DISCLOSED INFORMATION ON THE INTERNET AT THE TIME OF NOTIFYING CONVOCATION OF THE 105TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

For The 105th Fiscal Term (from April 1, 2021 to March 31, 2022)

CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

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Sanken Electric Co., Ltd.

All matters above are provided to shareholders of the Company on the website of the Company on the Internet (https://www.sanken-ele.co.jp/) in accordance with all laws and the Articles of incorporation of the Company.
Please note that the documents disclosed on our website formed part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Audit and Supervisory Board Members and Accounting Auditor during the preparation of the Audit Reports.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2021 to March 31, 2022)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	**20,896**	**60,882**	**6,599**	**(4,226)**	**84,153**
Cumulative effects of changes in accounting policies			(192)		(192)
Restated balance	**20,896**	**60,882**	**6,407**	**(4,226)**	**83,960**
Change of items during the period					
Dividends of surplus			(363)		(363)
Profit attributable to owners of parent			3,204		3,204
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		0		14	14
Change in ownership interest of parent due to transactions with non-controlling interests		(263)			(263)
Share-based payment transaction		2,082			2,082
Net change of items other than shareholders' equity					—
Total changes of items during the period	**—**	**1,818**	**2,841**	**3**	**4,663**
Balance at the end of current period	**20,896**	**62,701**	**9,248**	**(4,222)**	**88,624**

	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		
Balance at beginning of current period	**46**	**1,332**	**(1,955)**	**(577)**	**29,674**	**113,250**
Cumulative effects of changes in accounting policies						(192)
Restated balance	**46**	**1,332**	**(1,955)**	**(577)**	**29,674**	**113,058**
Change of items during the period						
Dividends of surplus				—		(363)
Profit attributable to owners of parent				—		3,204
Purchase of treasury stock				—		(10)
Disposal of treasury stock				—		14
Change in ownership interest of parent due to transactions with non-controlling interests				—		(263)
Share-based payment transaction				—		2,082
Net change of items other than shareholders' equity	54	6,238	633	6,926	12,756	19,682
Total changes of items during the period	**54**	**6,238**	**633**	**6,926**	**12,756**	**24,346**
Balance at the end of current period	**101**	**7,570**	**(1,322)**	**6,349**	**42,430**	**137,404**

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: 32

(2) Names of principal consolidated subsidiaries:
Ishikawa Sanken Co., Ltd., Yamagata Sanken Co., Ltd., Kashima 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 provisionary 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) Tangible fixed assets (excluding lease assets)
Mainly adopts the straight-line method.
Useful lives of main asset are as follows:

Buildings and structures	8 to 60 years
Machinery and transportation equipment	3 to 12 years

(ii) Intangible assets (excluding lease 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) Lease assets
Lease 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 fixed assets.
Lease 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 receivables

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

(ii) Accrued retirement benefits for directors and statutory auditors

Accrued retirement benefits for directors and statutory auditors 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 compensation

Provision for performance-linked 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 compensation

Provision for share-based compensation 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 business structure reform

Provision for business structure reform is calculated in an amount reasonably estimated as a result of the events before the fiscal year under review.

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

(i) Accounting method for deferred assets

Bond issuance cost is 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 15 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) Foreign currency translation

All monetary assets and liabilities in denominated in foreign currencies are converted 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 no-controlling interests of net assets.

(iv) Revenue and expense recognition standards

The Company Group primarily manufactures and sells semiconductor products. The Company recognizes revenues when the products arrive at the customer for domestic sales and when the risk burden is transferred to the customer for export sales in accordance with trade terms and conditions stipulated by Incoterms and other regulations. In addition, revenues are measured at the amount of consideration promised in the contract with the customer, less discounts, rebates, and other expenses.

(v) Consolidated tax payment system

The Company adopts the consolidated tax payment system.

Notes to changes in the accounting policies

(Application of accounting standards for revenue recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the consolidated fiscal year under review. The Company recognizes revenues when control of promised goods or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

As a major change, the Company previously recognized revenues from sales of semiconductor and other goods at the time of shipment for domestic sales and at the time of export customs clearance for export sales, but has changed to recognizing revenues when the products arrive at the customer for domestic sales and when the risk burden is transferred to the customer for export sales based on trade terms stipulated by Incoterms and other regulations. In addition, sales discount fees, which were previously recorded as non-operating expenses, are now deducted from net sales as consideration paid to customers. Furthermore, the Company previously recognized consideration received from suppliers for paid transactions that constitute repurchase agreements as revenue, but has changed to a method of not recognizing such consideration as revenue.

In addition, Sanken Densetsu Co., Ltd., which was a domestic consolidated subsidiary in the social systems business of the Company, previously identified product delivery, installation of the products, and the on-site adjustment work separately as separate transactions, but has changed to a method of identifying them as a single performance obligation and recognizing revenue when both installation and on-site adjustment work are completed.

The Company applies the Accounting Standard for Revenue Recognition and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactive application of new accounting policies effective prior to the beginning of the current consolidated fiscal year is added to or subtracted from retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policies are applied from the beginning balance of the current consolidated fiscal year.

