transition to a company with an Audit and Supervisory Committee.
  3. The above short-term incentives represent the amount to be paid for the current fiscal year by resolution of the Board of Directors based on the resolution of the general meeting of shareholders stated in Note 2.
  4. The long-term incentives (share compensation) are stated at an amount posted as expenses for the current fiscal year.
  5. The number of Directors paid and the amount of compensation paid to Directors include that for one Director who retired at the conclusion of the 106th Ordinary General Meeting of Shareholders held on June 23, 2023. The number of Audit and Supervisory Board Members paid and the amount of compensation paid to Audit and Supervisory Board Members include those for all Audit and Supervisory Board Members (including two External Audit and Supervisory Board Members) who retired at the conclusion of the same Ordinary General Meeting of Shareholders.
  6. Figures less than one million are rounded down to the nearest million.

## ■ Overview of the compensation plan for officers

Based on the aforementioned basic concept, the policy for deciding the details of individual compensation, etc. payable to Directors (excluding Directors who are Audit and Supervisory Committee Members) is decided by the Board of Directors based on the results of deliberations by the Compensation Committee, the majority of which is external directors (the “Policy for Deciding the Compensation”). The Policy for Deciding the Compensation is outlined below.

- Compensation for the Company’s Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors; applicable to the rest of this chapter) is determined according to their rank and role, and consists of basic compensation paid monthly and performance-linked compensation that changes depending on the degree of achievement of earnings targets. Performance-linked compensation is designed to provide short-term incentives paid every fiscal year that vary based on short-term earnings and long-term incentives that vary based on the medium- to long-term earnings and are granted upon their retirement, in principle, under a stock compensation plan (trust type stock issuance).
- With regard to compensation standards for Directors, standard amounts for the total compensation are determined for each rank. To ensure market competitiveness, the adequacy of the standard amounts is verified each year using the findings of a compensation survey administered to major companies in Japan as a benchmark. The ratio of performance-linked compensation and consolidated performance indicators for performance-linked compensation are determined based on the above-mentioned basic concept of the compensation and the results of deliberations by the Compensation Committee. At present, performance-linked compensation is set at about 40% of total compensation when earnings targets are fully achieved.
- Compensation for External Directors (excluding Audit and Supervisory Committee Members) consists solely of basic compensation based on the nature of responsibilities for the position of Director, and it is not linked to performance. Also, compensation for Directors who are Audit and Supervisory Committee Members consists solely of basic compensation based on the nature of responsibilities for the position of auditor and it is not linked to performance, and compensation for Audit and Supervisory Committee Members is paid through consultation with Audit and Supervisory Committee Members.

Fixed portion	Variable portion	
Basic compensation 60%	Performance-linked compensation 40%	
	Short-term incentives 27%	Long-term incentives (stock 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 have been determined through deliberations by the Compensation Committee, and consist of consolidated operating profit etc., the Company’s key performance targets. Additional individual indicators are set depending on the roles expected of each individual. The results of key performance-linked indicators for the short-term incentives in the current fiscal year are as follows.

	Target value	Actual value	Achievement rate
Consolidated operating profit	38.0 billion yen	34.7 billion yen	91%

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

- With regard to long-term incentives, a stock compensation plan has been introduced to enhance the incentive to contribute to medium- and long-term corporate value, align the interests of directors with those of shareholders, and raise the motivation to achieve performance targets and structural reform objectives stated in the Company’s medium-term management plan, setting three fiscal years from fiscal 2023 to fiscal 2025 as an applicable period. Long-term incentives vary within a range of 0-150% of standard pay, in principle, and are linked to rank and performance indicators during the period of the medium-term management plan. The performance-linked

indicators for all directors have been determined through deliberations by the Compensation Committee, and consist of “consolidated operating profit” and “consolidated ROE,” placing emphasis on business profitability over the medium and long terms. In addition, as an expression of the Company’s commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (TSR) (evaluation relative to TOPIX electric appliances index) has been set as a performance-linked indicator. Further, since April 1, 2023, the Company has added “ESG items” as performance indicators with the aim of enhancing ESG management.

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

Compensation for the Company’s Directors consisted of basic compensation and bonuses. However, at the 102nd Ordinary General Meeting of Shareholders held on June 21, 2019, the compensation plan for officers was revised. Later at the 106th Ordinary General Meeting of Shareholders held on June 23, 2023, the compensation plan for officers was resolved in accordance with the transition to a company with an Audit and Supervisory Committee.

Regarding monetary compensation, the total amount of compensation for Directors (excluding Audit and Supervisory Committee Members) shall be 500 million yen or less per fiscal year (including 200 million yen or less for External Directors) and the total amount of compensation for Directors who are Audit and Supervisory Committee Members shall be 80 million yen or less per fiscal year.

Separate from the monetary compensation, shareholders at the above meeting approved the introduction of a performance-linked compensation plan in the form of long-term incentives for Directors (excluding Audit and Supervisory Committee Members and External Directors) within the stock compensation amount of 90 million yen per fiscal year. The total number of points to be granted to Directors from the Company is 90,000 points or less per fiscal year (one point corresponds to one share of the Company’s stock). The number of Directors (excluding Audit and Supervisory Committee Members) was ten (including five External Directors) and the number of Audit and Supervisory Committee Members was three (including two External Audit and Supervisory Committee Members) at the closing of the 106th Ordinary General Meeting of Shareholders.

Maximum amount of compensation per fiscal year

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

■ **Activities of the Compensation Committee**

Based on the aforementioned basic policy, the Company established the Compensation Committee, a voluntary advisory body to the Board of Directors, to ensure transparency in the Board of Directors’ decision-making process and enhance the corporate governance. The Compensation Committee, chaired by an External Director and whose majority members are External Directors, held four meetings in the current fiscal year. With the aim of enhancing the independence and objectivity of the function of the Board of Directors and its accountability, the Compensation Committee discusses what the compensation plan should be like, and individual compensation, etc. payable to directors and officers, and submit the results of such discussions to the Board of Directors. During the fiscal year under review, the committee mainly reviewed performance-linked compensation, reassessed indicators, and exchanged opinions on issues related to compensation payable to directors and officers towards improving the Company’s corporate value as well as other considerations. Through these procedures, the committee decided what it should submit to the Board of Directors.



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

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

Based on this policy, the amount of compensation for individual Directors is as reported by the Compensation Committee, and the authority to determine the amount is delegated by the Board of Directors to President and Representative Director, Hiroshi Takahashi. The purpose of this procedure is to determine the amount of compensation under the new management structure in a timely manner after the Ordinary General Meeting of Shareholders.

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

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

## 5. External Officers

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

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

Name	Significant concurrent office
External Director Noriharu Fujita	Representative, Fujita Noriharu Accounting Firm
External Director Takaki Yamada	Vice President, Thai Special Gas Co., Ltd.
External Director Yoko Sanuki	Representative, NS Law Office External Audit & Supervisory Board Member, MEDIPAL HOLDINGS CORPORATION
External Director Yumi Ogose	Professor, MOT, Department of Management of Technology, Graduate School of Management, Tokyo University of Science
External Director (External Audit and Supervisory Committee Member) Atsushi Minami	Partner, Minami Patent & Law Office

### ■ Major activities

Name	Major activities
External Director Noriharu Fujita	Mr. Noriharu Fujita attended all 12 meetings of the Board of Directors held during the period under review. He provided comments at these meetings based on his high-level insight on finance and accounting as a certified public accountant and extensive experience in international fields. He also contributed to the operation of the Nomination Committee and the Compensation Committee as a member of these committees.
External Director Takaki Yamada	Mr. Takaki Yamada attended all 12 meetings of the Board of Directors held during the period under review. He provided comments at these meetings based on his experience primarily in corporate management at a semiconductor manufacturer as well as extensive experience in overseas business fields. He also contributed to the operation of the Nomination Committee and the Compensation Committee as a member of these committees.
External Director Yoko Sanuki	Ms. Yoko Sanuki attended all 12 meetings of the Board of Directors held during the period under review. She contributed to these meetings with comments based on her professional insights and extensive knowledge and experience primarily as a legal expert.
External Director Hideki Hirano	Mr. Hideki Hirano took office as External Audit and Supervisory Board Member of the Company before being newly elected as Director of the Company by the resolution of the 106th Ordinary General Meeting of Shareholders held on June 23, 2023, and attended all five meetings of the Audit and Supervisory Board held during the period under review before taking office as Director. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits based on his high-level insight on finance and accounting from his work experience at banks and his experience as a corporate manager of other companies. He also attended all 10 meetings of the Board of Directors held after taking office as Director and provided comments based on the above insight and experience. He contributed to the operation of the Nomination Committee and the Compensation Committee as the chairperson of these committees.