As a result, net sales and cost of sales increased 351 million yen and 304 million yen, respectively, and non-operating expenses decreased 65 million yen in the current consolidated fiscal year. This resulted in an increase of 47 million yen in gross profit and operating income, and an increase of 112 million yen in ordinary income and income before income taxes. In addition, retained earnings at the beginning of the period decreased by 192 million yen.

(Application of U.S. FASB Accounting Standards Codification (ASC) No. 842 "Leases")

Some foreign consolidated subsidiaries accounted for under U.S. GAAP have adopted the Accounting Standards Codification (ASC) No. 842 "Leases" from the beginning of the current consolidated fiscal year. As a result of this change, all leasing transactions of lessees in such foreign consolidated subsidiaries are generally recorded as assets and liabilities on the balance sheet.

Consequently, at the beginning of the current consolidated fiscal year, "Lease assets" under property, plant and equipment, "Lease obligations" under current liabilities, and "Lease obligations" under long-term liabilities increased by 2,037 million yen, 314 million yen, and 1,762 million yen, respectively. When applying the accounting standards, the Company recognizes the cumulative effect of adopting these standards at the date of adoption as permitted under the transitional provisions. There is no material impact on the consolidated statement of income for the current consolidated fiscal year.

(Application of accounting standards concerning fair value measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the first quarter of the current consolidated fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

This does not affect the consolidated financial statements in the current consolidated fiscal year.

Notes to changes in presentation

(Consolidated balance sheet)

In the previous consolidated fiscal year, Directors' performance-linked compensation was separately presented as "Provision for performance-linked directors' compensation." However, due to the increased importance of the amount of compensation based on the performance-linked compensation plan, the performance-linked compensation for Directors, Corporate Officers, and other officers is now separately presented as "Provision for

performance-linked compensation."
In the previous consolidated fiscal year, the performance-linked compensation for Directors was posted to the provision for performance-linked directors' compensation of 43 million yen, and the performance-linked compensation for Corporate Officers and other officers was posted to the accrued expenses of 33 million yen.

Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of tangible fixed assets 175,694 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	967,129	1,940	7,465	961,604

(Notes)1. Treasury stock as of the end of the current consolidated fiscal year includes 90,100 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 1,940 shares was due to the purchase of less-than-a-full-unit shares.
3. The decrease in treasury stock of 7,465 shares was due to a decrease of 7,400 shares due to company stock held by the stock delivery trust for the Directors and employees, as well as a decrease of 65 shares due to request for sale of less-than-a-full-unit shares.

(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 26, 2020	Common stock	363	15.00	March 31, 2020	June 29, 2020

(Note) The total amount of dividends includes the dividends of 1 million yen paid to the shares of company stock held in a trust account for the stock delivery trust for the Directors and employees.

(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

Resolution	Class of share	Total amount (million yen)	Dividend per share (yen)	Record date	Effective date
Shareholders' Meeting held on November 5, 2021	Common stock	363	15.00	September 30, 2021	December 3, 2021
Shareholders' Meeting held on June 24, 2022	Common stock	363	15.00	March 31, 2022	June 27, 2022

(Note) The total amount of dividends includes the dividends of 1 million yen paid to the shares of company stock held in a trust account for the stock delivery trust for the Directors and employees.

(4) Stock Acquisition Rights

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 receivable 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 bank loans and commercial papers are fundraising instruments that mainly pertain to operating funds, while long-term bank loans, 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 loans and long-term loans 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, 2022 (consolidated closing date for the current fiscal year). Shares, etc., that do not have a market price (332 million yen on the consolidated balance sheet) are not included in "Other securities." In addition, notes on cash are omitted. Also, notes on deposits 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	2	2	—
(2) Electronically recorded monetary claims - operating	2,453	2,453	—
(3) Accounts receivable - trade	33,160	33,160	—
(4) Securities and Investment securities			
Other securities	2,151	2,151	—
(5) Notes and accounts payable - trade	(17,916)	(17,916)	—
(6) Short-term bank loans	(10,681)	(10,681)	—
(7) Commercial paper	(6,000)	(6,000)	—
(8) Bonds payable	(5,000)	(4,907)	-92
(9) Long-term bank loans (Including current portion long-term loans payable)	(43,642)	(44,045)	403
(10) Lease obligations	(2,059)	(2,057)	-2
(11) Derivative transactions (*2)	1,186	1,186	—

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

*2: 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	2,151	332	－	2,483
Total assets	2,151	332	－	2,483
Lease obligations		2,013		2,013
Derivative transactions Currency derivatives transactions	－	1,186	－	1,186
Total liabilities	－	3,199	－	3,199

(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	－	35,617	－	35,617
Total assets	－	35,617	－	35,617
Notes and accounts payable - trade	－	17,916	－	17,916
Short-term loans payable	－	10,681	－	10,681
Commercial paper	－	6,000	－	6,000
Bonds payable	－	4,907	－	4,907
Long-term loans payable	－	44,045	－	44,045
Lease obligations	－	44	－	44
Total liabilities	－	83,593	－	83,593

(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. On the other hand, the fair value of unlisted stocks held by the Company are classified as Level 2 because they are not traded frequently in the public market and not considered to have quoted prices in active markets.