Name	Major activities
External Director Yumi Ogose	Ms. Yumi Ogose was newly elected as Director at the 106th Ordinary General Meeting of Shareholders held on June 23, 2023. Since then, she attended all 10 meetings of the Board of Directors held during the period under review and provided comments based on her long experience in the intellectual property area and experience as a full-time professor of the Department of Management of Technology, Graduate School of Management, Tokyo University of Science.
External Director (Audit and Supervisory Committee Member) Atsushi Minami	Mr. Atsushi Minami attended all 12 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his professional perspective, extensive knowledge and experience as a legal expert. He also attended all five meetings of the Audit and Supervisory Board held during the period under review and all 10 meetings of the Audit and Supervisory Committee held after the transition of the Company to a company with Audit and Supervisory Committee. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits based on the above insight and experience.
External Director (Audit and Supervisory Committee Member) Yumiko Moritani	Ms. Yumiko Moritani was newly elected as Director who is an Audit and Supervisory Committee Member at the 106th Ordinary General Meeting of Shareholders held on June 23, 2023. Since then, she attended all 10 meetings of the Board of Directors held during the period under review and provided comments based on her high-level insight on finance and accounting from her work experience at banks and her knowledge and experience in the areas of administration and sales as well as her experience as a corporate manager of other companies. She has also attended all 10 meetings of the Audit and Supervisory Committee held after being newly elected as Director who is an Audit and Supervisory Committee Member, and contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits based on the above insight and experience.

Note: On November 30, 2023 in the terms of office of Mr. Noriharu Fujita, Mr. Takaki Yamada, Ms. Yoko Sanuki, Mr. Hideki Hirano, Ms. Yumi Ogose, Mr. Atsushi Minami, and Ms. Yumiko Moritani as External Directors, the Company received a recommendation from the Japan Fair Trade Commission based on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. These External Directors have usually provided their opinions for support of thorough compliance to the laws and regulations at the Board of Directors and other occasions. After the fact of legal violation was revealed, they have also fulfilled their responsibilities by providing advice for measures to prevent recurrence and by other actions.

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

### Mr. Noriharu Fujita

- Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experience as a partner of a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the accounting audit of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as more than ten years have passed since his retirement from the above audit corporation, he maintains an independent standpoint and supervises the Company's management from an objective viewpoint. He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Moreover, through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings, he has made contributions to ensuring adequacy and appropriateness of promoting the Group growth strategies.

### Mr. Takaki Yamada

- Mr. Takaki Yamada has many years of operational and managerial experience at a semiconductor manufacturer and is well-versed in the semiconductor industry and its business activities. Based on his extensive experience in

global business fields, he has led large-scale projects for manufacturers in different industries. Currently, he is engaged in the development of new businesses at overseas companies, and has gained diverse experience and a broad network. Based on his experience and insight, he has given valuable advice and opinions that can help the Group move toward with its business as a semiconductor manufacturer. He serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Moreover, through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings, he has made contributions to ensuring adequacy and appropriateness of promoting the Group growth strategies.

#### **Ms. Yoko Sanuki**

- Ms. Yoko Sanuki has a wealth of knowledge and experience as a legal professional, and has held positions such as an external director at several listed companies, including as the chairperson of the audit committee. Since 2020 she has also served as the President of the Japan Women's Bar Association, and has made contributions to society in terms of women's empowerment. Based on her extensive experience and expertise, she has given valuable advice and opinions, especially in the areas of legal risk and compliance, and from the perspective of diversity such as the advancement of female employees in the Company. She has supervised management from an objective perspective as an attorney-at-law based on an independent standpoint and contributed to strengthening the supervisory function of the Board of Directors of the Company. Moreover, through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings, she has made contributions to ensuring adequacy and appropriateness of promoting the Group growth strategies.

#### **Mr. Hideki Hirano**

- Mr. Hideki Hirano has deep knowledge in finance and accounting based on his background in the banking business and experience as an Executive Officer. In 2019 he assumed office as External Audit and Supervisory Board Member of the Company and has an understanding of the Company's business. He currently serves as the chairperson of the Nomination Committee and the Compensation Committee and has made contributions to ensuring transparency and enhancing adequacy in the Company's corporate governance. Moreover, through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings, he has made contributions to ensuring adequacy and appropriateness of promoting the Group growth strategies.

#### **Ms. Yumi Ogose**

- Ms. Yumi Ogose has given valuable advice and opinions in the Company's management of technology from an objective viewpoint based on her experience as a full-time professor of the Department of Management of Technology at the Graduate School of Management of Tokyo University of Science. She has also given valuable advice and opinions from the perspective on the intellectual property strategy of the Company based on her knowledge gained from many years of academic activities in the intellectual property area, as well as from the perspective on diversity such as the advancement of female employees in the Company.

#### **Mr. Atsushi Minami**

- Mr. Atsushi Minami has professional knowledge and experience as an attorney-at-law and patent attorney. As External Director who is an Audit and Supervisory Committee Member, he has contributed to ensuring the adequacy and appropriateness of decision-making of the Board of Directors and the effectiveness of audits from an objective perspective as a legal professional.

#### **Ms. Yumiko Moritani**

- Ms. Yumiko Moritani has deep knowledge in finance and accounting and experience and knowledge in the areas of administration and sales based on her many years of work experience at banks. She also has experience of serving as Audit and Supervisory Board Member of Saitama Resona Bank. As she served as External Director of a listed company, she also has extensive knowledge of management. Based on these experience and knowledge, she has contributed to ensuring the adequacy and appropriateness of decision-making at the Board of Directors and the effectiveness of audits from an objective perspective as External Director who is an Audit and Supervisory Committee Member. Furthermore, she has given fruitful advice and opinions from the perspective on diversity such as the advancement of female employees in the Company.

## 4. Accounting Auditors

### 1. Name of Accounting Auditor Ernst & Young ShinNihon LLC

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

Classification	Amount paid
(i) Compensation paid or payable to the Accounting Auditor concerning the audit services for the year under review	78 million yen
(ii) The total amount of money and property interests paid or payable to the Accounting Auditor for the Company and subsidiaries	78 million yen

- Notes:
1. The Audit contract between the Company and the Accounting Auditor does not separate the compensation concerning the Audit for the Companies Act from the compensation concerning the Audit described by the Financial Instruments and Exchange Act. Accordingly, the amount described in (i) represents the total amount of these compensations.
  2. Reasons for the agreement by the Audit and Supervisory Committee on compensation paid to the Accounting Auditor  
The Audit and Supervisory Committee of the Company conducted a required examination to determine whether or not the contents of the Accounting Auditor's auditing plans concerning the compensation, etc. for the Accounting Auditor explained by the Accounting Auditor, the status of the performance of duties of the accounting audit, and the basis for calculating the estimated compensation, etc. were appropriate, and thereupon decided to agree on compensation, etc. for the Accounting Auditor as set forth in Article 399, Paragraph 1 of the Companies Act.
  3. Some subsidiaries of the Company employ certified public accountants or audit corporations other than the Company's Accounting Auditor (or persons with equivalent qualifications in foreign countries concerned) for auditing.
  4. During the fiscal year under review, in addition to the amounts listed above, 1 million yen was paid to the Accounting Auditor as additional audit fees for the previous fiscal year.

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

If an Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee shall dismiss such Accounting Auditor, as needed, subject to the unanimous approval by all the Audit and Supervisory Committee Members. In addition, the Audit and Supervisory Committee comprehensively evaluates the Accounting Auditor based on a range of criteria, including their qualifications, professional expertise, and independence from the Company. If, as a result of the evaluation, the Audit and Supervisory Committee has judged that it will be necessary to change the Accounting Auditor, such as in cases when the execution of duties by the Accounting Auditor is adversely affected, the Audit and Supervisory Committee shall determine the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

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

### 1. System for Ensuring Appropriate Conduct of Operations

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

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

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

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

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

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

- 1) Risks associated with key investments or new businesses are discussed from various viewpoints and determined deliberatively at the Board of Directors, Management Committee, and other important meetings.
- 2) The risk management department collects and analyzes data on various risks related to overall management, reports the details of such risks to management, and proposes countermeasures to improve the situation. The internal audit department identifies and analyzes operational risks at the Company and group companies through internal audits, and reports the results of internal audits to the Board of Directors and the Audit and Supervisory Committee.

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

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

■ **System for ensuring appropriate business operations within the Company and within each group company**

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

■ **Matters regarding Directors and employees appointed to support Audit and Supervisory Committee Members**

- 1) Staff of the Legal department will assist the deskwork of the Secretariat's Office of the Audit and Supervisory Committee.
- 2) When the Audit and Supervisory Committee so requests, the appointment and other personnel affairs of exclusive staff for the support of the Audit and Supervisory Committee shall be determined through consultation with the Audit and Supervisory Committee.
- 3) Such exclusive staff shall comply with instructions from the Audit and Supervisory Committee to ensure their independence from Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of the instructions from the Audit and Supervisory Committee.

■ **System for reporting to the Audit and Supervisory Committee**

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

■ **Policy for handling expenses or liabilities incurred from the execution of duties by Audit and Supervisory Committee Members (limited only to the execution of duties by the Audit and Supervisory Committee)**

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

■ **Other system for ensuring effective auditing by the Audit and Supervisory Committee**

- 1) The Audit and Supervisory Committee draws up the auditing and other standards, audit plans, and audit policies. Each Audit and Supervisory Committee Member conducts audits properly based on their own expertise and experience. An efficient and highly effective audit system is realized through these efforts.
- 2) The internal audit department shall obtain the approval of Representative Director and the Audit and Supervisory Committee for the audit plan and report the audit results to Representative Director, the Board of Directors and the Audit and Supervisory Committee. The internal audit department shall also report the status of internal audits to the Audit and Supervisory Committee.
- 3) The internal audit department shall comply with any instructions from the Audit and Supervisory Committee regarding internal audits, if any, and in cases where there is any conflict between the instructions of the Audit and Supervisory Committee and Representative Director, the instructions of the Audit and Supervisory Committee shall prevail.

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

### **■ Status of efforts for compliance**

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

### **■ Status of efforts for managing risks of loss**

During the fiscal year under review, the Crisis Management Committee held two meetings to identify, analyze, and respond to risks. Specifically, the Committee conducted disaster drills, analyzed the impact of and examined responses to natural disasters such as earthquakes that hit our business locations, and conducted cyber-attack drills, etc. In this situation, Ishikawa Sanken Co., Ltd., the main post-processing factory for the Group, was affected by an earthquake with a maximum intensity of 7 on the Japanese seismic scale that hit the Noto region of Ishikawa Prefecture. In the aftermath of the earthquake, the Group made efforts to resume production activities earlier, including confirming the safety of all employees, ascertaining the extent of damage to buildings and production facilities, and securing the electricity and water infrastructure necessary for production. As a result, we fully resumed production at all factories by the end of March 2024.

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

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

The Board of Directors generally meets nine times a year and has the function to deliberate on the execution of important business operations of the Company and to supervise the execution of duties by Directors. The Board of Directors consists of 13 Directors, seven of whom are independent External Directors, so that the independent External Directors represent the majority of the Board. Among Directors, three are Audit and Supervisory Committee Members (two of whom are External Directors). The Company has also adopted a corporate officer system, which separates the management decision-making and supervisory functions from the business execution functions, enabling the Company to respond quickly to changes in the business environment. As of the end of the fiscal year under review, there were 13 Executive Officers (four of whom were concurrently serving as Directors).

During the fiscal year under review, the Board of Directors held 12 meetings, including extraordinary meetings. When necessary, the Board explained the background, purpose, and content of important agenda items to External Directors in advance. In addition, meetings are regularly held outside of the Board of Directors meetings for the purpose of discussing important topics with External Directors.

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

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



## ■ Status of efforts for ensuring the effectiveness of audits by the Audit and Supervisory Committee

The Company has transitioned to a company with an Audit and Supervisory Committee since the 106th Ordinary General Meeting of Shareholders held on June 23, 2023. During the fiscal year under review, the Audit and Supervisory Board meetings were held five times and the Audit and Supervisory Committee meetings were held 10 times to establish audit policies, audit standards, and audit plans, and to approve in advance revisions to the internal audit rules and the audit plans of the internal audit department. In cooperation with the internal audit department, the Audit and Supervisory Committee conducts audits of the legality and appropriateness of the execution of duties by Directors by visiting each division and group company, examining the Company's operations and assets, and utilizing the internal control system. In addition, General Manager of the internal audit department attends the Audit and Supervisory Committee meetings to report and provide information.

## 6. Basic Policy on Control of the Company

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

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

However, the management of the Company and the Company Group requires extensive know-how and a wealth of expertise in proprietary semiconductor device fabrication technologies, including for wafer and packaging processes, as well as the development of products leveraging circuit design and modularization technologies. Further, a full understanding of the relationships that the Company has developed with stakeholders such as customers, suppliers, and employees is indispensable to management. Persons to control decision-making over financial and business policies of the Company require this understanding in order to appropriately judge the shareholder value to be realized in the future, and could potentially significantly damage the Company's corporate value and the common interests of the shareholders without it.

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

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

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

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

In order to strengthen corporate governance, the company has strengthened the supervisory function of the Board of Directors, as a monitoring board, by transitioning to a company with Audit and Supervisory Committee and electing independent External Directors and by developing a flexible system for operational execution and has enhanced management functions by adopting a Corporate Officer system.

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

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2024)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
<b>Current assets</b>	<b>173,353</b>	<b>179,069</b>
Cash and deposits	50,363	65,435
Notes and accounts receivable - trade	36,097	40,027
Merchandise and finished goods	14,477	17,046
Work in process	45,089	32,480
Raw materials and supplies	9,978	9,748
Other	17,551	14,343
Allowance for doubtful accounts	(204)	(13)
<b>Non-current assets</b>	<b>210,237</b>	<b>122,881</b>
<b>Property, plant and equipment</b>	<b>111,792</b>	<b>88,532</b>
Buildings and structures	29,348	27,258
Machinery, equipment and vehicles	53,133	39,083
Tools, furniture and fixtures	1,445	1,379
Land	7,601	5,426
Leased assets	4,293	2,674
Construction in progress	15,970	12,710
<b>Intangible assets</b>	<b>72,466</b>	<b>11,242</b>
Software	822	1,227
Goodwill	29,613	2,909
Technical assets	36,346	3,411
Other	5,683	3,694
<b>Investments and other assets</b>	<b>25,977</b>	<b>23,106</b>
Investment securities	3,029	5,603
Deferred tax assets	8,941	7,354
Retirement benefit asset	3,994	2,126
Other	10,093	8,100
Allowance for doubtful accounts	(80)	(78)
<b>Total Assets</b>	<b>383,591</b>	<b>301,951</b>

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

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
<b>Current liabilities</b>	<b>86,725</b>	<b>83,496</b>
Notes and accounts payable - trade	15,564	20,160
Short-term borrowings	26,422	12,579
Current portion of long-term borrowings	12,129	18,354
Commercial papers	9,000	10,000
Lease liabilities	1,011	771
Accrued expenses	16,988	17,652
Income taxes payable	1,336	1,346
Provision for loss on disaster	688	–
Provision for performance-linked incentive compensation	77	166
Other	3,506	2,464
<b>Non-current liabilities</b>	<b>98,246</b>	<b>45,259</b>
Bonds payable	15,000	12,000
Long-term borrowings	74,581	26,372
Lease liabilities	2,631	2,012
Deferred tax liabilities	2,583	1,753
Provision for share-based payments	176	99
Provision for retirement benefits for directors (and other officers)	5	5
Retirement benefit liability	2,064	2,177
Other	1,203	838
<b>Total liabilities</b>	<b>184,971</b>	<b>128,755</b>
(Net assets)		
<b>Shareholders' equity</b>	<b>91,788</b>	<b>100,261</b>
Share capital	20,896	20,896
Capital surplus	65,961	65,599
Retained earnings	9,213	18,052
Treasury shares	(4,282)	(4,287)
<b>Accumulated other comprehensive income</b>	<b>27,585</b>	<b>10,832</b>
Valuation difference on available-for-sale securities	500	203
Foreign currency translation adjustment	26,879	12,131
Remeasurements of defined benefit plans	206	(1,503)
<b>Non-controlling interests</b>	<b>79,244</b>	<b>62,101</b>
<b>Total Net Assets</b>	<b>198,619</b>	<b>173,195</b>
<b>Total Liabilities and Net Assets</b>	<b>383,591</b>	<b>301,951</b>

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

## CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2023 to March 31, 2024)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
<b>Net sales</b>	<b>235,221</b>	<b>225,387</b>
Cost of sales	148,335	141,706
<b>Gross profit</b>	<b>86,885</b>	<b>83,681</b>
Selling, general and administrative expenses	67,346	57,524
<b>Operating profit</b>	<b>19,539</b>	<b>26,156</b>
<b>Non-operating income</b>	<b>2,072</b>	<b>2,905</b>
Interest income	734	293
Dividend income	83	30
Foreign exchange gains	–	324
Gain on investments in money held in trust	603	–
Gain on valuation of investment securities	–	1,027
Miscellaneous income	651	1,230
<b>Non-operating expenses</b>	<b>3,365</b>	<b>1,833</b>
Interest expenses	2,581	990
Foreign exchange losses	273	–
Compensation expense	33	46
Miscellaneous losses	477	795
<b>Ordinary profit</b>	<b>18,246</b>	<b>27,229</b>
<b>Extraordinary losses</b>	<b>8,716</b>	<b>978</b>
Loss on disposal of non-current assets	66	85
Loss on liquidation of subsidiaries and associates	894	–
Impairment losses	2,176	–
Extra retirement payments	976	458
Loss on valuation of inventories	–	264
Loss on sale of investment securities	451	–
Settlement payments	–	170
Loss on disaster	3,462	–
Provision for loss on disaster	688	–
<b>Profit before income taxes</b>	<b>9,530</b>	<b>26,250</b>
Income taxes - current	9,524	9,186
Income taxes - deferred	(2,388)	(5,110)
<b>Profit</b>	<b>2,394</b>	<b>22,173</b>
Profit attributable to non-controlling interests	10,507	12,640
<b>Profit (loss) attributable to owners of parent</b>	<b>(8,112)</b>	<b>9,533</b>

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

## NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2024)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
<b>Current assets</b>	<b>88,095</b>	<b>88,147</b>
Cash and deposits	11,007	10,366
Notes receivable - trade	–	2
Electronically recorded monetary claims - operating	1,895	2,155
Accounts receivable - trade	13,273	23,044
Merchandise and finished goods	6,548	10,992
Work in process	354	442
Raw materials and supplies	1,782	2,149
Prepaid expenses	537	445
Short-term loans receivable	11,188	10,248
Accounts receivable - other	42,391	27,544
Other	380	966
Allowance for doubtful accounts	(1,265)	(210)
<b>Non-current assets</b>	<b>38,907</b>	<b>39,793</b>
<b>Property, plant and equipment</b>	<b>6,900</b>	<b>7,359</b>
Buildings	5,481	5,706
Structures	174	175
Machinery, equipment	562	455
Tools, furniture and fixtures	381	442
Land	135	552
Leased assets	10	0
Construction in progress	153	26
<b>Intangible assets</b>	<b>593</b>	<b>1,016</b>
Software	593	1,016
Other	–	0
<b>Investments and other assets</b>	<b>31,413</b>	<b>31,417</b>
Investment securities	3,028	2,933
Shares of subsidiaries and associates	10,479	8,842
Investments in other securities of subsidiaries and associates	4,656	4,656
Long-term loans receivable	14,286	13,197
Prepaid pension costs	3,615	3,438
Other	426	441
Allowance for doubtful accounts	(5,079)	(2,092)
<b>Total Assets</b>	<b>127,002</b>	<b>127,941</b>

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

Account item	Current fiscal year	(For reference) Previous fiscal year
(Liabilities)	(millions of yen)	(millions of yen)
<b>Current liabilities</b>	<b>55,384</b>	<b>52,184</b>
Notes payable - trade	–	267
Electronically recorded obligations - operating	3,060	3,505
Accounts payable - trade	6,035	7,676
Short-term borrowings	21,162	10,375
Current portion of long-term borrowings	10,000	16,000
Commercial papers	9,000	10,000
Accounts payable - other	2,098	957
Accrued expenses	2,381	1,875
Income taxes payable	69	72
Contract liabilities	31	42
Deposits received	88	49
Provision for performance-linked incentive compensation	58	132
Other	1,399	1,227
<b>Non-current liabilities</b>	<b>48,566</b>	<b>33,246</b>
Bonds payable	15,000	12,000
Long-term borrowings	32,000	20,000
Deferred tax liabilities	1,046	837
Provision for share-based payments	121	70
Provision for loss on business of subsidiaries and associates	43	–
Other	354	338
<b>Total Liabilities</b>	<b>103,950</b>	<b>85,430</b>
(Net Assets)		
<b>Shareholders' equity</b>	<b>22,551</b>	<b>42,308</b>
<b>Share capital</b>	<b>20,896</b>	<b>20,896</b>
<b>Capital surplus</b>	<b>10,207</b>	<b>10,207</b>
Legal capital surplus	5,225	5,225
Other capital surplus	4,982	4,982
<b>Retained earnings</b>	<b>(4,270)</b>	<b>15,491</b>
Other retained earnings	(4,270)	15,491
Reserve for tax purpose reduction entry of non-current assets	25	27
Retained earnings brought forward	(4,295)	15,463
<b>Treasury shares</b>	<b>(4,282)</b>	<b>(4,287)</b>
<b>Valuation and translation adjustments</b>	<b>499</b>	<b>202</b>
Valuation difference on available-for-sale securities	499	202
<b>Total Net Assets</b>	<b>23,051</b>	<b>42,510</b>
<b>Total Liabilities and Net Assets</b>	<b>127,002</b>	<b>127,941</b>

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

## NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2023 to March 31, 2024)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
<b>Net sales</b>	<b>72,945</b>	<b>107,490</b>
Cost of sales	76,310	102,341
Gross profit (loss)	<b>(3,364)</b>	<b>5,149</b>
Selling, general and administrative expenses	9,298	7,844
<b>Operating loss</b>	<b>(12,663)</b>	<b>(2,695)</b>
<b>Non-operating income</b>	<b>2,589</b>	<b>1,761</b>
Interest income	849	448
Dividend income	1,484	1,037
Miscellaneous income	255	274
<b>Non-operating expenses</b>	<b>6,217</b>	<b>2,232</b>
Interest expenses	766	573
Foreign exchange losses	988	(7)
Provision of allowance for doubtful accounts for subsidiaries and associates	4,040	1,204
Miscellaneous losses	422	462
<b>Ordinary loss</b>	<b>(16,291)</b>	<b>(3,167)</b>
<b>Extraordinary income</b>	–	<b>663</b>
Compensation income	–	663
<b>Extraordinary losses</b>	<b>2,522</b>	<b>1,058</b>
Loss on disposal of non-current assets	1	2
Loss on valuation of inventories	–	611
Provision for loss on business of subsidiaries and associates	43	–
Impairment losses	436	154
Loss on disaster	1,392	–
Loss on valuation of shares of subsidiaries and associates	648	–
Loss on liquidation of subsidiaries and associates	–	41
Extra retirement payments	–	77
Settlement payments	–	170
<b>Loss before income taxes</b>	<b>(18,814)</b>	<b>(3,561)</b>
Income taxes - current	141	129
Income taxes - deferred	79	172
<b>Loss</b>	<b>(19,034)</b>	<b>(3,863)</b>

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

# INDEPENDENT AUDITORS' REPORT

May 27, 2024

The Board of Directors  
Sanken Electric Co., Ltd.

**Ernst & Young ShinNihon LLC**  
Tokyo Office

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

Tomohiro Hazama, CPA (Seal)  
Designated Limited Liability Partner,  
Engagement Partner

## Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Sanken Electric Co., Ltd. (the “Company”) for the fiscal year from April 1, 2023 through March 31, 2024.

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

## Basis for the Opinion

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

## Other Information

The other information comprises the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit and Supervisory Committee is responsible for overseeing Directors’ performance of duties in relation to the development and operation of the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and Audit and Supervisory Committee for the Consolidated Financial Statements

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

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



Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

#### Interest

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

# INDEPENDENT AUDITORS' REPORT

May 27, 2024

The Board of Directors  
Sanken Electric Co., Ltd.

**Ernst & Young ShinNihon LLC**  
Tokyo Office

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

Tomohiro Hazama, CPA (Seal)  
Designated Limited Liability Partner,  
Engagement Partner

## Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Sanken Electric Co., Ltd. (the “Company”) for the 107th fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

## Basis for the Opinion

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

## Other Matters

The other information comprises the business report and accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, Audit and Supervisory Committee is responsible for overseeing Directors’ performance of duties in relation to the development and operation of the reporting process of the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and Audit and Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

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

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

Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

#### Interest

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

# AUDIT REPORT

The Audit and Supervisory Committee has audited the directors' performance of their duties for the 107th business year from April 1, 2023 to March 31, 2024 and reports as follows in regard to the method and results of those audits.

## 1. Method and Contents of Audits

In regard to the content of resolutions of the Board of Directors regarding the matters stated in Article 399-13, Paragraph 1, Items 1(b) and 1(c) of the Companies Act, as well as the systems developed pursuant to those resolutions (internal control system), the Audit and Supervisory Committee periodically received reports from Directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto, in addition to which the Audit and Supervisory Committee conducted audits using the following methods.

- (1) In accordance with the audit policies and division of duties, etc. determined by the Audit and Supervisory Committee, and in cooperation with the internal control department of the Company, the Audit and Supervisory Committee attended important meetings, received reports from Directors and employees, etc. regarding matters related to the performance of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and assets at the head office and main business locations. Additionally, in regard to subsidiaries, the Audit and Supervisory Committee communicated and exchanged information with the directors, etc. of subsidiaries and received reports on business from subsidiaries as necessary, and conducted on-site survey
- (2) Based on discussion of the Board of Directors, the Audit and Supervisory Committee Members reviewed the details of the Basic Policy on the Composition of Persons to Control Decision-Making over Financial and Business Policies of the Company specified in the business reports.
- (3) Each Audit and Supervisory Committee Member monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit and Supervisory Committee Member also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Ordinance on Accounting of Companies in accordance with "Standards for the Quality Control of Audits") from the Accounting Auditor and requested explanations as necessary.

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

## 2. Results of Audit

### (1) Results of audit of business report

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

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

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

(3) Results of audit of consolidated financial statements

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

May 28, 2024

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

Yasuhisa Kato (Seal)

Full-time Audit and Supervisory Committee Member

Atsushi Minami (Seal)

Audit and Supervisory Committee Member

Yumiko Moritani (Seal)

Audit and Supervisory Committee Member

(Note) Audit and Supervisory Committee Members Atsushi Minami and Yumiko Moritani are External Directors provided for in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

*Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.*

OTHER MATTERS SUBJECT TO THE ELECTRONIC PROVISION MEASURES  
(MATTERS FOR WHICH DOCUMENT DELIVERY IS OMITTED)  
OF THE 107TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

**For The 107<sup>th</sup> Fiscal Term (from April 1, 2023 to March 31, 2024)**

CONSOLIDATED FINANCIAL STATEMENTS

- CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
- NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

- NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
- NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

**Sanken Electric Co., Ltd.**

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2023 to March 31, 2024)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at beginning of period</b>	<b>20,896</b>	<b>65,599</b>	<b>18,052</b>	<b>(4,287)</b>	<b>100,261</b>
<b>Changes during period</b>					
Dividends of surplus			(726)		(726)
Profit (loss) attributable to owners of parent			(8,112)		(8,112)
Purchase of treasury shares				(14)	(14)
Disposal of treasury shares				19	19
Change in ownership interest of parent due to transactions with non-controlling interests		(1,126)			(1,126)
Share-based payments		1,487			1,487
Net changes in items other than shareholders' equity					–
<b>Total changes during period</b>	<b>–</b>	<b>361</b>	<b>(8,839)</b>	<b>5</b>	<b>(8,472)</b>
<b>Balance at end of period</b>	<b>20,896</b>	<b>65,961</b>	<b>9,213</b>	<b>(4,282)</b>	<b>91,788</b>

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at beginning of period</b>	<b>203</b>	<b>12,131</b>	<b>(1,503)</b>	<b>10,832</b>	<b>62,101</b>	<b>173,195</b>
<b>Changes during period</b>						
Dividends of surplus				–		(726)
Profit (loss) attributable to owners of parent				–		(8,112)
Purchase of treasury shares				–		(14)
Disposal of treasury shares				–		19
Change in ownership interest of parent due to transactions with non-controlling interests				–		(1,126)
Share-based payments				–		1,487
Net changes in items other than shareholders' equity	296	14,747	1,709	16,753	17,142	33,896
<b>Total changes during period</b>	<b>296</b>	<b>14,747</b>	<b>1,709</b>	<b>16,753</b>	<b>17,142</b>	<b>25,423</b>
<b>Balance at end of period</b>	<b>500</b>	<b>26,879</b>	<b>206</b>	<b>27,585</b>	<b>79,244</b>	<b>198,619</b>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Notes to Significant Fundamental Matters in Preparing the Consolidated Financial Statements

### 1. Scope of Consolidation

(1) Number of consolidated majority-owned subsidiaries and other subsidiaries: 34

(2) Names of principal consolidated subsidiaries:

Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Fukushima Sanken Co., Ltd., Allegro MicroSystems, Inc., Allegro MicroSystems, LLC, Polar Semiconductor, LLC, P.T. Sanken Indonesia, Sanken Electric Hong Kong Co., Ltd., Sanken Electric Korea Co., Ltd., Taiwan Sanken Electric Co., Ltd., Dalian Sanken Electric Co., Ltd., etc.

### 2. Application of equity method

Not applicable

### 3. Fiscal term, etc. of consolidated majority-owned subsidiaries

The fiscal year ends on December 31 for the following consolidated subsidiaries:

Sanken Electric (Shanghai) Co., Ltd.

Dalian Sanken Electric Co., Ltd.

Dalian Sanken Trade Co., Ltd.

Allegro (Shanghai) Micro Electronics Commercial & Trading Co., Ltd

The financial statements of each company were prepared based on provisional account settlement as of the consolidated fiscal year end.

### 4. Matters relating to Accounting Policies

#### (1) Standards and methods of valuing the significant assets

##### (i) Securities

Other securities

Securities other than shares, etc., that do not have a market price

Market value method based on the market price as of the end of the consolidated fiscal term.

(Differences in valuation are included directly in net assets and costs of sold securities are calculated using the moving-average method.)

Shares, etc., that do not have a market price

Stated at cost using the moving-average method

##### (ii) Derivative transactions

Market value method

##### (iii) Inventories

Inventory held for the purpose of ordinary sales

Stated mainly at cost using the moving-average method

(The carrying amounts in the accompanying consolidated balance sheets are stated after reducing the book value according to the decreased profitability.)

#### (2) Depreciation methods for significant depreciable assets

##### (i) Property, plant and equipment (excluding leased assets)

Mainly adopts the straight-line method.

##### (ii) Intangible assets (excluding leased assets)

Straight-line method

As for software (for in-house use), the straight-line method is used with a useful life of 5 or 10 years.

##### (iii) Leased assets

Leased assets arising from finance lease transactions in which ownerships is transferred

Depreciation shall be computed mainly by the same method applicable to the Company's non-current assets.

Leased assets arising from finance lease transactions in which ownership is not transferred

Depreciation shall be computed by the straight-line method based on the assumptions that the useful life equals the lease term and the residual value equals zero.

#### (3) Standards of accounting for significant allowances and accruals

##### (i) Allowance for doubtful accounts



Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection for doubtful receivables.

(ii) Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) at the end of fiscal term are calculated based on the internal rules of some consolidated majority-owned domestic subsidiaries.

(iii) Provision for performance-linked incentive compensation

Provision for performance-linked incentive compensation for Directors, Corporate Officers, and other officers is calculated based on an estimated amount for payment as of the end of consolidated fiscal year under review.

(iv) Provision for share-based payments

Provision for share-based payments is calculated based on estimates of share benefit obligations as of the end of consolidated fiscal year under review in accordance with the Share Delivery Regulations.

(v) Provision for loss on disaster

Provision for loss on disaster is calculated based on an estimated amount for payment of disaster loss restoration expenses, etc. as of the end of consolidated fiscal year under review.

(4) Significant revenue and expense recognition standards

The Company Group primarily manufactures and sells semiconductor products and has an obligation to deliver the products to customers.

The Company recognizes revenue by determining that the significant risks and rewards associated with ownership of products, etc. are transferred and performance obligations are fulfilled when:

- The products arrive at the customer for domestic sales.
- The risk burden is transferred to the customer for export sales in accordance with trade terms and conditions stipulated by Incoterms and other regulations.
- The customer picks up and inspects the products delivered by the Company to the consignment warehouse for consignment sales.

Our major overseas consolidated subsidiaries recognize revenues and determine that performance obligations are fulfilled when the products arrive and the risk burden is transferred to the customer in accordance with trade terms and conditions stipulated by Incoterms and other regulations. Some overseas consolidated subsidiaries are engaged in consignment sales and recognize revenues when the consignee picks up the consigned inventory from the designated storage location

The transaction price is measured at the amount of consideration promised in the contract with the customer, less discounts, rebates, returns and other deductions. These variable considerations are estimated based on reasonably available information, including past performance and forecasts.

The promised consideration has been collected within approximately four months from the time the performance obligations were fulfilled, and the amount of consideration does not include a significant financing component.

(5) Other significant matters for the preparation of the consolidated financial statements

(i) Accounting method for deferred assets

Bond issuance cost is fully expensed as incurred.

(ii) Accounting method for retirement benefits

Method for attributing retirement benefit estimates to periods

When calculating retirement benefit obligations, the benefit formula basis serves as the main basis for attributing the retirement benefit estimates to the periods of up to the end of the current consolidated fiscal year.

Method for allocating net unrecognized actuarial gain or loss and past service cost

Net unrecognized actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (12 years through 14 years).

Prior service cost is amortized in the year following the year in which the gain or loss is recognized primarily by the declining-balance method over various periods (10 years through 18 years) which do not exceed the average remaining service period of employees.

Adoption of the simple method at small businesses, etc.

Some consolidated subsidiaries adopt the simple method under which an amount of payment required for retirement benefits for personal reasons at the end of fiscal term is used as retirement benefit obligations when calculating net defined benefit liability and retirement benefit costs.

(iii) Standards for translating material foreign currency-denominated assets and liabilities into Japanese yen

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing as of the consolidated fiscal term end, and the resulting gain or loss is credited or charged to income.

The majority-owned overseas consolidated subsidiaries' assets and liabilities are translated into Japanese yen at the exchange rate prevailing as of the end of the consolidated fiscal term. Revenues and expenses are translated into Japanese yen at the average exchange rate during the consolidated fiscal term, and translation differences are included in the translation adjustment account and non-controlling interests under the net assets section.

(iv) Methods and period of amortization of goodwill

Goodwill is amortized evenly over the period in which its effect appears.

(v) Application of the group tax sharing system

The Company applies the group tax sharing system.

## Notes to accounting estimates

### Valuation of inventories

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

69,545 million yen

(2) Information that contributes to an understanding of the nature of material accounting estimates related to the identified items

Inventories, in principle, are stated at acquisition cost on the consolidated balance sheet, and if the net realizable value at the end of the fiscal year is lower than the acquisition cost, the net realizable value is stated as the consolidated balance sheet amount.

Inventories exceeding a certain holding period are classified by use and salability, and the carrying amount is regularly devalued according to the holding period for each such classification.

The Group makes estimates and judgments that are considered reasonable based on current conditions and available information. However, in the event of changes in economic conditions, revision of sales plans, or sudden changes in sales prices, which are the assumptions for these estimates, additional losses may be incurred in the next fiscal year.

## Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment	215,132 million yen
(2) Contract liabilities, included in "Other" under current liabilities	38 million yen

## Notes to the Consolidated Statement of Income

### Loss on disaster, Provision for loss on disaster

Loss on disaster and provision for loss on disaster were caused by the 2024 Noto Peninsula Earthquake, which damaged Ishikawa Sanken Co., Ltd., a consolidated subsidiary of the Company. The breakdown is as follows.

Provision for loss on disaster is the amount estimated to prepare for expenditures for repairs, etc.

Loss on abandonment of inventories	1,318 million yen
Loss due to shutdown	1,092 million yen
Other related expenses	1,051 million yen
Total loss on disaster	3,462 million yen
Provision for loss on disaster	688 million yen

## Notes to the Consolidated Statement of Changes in Net Assets

(1) Shares issued and outstanding (shares)

Type of share	Balance at beginning of current consolidated year	Increase	Decrease	Balance at end of current consolidated year
Common stock	25,098,060	—	—	25,098,060

## (2) Treasury stock (shares)

Type of share	Balance at beginning of current consolidated year	Increase	Decrease	Balance at end of current consolidated year
Common stock	955,625	1,289	6,900	950,014

(Notes)1. Treasury stock as of the end of the current consolidated fiscal year includes 75,800 shares of company stock held in a trust account for the stock delivery trust for the Directors and employees.

2. The increase in treasury stock of 1,289 shares was due to an increase due to the purchase of less-than-a-full-unit shares.

3. The decrease in treasury stock of 6,900 shares was due to issuance of the company stock held by the stock delivery trust for the Director and employees.

## (3) Dividends

## (i) Amount to be paid

The amount of dividends to be paid for the current fiscal year is treated as if the amount was determined in advance at the end of the previous fiscal year.

Resolution	Class of share	Total amount (million yen)	Dividend per share (yen)	Record date	Effective date
Shareholders' Meeting held on June 23, 2023	Common stock	363	15.00	March 31, 2023	June 26, 2023
Board of Directors' Meeting held on November 7, 2023	Common stock	363	15.00	September 30, 2023	December 5, 2023

(Note) The total amount of dividends includes the dividends paid to the shares of company stock held in a trust account for the stock delivery trust for the Directors and employees (1 million yen for each resolution by the Shareholders' Meeting held on June 23, 2023 and the Board of Directors' Meeting held on November 7, 2023).

(ii) Dividends of which the record dates fall in the current fiscal year but the effective dates fall after the end of the current fiscal year

Not applicable

**Notes to Financial Instruments**

## (1) Matters concerning the current situation of financial instruments

The Company Group raises funds necessary for capital investments, R&D, etc. by bond issues and bank loans. It manages temporary surplus funds through highly secured financial instruments, and also raises short-term operating funds by issuing commercial papers and bank loans. The Company Group follows a policy of using derivatives to hedge foreign currency exchange fluctuation risks and of avoiding any speculative dealings.

Customer credit risks related with notes and accounts receivable - trade are reduced through measures taken in accordance with provisions of credit management regulations. Receivables denominated in foreign currencies are exposed to foreign currency exchange fluctuation risks. The Company Group hedges this risk mainly through the use of forward exchange contracts against positions after netting payables denominated in foreign currencies, in principle.

Investment securities are mainly the shares of corporations with which the Company Group has business relationships and therefore are exposed to the risk of market price fluctuations. The Company Group regularly monitors the fair value and financial positions, etc. of the issuing entities (business partners) and continuously reviews the holding status in consideration of its relationships with business partners.

Short-term borrowings and commercial papers are fundraising instruments that mainly pertain to operating funds, while long-term borrowings, bonds, and lease obligations under finance lease transactions are fundraising instruments necessary mainly for the purpose of capital investment. Some of them are on floating interest rates and therefore exposed to the risk of interest rate fluctuation. When borrowing a bank loan on a floating interest rate, the Company Group reduces the risk by limiting the loan term within three years in principle, monitoring the remaining term until the interest rate renewal date, monitoring the interest rate fluctuation trend, and responding in consideration of the balances between short-term borrowings and long-term borrowings or between fixed interest rates and floating interest rates.

With respect to derivative transactions, the financial division of the Company conducts transaction contracts, checks balances, and handles the accounting. A monthly report on the status of derivative transactions is prepared and submitted to the management meeting.

(2) Matters concerning the fair value of financial instruments

The amount posted on the consolidated balance sheet, the fair value, and the differences between the two were as follows, as of March 31, 2024 (consolidated closing date for the current fiscal year). Shares, etc., that do not have a market price (58 million yen on the consolidated balance sheet) are not included in "Other securities." In addition, notes on cash are omitted. Also, notes on deposits and money trusts are omitted because they are settled in the short term and fair values are essentially equal to the book values.

(millions of yen)

	Amount posted on consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Notes receivable - trade	—	—	—
(2) Electronically recorded monetary claims - operating	1,895	1,895	—
(3) Accounts receivable - trade	34,201	34,201	—
(4) Securities and Investment securities (*2)			
Other securities	1,168	1,168	—
(5) Notes and accounts payable - trade	(15,564)	(15,564)	—
(6) Short-term borrowings	(26,422)	(26,422)	—
(7) Commercial papers	(9,000)	(9,000)	—
(8) Bonds payable	(15,000)	(14,980)	(19)
(9) Long-term borrowings (Including current portion of long-term borrowings)	(86,711)	(86,807)	95
(10) Lease liabilities	(3,643)	(3,639)	(3)
(11) Derivative transactions (*3)	(667)	(667)	—

\*1: Amounts posted in liabilities are indicated in ( ).

\*2: Notes on investments in partnerships and other similar entities for which equity interests are recorded on a net basis on the consolidated balance sheet are omitted. The amount of these investments recorded on the consolidated balance sheet is 1,802 million yen.

\*3: Derivative transactions are indicated in net amounts after offsetting the receivables and payables.

(3) Fair value information by appropriate level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured at (unadjusted) quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using significant unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

## (i) Financial assets and financial liabilities measured at fair value

(millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Other securities				
Shares	1,168	–	–	1,168
Total assets	1,168	–	–	1,168
Lease liabilities	–	3,302	–	3,302
Derivative transactions				
Currency derivatives transactions	–	667	–	667
Total liabilities	–	3,969	–	3,969

## (ii) Financial assets and financial liabilities other than those measured at fair value

(millions of yen)

Level	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade		36,097		36,097
Total assets		36,097		36,097
Notes and accounts payable - trade		15,564		15,564
Short-term borrowings		26,422		26,422
Commercial papers		9,000		9,000
Bonds payable		14,980		14,980
Long-term borrowings		86,807		86,807
Lease liabilities		337		337
Total liabilities		153,112		153,112

## (Note) Description of the valuation technique(s) and inputs used in the fair value measurements

Securities and Investment securities

Listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1.

Derivative transactions

The fair value of interest rate swaps and forward exchange contracts is measured using the discounted cash flow method based on observable inputs, such as interest rates and exchange rates, and is classified as Level 2.

Notes and accounts receivable - trade

The fair value of these items is measured using the discounted cash flow method based on the amount of receivables, period to maturity, and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Notes and accounts payable - trade, Short-term borrowings, and Commercial papers

The fair value of these items is measured using the discounted cash flow method based on future cash flows, period to repayment, and an interest rate reflecting credit risk for each liability categorized by a specified period, and is classified as Level 2.

Bonds payable

The fair value of bonds payable held by the Company are measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 2.

Long-term borrowings and Lease liabilities

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities, and an interest rate reflecting credit risk, and is classified as Level 2.

## Notes to revenue recognition

### (1) Disaggregation of revenue from contracts with customers

#### • Net sales by market

(millions of yen)

	Automotive	White goods	Industrial machinery, consumer goods, etc.	Total
Net sales	141,536	47,322	46,361	235,221

#### • Net sales by region

(millions of yen)

	Japan	Asia	North America	Europe	Total
Net sales	53,527	126,667	28,367	26,659	235,221

#### • Net sales by product

(millions of yen)

	Power module	Power device	Sensor	Total
Net sales	43,692	99,609	91,919	235,221

### (2) Useful information in understanding revenue

Useful information in understanding revenue is as presented in “Notes to Significant Fundamental Matters in Preparing the Consolidated Financial Statements; 4. Matters relating to Accounting Policies; (5) Significant revenue and expense recognition standards.”

### (3) Reconciliation of fulfillment of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenues from contracts with customers outstanding at the end of the current consolidated fiscal year that are expected to be recognized in and after the following consolidated fiscal year

#### (i) Balance of receivables from contracts with customers

(millions of yen)

	Current consolidated fiscal year
Receivables from contracts with customers (beginning balance)	40,027
Receivables from contracts with customers (ending balance)	36,097
Contract liabilities (beginning balance)	52
Contract liabilities (ending balance)	38

Contract liabilities are mainly related to advances received from customers and are reversed upon recognition of revenue. Of the amount of revenue recognized during the current consolidated fiscal year, the amount included in the contract liability balance at the beginning of the fiscal year is immaterial.

#### (ii) Transaction price allocated to the remaining performance obligations

Notes on the total transaction price allocated to the remaining performance obligations and the time frame the Company Group expects to recognize the amount as revenue are omitted because the initially expected duration of the contracts with customers is one year or less.

## Notes to per share information

- (1) Net assets per share 4,943.45 yen  
(2) Net income per share 335.99 yen

## Notes to significant subsequent events

### (Transfer of non-current assets)

The Board of Directors of the Company resolved on April 25, 2024 to transfer the following non-current assets, and conducted the transfer agreement on April 26, 2024.

#### (1) Purpose of transfer

The Company has decided to sell the land and buildings of the former Kawagoe Plant in order to effectively utilize and strengthen the management resources and financial base.

(2) Details of assets to be transferred

- (i) Assets to be transferred: Land and buildings  
(ii) Location: 677 Onohara, Shimoakasaka, Kawagoe City, Saitama Prefecture  
(iii) Gain on transfer: 1,505 million yen

\*The carrying amount and transfer price are confidential between the Company and the counterparty and therefore will not be disclosed.

(3) Details of Transferee

- (i) Name: GS Yuasa International Ltd.  
(ii) Location: 1, Inobanba-cho, Nishinosho, Kisshoin, Minami-ku, Kyoto  
(iii) Name of representative: Osamu Murao, President and Representative Director, CEO  
(iv) Capital stock: 10 billion yen  
(v) Business Description: Manufacture and sale of automotive and industrial batteries, power supply systems, power receiving and transforming equipment, and other electrical equipment  
(vi) Major shareholders and shareholding ratios: GS Yuasa Corporation: 100%  
(vii) Relationship with the Company: The Company transferred all shares of Sanken Densetsu Co., Ltd., which had been a subsidiary of the Company, to GS Yuasa International Ltd. in May 2021, There are no other relationships to note.

(4) Transfer Schedule

- Date of Board resolution: April 25, 2024  
Date of contract: April 26, 2024  
Date of transfer of the assets: April 26, 2024

(5) Impact of the event on profit and loss

The Company plans to record the gain on sale of such non-current assets as extraordinary income in the consolidated and non-consolidated financial statements for the fiscal year ending March 31, 2025.

(Capital increase through third-party allotment of a subsidiary and change in scope of consolidation)

The Board of Directors of the Company resolved on January 27, 2023 that Polar Semiconductor, LLC (“PSL”), a consolidated subsidiary of the Company, would issue new shares through third-party allotment, and resolved on April 25, 2024 to issue new shares through third-party allotment to the joint investment company to be newly established by Niobrara Capital and Prysm Capital (the “Investment Company”), and concluded the agreement with the Investment Company. The summary is as follows.

Upon completion of the payment, the Company will exclude PSL from the consolidated subsidiaries.

(1) Overview of capital increase through third-party allotment

- Scheduled payment date: End of June 2024 (planned)  
Amount of funds to be procured: 175 million US dollars  
Method of offering or allotment: All shares will be allotted to the Investment Company by way of third-party allotment.  
Use of funds capital: Capital investment for expansion of production capacity, etc.

(2) Purpose and reason for capital increase through third-party allotment

Amid the need to respond to unprecedented changes in the environment, such as disruptions in the global semiconductor supply chain and the emergence of geopolitical risks, the Company is working to revise its basic production strategies. In response to such changes in the business environment, the Company will adopt the operating structure that incorporates outside capital and human resources, and aim to become a leading wafer fabrication for the automotive, aerospace, and other markets requiring expertise, by reducing the burden of investment in wafer production facilities while expanding production capacity and maximizing our position as a wafer fabrication located in the U.S.

(3) Details of consolidated subsidiary

Name	Polar Semiconductor, LLC
Location	2800 East Old Shakopee Road, Bloomington, MN 55425
Name of representative	Kojiro Hatano, Chairman and CEO
Business Description	Manufacture of semiconductors
Capital contribution	156 million US dollars

(4) Shareholding ratio of the Company before and after the capital increase through third-party allotment

Before change:	85.46% (including indirect shareholding of 15.46%)
After change (planned):	35.90% (including indirect shareholding of 5.20%)

(5) Impact on business performance

The impact of such events on business results for the fiscal year ending March 31, 2025 has not been determined at this time, as the Company is still examining the details.



## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2023 to March 31, 2024)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Legal capital surplus	Other capital surplus	Other retained earnings	
				Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward
<b>Balance at beginning of period</b>	20,896	5,225	4,982	27	15,463
<b>Changes during period</b>					
Dividends of surplus					(726)
Loss					(19,034)
Purchase of treasury shares					
Disposal of treasury shares					
Reversal of reserve for tax purpose reduction entry of non-current assets				(2)	2
Net changes in items other than shareholders' equity					
<b>Total changes during period</b>	–	–	–	(2)	(19,759)
<b>Balance at end of period</b>	20,896	5,225	4,982	25	(4,295)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
<b>Balance at beginning of period</b>	(4,287)	42,308	202	42,510
<b>Changes during period</b>				
Dividends of surplus		(726)		(726)
Loss		(19,034)		(19,034)
Purchase of treasury shares	(14)	(14)		(14)
Disposal of treasury shares	19	19		19
Reversal of reserve for tax purpose reduction entry of non-current assets		–		–
Net changes in items other than shareholders' equity		–	297	297
<b>Total changes during period</b>	5	(19,756)	297	(19,459)
<b>Balance at end of period</b>	(4,282)	22,551	499	23,051

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

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

### Notes to significant accounting policies

#### 1. Standards and methods of valuing the assets

##### (1) Securities

Stocks of subsidiaries and associates: ..... Stated at cost using the moving-average method

##### Other securities

Securities other than shares, etc., that do not have a market price:

Market value method

Differences in valuation are included directly in net assets and costs of sold securities are calculated using the moving-average method.

Shares, etc., that do not have a market price: ... Stated at cost using the moving-average method

##### (2) Derivative transactions

Market value method

##### (3) Inventories

Inventories held for the purpose of ordinary sales

Stated mainly at cost using the moving-average method

(The carrying amounts in the accompanying non-consolidated balance sheets are stated after reducing the book value according to the decreased profitability.)

#### 2. Depreciation methods for non-current assets

(1) Property, plant and equipment: Straight-line method  
(excluding leased assets)

(2) Intangible assets: ..... Straight-line method  
(excluding leased assets) ..... As for software (for in-house use), the straight-line method is used with a useful life of 5 or 10 years.

(3) Leased assets: Leased assets arising from finance lease transactions in which ownership is not transferred  
Depreciation shall be computed by the straight-line method based on the assumptions that the useful life equals the lease term and the residual value equals zero.

#### 3. Standards of accounting for allowances and accruals

##### (1) Allowance for doubtful accounts

Estimated uncollectible amounts are calculated using historical data for trade receivables and individually considering the probability of collection for doubtful receivables.

##### (2) Provision for retirement benefits

Accrued employees' retirement benefits are calculated based on estimates of retirement benefit obligations and pension assets as of the end of the fiscal term.

(i) Method for attributing retirement benefit estimates to periods

When calculating retirement benefit obligations, the benefit formula basis serves as the main basis for attributing retirement benefit estimates to the periods of up to the end of the current fiscal. If pension assets to be recognized as of the end of the fiscal term exceed the amount of difference between retirement benefit obligations and net unrecognized actuarial gain or loss, the difference is recorded as prepaid pension cost in Investments and other assets.

(ii) Method for allocating net unrecognized actuarial gain or loss and past service cost

Net unrecognized actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the declining-balance method over 12 years which is not more than the average remaining service term of employees.

Prior service cost is amortized in the year following the year in which the gain or loss is recognized primarily by the declining-balance method over 14 years which is not more than the average remaining service term of employees.

(3) Provision for performance-linked incentive compensation

Provision for performance-linked incentive compensation for Directors, Corporate Officers, and other officers is calculated based on an estimated amount for payment as of the end of fiscal year under review.

(4) Provision for share-based payments

Provision for share-based payments is calculated based on estimates of share benefit obligations as of the end of fiscal year under review in accordance with the Share Delivery Regulations.

(5) Provision for loss on business of subsidiaries and associates

Provision for loss on business of subsidiaries and associates is calculated based on the financial position of affiliates to prepare for business losses of affiliates.

4. Revenue and expense recognition standards

The Company primarily manufactures and sells semiconductor products and has an obligation to deliver the products to customers.

The Company recognizes revenue by determining that the significant risks and rewards associated with ownership of products, etc. are transferred and performance obligations are fulfilled when:

- The products arrive at the customer for domestic sales.
- The risk burden is transferred to the customer for export sales in accordance with trade terms and conditions stipulated by Incoterms and other regulations.
- The customer picks up and inspects the products delivered by the Company to the consignment warehouse for consignment sales.

The transaction price is measured at the amount of consideration promised in the contract with the customer, less discounts, rebates, returns and other deductions. These variable considerations are estimated based on reasonably available information, including past performance and forecasts.

The promised consideration has been collected within approximately four months from the time the performance obligations were fulfilled, and the amount of consideration does not include a significant financing component.

5. Accounting method for deferred assets

Bond issuance cost is expensed as incurred.

## Notes to accounting estimates

### Valuation of inventories

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

8,685 million yen

(2) Information that contributes to an understanding of the nature of material accounting estimates related to the identified items

Inventories, in principle, are stated at acquisition cost on the non-consolidated balance sheet, and if the net realizable value at the end of the fiscal year is lower than the acquisition cost, the net realizable value is stated as the non-consolidated balance sheet amount.

Inventories exceeding a certain holding period are classified by use and salability, and the carrying amount is regularly devalued according to the holding period for each such classification.

The Company makes estimates and judgments that are considered reasonable based on current conditions and available information. However, in the event of changes in economic conditions, revision of sales plans, or sudden changes in sales prices, which are the assumptions for these estimates, additional losses may be incurred in the next fiscal year.

## Notes to balance sheet

1. Accumulated depreciation of property, plant and equipment 18,474 million yen

### 2. Contingent liabilities

The Company guarantees bank loans of the other companies and others.

P.T. Sanken Indonesia	969 million yen
Sanken Electric Korea Co., Ltd.	337 million yen
Polar Semiconductor LLC	1,514 million yen
Sanken Electric Europe GmbH	4 million yen
Ishikawa Sanken Co., Ltd.	1,700 million yen
Yamagata Sanken Co., Ltd.	900 million yen
Total	5,425 million yen

### 3. Liabilities outstanding under forward exchange contracts

The Company guarantees bank loans for foreign exchange forward contracts with the other company's financial institutions.

Sanken Electric (Thailand) Co., Ltd. 151 million yen

### 4. Receivables from, and payables to subsidiaries and associates:

(1) Short-term receivables	46,877 million yen
(2) Short-term payables	3,295 million yen
(3) Long-term receivables	14,286 million yen

## Notes to statement of income

### 1. Operating transactions with subsidiaries and associates

(1) Net sales	20,073 million yen
(2) Purchases	80,643 million yen
(3) Raw materials, etc. provided	45,468 million yen
(4) Other operating transactions	993 million yen

2. Transactions with subsidiaries and associates other than operating transactions 2,077 million yen

### 3. Loss on disaster

Loss on disaster was caused by the abandonment of inventories that the Company had entrusted to Ishikawa Sanken Co., Ltd., a consolidated subsidiary of the Company, which was damaged by the 2024 Noto Peninsula Earthquake. The breakdown is as follows.

Loss on abandonment of inventories	1,116 million yen
<u>Other related expenses</u>	<u>276 million yen</u>
Total loss on disaster	1,392 million yen

### Notes to statement of changes in net assets

Class and number of treasury stock as of the end of the fiscal term	common stock	950,014 million yen
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### Notes to accounting for income taxes

#### 1. Details of recognition of deferred tax assets and liabilities by principal causes

Deferred tax assets:	Tax loss carry forwards	14,013 million yen
	Loss on valuation of shares of subsidiaries and associates	5,582 million yen
	Allowance for doubtful accounts	1,932 million yen
	Loss on revaluation of inventories	1,365 million yen
	Sale of shares of subsidiaries	424 million yen
	Impairment loss of non-current assets	400 million yen
	Accrued bonuses	180 million yen
	Others	471 million yen
	Sub-total of deferred tax assets	<u>24,372 million yen</u>
	Valuation allowance	<u>(24,087) million yen</u>
	Total of deferred tax assets	284 million yen
Deferred tax liabilities:	Prepaid pension cost	(1,101) million yen
	Valuation difference on available-for-sale securities	(218) million yen
	Others	(11) million yen
	Total of deferred tax liabilities	<u>(1,331) million yen</u>
	Net of deferred tax assets (liabilities)	<u>(1,046) million yen</u>

#### 2. Accounting for corporate and local corporate taxes or tax effect accounting related to these taxes

The Company applies the group tax sharing system. In addition, the Company are accounting for corporate and local corporate taxes and are disclosing tax effect accounting related to these taxes in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No.42, August 12, 2021).”

## Notes to transactions with affiliated parties

### Subsidiaries, etc.

Type	Name of Company, etc.	Location	Common stock or investments (millions of yen)	Field of business or occupation	Ownership of voting rights, etc. (Ownership percentage)	Details of relationship		Details of transaction	Amount of transaction (millions of yen)	Account	Balance as of the end of the fiscal term (millions of yen)
						Concurrently serving directors or audit and supervisory board members, etc.	Factual relationship				
Subsidiary	Ishikawa Sanken Co., Ltd.	Shika-machi, Hakui-gun, Ishikawa Prefecture	95	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 3	Manufacture of our products, Lending of funds Debt guarantee	Purchase of semiconductor products	29,631	Accounts payable - trade	-
								Onerous provision of raw materials	6,800	Accounts receivable - other	3,097
								Transfer of funds	30,272	Loans receivable	10,595
								Debt guarantee	1,700	-	-
	Yamagata Sanken Co., Ltd.	Higashine-shi, Yamagata Prefecture	100	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 3	Manufacture of our products Lending of funds Debt guarantee	Onerous provision of raw materials	7,589	Accounts receivable - other	2,945
								Lending of funds	29,974	Loans receivable	4,976
								Debt guarantee	900	-	-
	Fukushima Sanken Co., Ltd.	Nihonmatsu-shi, Fukushima Prefecture	50	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 3	Manufacture of our products Lending of funds	Purchase of semiconductor elements and products	14,036	Accounts payable - trade	-
Onerous provision of raw materials								19,112	Accounts receivable - other	19,870	
Lending of funds								2,055	Loans receivable	1,445	
Dalian Sanken Electric Co., Ltd.	Dalian City, Liaoning, China	136,197 thousand RMB	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 1	Manufacture of our products Lending of funds	Purchase of semiconductor elements and products	12,662	Accounts payable - trade	1,251	
							Onerous provision of raw materials	7,246	Accounts receivable - other	3,510	
							Lending of funds	-	Loans receivable	832	
Polar Semiconductor, LLC	Bloomington, Minnesota, U.S.A.	156,353 thousand US dollars	Semiconductor Device	Direct ownership 70.0% Indirect ownership 15.3%	Number of concurrently serving directors or audit and supervisory board members: -	Manufacture of our products, Lending of funds Debt guarantee	Purchase of semiconductor elements and products	18,176	Accounts payable - trade	1,105	
							Lending of funds	-	Loans receivable	6,662	
							Debt guarantee	1,514	-	-	
Sanken Electric Hong Kong Co., Ltd.	Hong Kong, China	1,000 thousand HK dollars	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 1	Sale of our products	Sale of products	8,567	Accounts receivable - other	1,649	
							-	-	-	-	
Sanken Electric Korea Co., Ltd.	Seoul Metropolitan Government, Korea	1,200 million Korean Won	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 3	Sale of our products Debt guarantee	Onerous provision of raw materials	4,550	Accounts payable - trade	2,065	
							Debt guarantee	337	-	-	

Note: Concurrently serving directors or audit and supervisory board members are presented as of March 31, 2024.

### Conditions of transactions and decision policies thereof

1. The sale and purchase prices of our products are determined based on the market value as a reference.
2. The onerous provision prices of raw materials are determined on the basis of the Company's estimated cost.
3. With respect to the lending and the borrowing of funds, interest rates are reasonably determined in consideration of market rates.
4. With regard to doubtful receivables from subsidiaries, 4,040 million yen was recorded as provision of allowance for doubtful accounts (non-operating expenses). In P.T. Sanken Indonesia, 43 million yen was recorded as provision for loss on business of subsidiaries and associates for the portion of the insolvency that exceeds the loan..
5. The Company guarantees bank loans of subsidiaries and associates. The Company does not receive the guarantee charge.

**Notes to revenue recognition**

Please refer to Notes to Consolidated Financial Statements.

**Notes to per share data**

1. Net assets per share	954.59 yen
2. Net loss per share	788.34 yen

**Notes to significant subsequent events**

Please refer to Notes to Consolidated Financial Statements.