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 loans payable, and Commercial paper

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 loans payable and Lease obligations

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.

Long-term loans receivable

The fair value of long-term loans receivable is categorized by a specified period and measured using the discounted cash flow method based on future cash flows and an interest rate obtained by adding the credit spread to government bond yields and other appropriate indicators for each type of credit risk categorized for credit management purposes, and is classified as Level 2. In addition, the fair value of doubtful receivables is measured using the discounted cash flow method mainly based on estimated cash flows discounted to the present value using similar rates or the amount expected to be recovered over collateral and guarantees. As unobservable inputs are not significant to the fair value measurement, it 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	87,899	53,384	34,377	175,660

・Net sales by region

(millions of yen)

	Japan	Asia	North America	Europe	Total
Net sales	47,436	94,185	18,276	15,762	175,660

・Net sales by product

(millions of yen)

	Power module	Power device	Sensor	Others	Total
Net sales	42,265	77,314	55,206	875	175,660

(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; (4) Other significant matters for the preparation of the consolidated financial statements; (iv) Revenue and expense recognition standards."

(3) Information in understanding revenue amounts for the current consolidated fiscal year and subsequent consolidated fiscal years

(i) Balance of receivables from contracts with customers

(millions of yen)

	Current consolidated fiscal year
Receivables from contracts with customers (beginning balance)	36,962
Receivables from contracts with customers (ending balance)	35,617

Notes to per share information

(1) Net assets per share 3,934.87 yen

(2) Net loss per share 132.79 yen

Notes to important subsequent events

Not applicable

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2021 to March 31, 2022)

(millions of yen)

	Shareholders' equity				
		Capital surplus		Retained earnings	
				Other retained earnings	
	Common stock	Capital reserve	Other capital surplus	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward
Balance at beginning of the fiscal year	20,896	5,225	4,982	32	23,736
Cumulative effects of changes in accounting policies					(190)
Restated balance	20,896	5,225	4,982	32	23,545
Dividends of surplus					(363)
Net loss					(3,133)
Acquisition of treasury stock					
Disposal of treasury stock			0		
Reversal of reserve for advanced depreciation of fixes assets				(2)	2
Net change in items other than shareholders' equity during the fiscal year					
Total change during the fiscal year	—	—	0	(2)	(3,494)
Balance at end of the fiscal year	20,896	5,225	4,982	29	20,051

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	
Balance at beginning of the fiscal year	(4,226)	50,647	47	50,694
Cumulative effects of changes in accounting policies		(190)		(190)
Restated balance	(4,226)	50,456	47	50,503
Dividends of surplus		(363)		(363)
Net loss		(3,133)		(3,133)
Acquisition of treasury stock	(10)	(10)		(10)
Disposal of treasury stock	14	14		14
Reversal of reserve for advanced depreciation of fixes assets		—		—
Net change in items other than shareholders' equity during the fiscal year		—	54	54
Total change during the fiscal year	3	(3,492)	54	(3,438)
Balance at end of the fiscal year	(4,222)	46,963	101	47,064

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 affiliates: 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 based on the closing market price as of the end of the 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

(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 fixed assets

(1) Tangible fixed assets: Straight-line method
(excluding lease assets)

(2) Intangible 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.

(3) Lease assets: Lease 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 receivables

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

(2) Accrued 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 compensation

Provision for performance-linked 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 compensation

Provision for share-based compensation 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 affiliates

Provision for loss on business of subsidiaries and affiliates is calculated based on estimates of losses to be borne in consideration of the financial conditions of subsidiaries and affiliates.

4. Revenue and expense recognition standards

The Company primarily manufactures and sells semiconductor products. The Company recognizes revenues when the products arrive at the customer for domestic sales and when the risk burden is transferred to the customer for export sales in accordance with trade terms and conditions stipulated by Incoterms and other regulations. In addition, revenues are measured at the amount of consideration promised in the contract with the customer, less discounts, rebates, and other expenses.

5. Other significant matters constituting basis for the preparation of the financial statements

(1) Accounting for retirement benefits

The accounting methods adopted for net unrecognized actuarial gain or loss and unrecognized past service cost relating to retirement benefits in the non-consolidated financial statements differ from those adopted in the consolidated financial statements.

(2) Accounting method for deferred assets

Bond issuance cost is expensed as incurred.

Notes to changes in accounting policies

(Application of accounting standards for revenue recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. The Company recognizes revenues when control of promised goods or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

As a major change, the Company previously recognized revenues from sales of semiconductor and other goods at the time of shipment for domestic sales and at the time of export customs clearance for export sales, but has changed to recognizing revenues when the products arrive at the customer for domestic sales and when the risk burden is transferred to the customer for export sales based on trade terms stipulated by Incoterms and other regulations. In addition, sales discount fees, which were previously recorded as non-operating expenses, are now deducted from net sales as consideration paid to customers. Furthermore, the Company previously recognized consideration received from suppliers for paid transactions that constitute repurchase agreements as revenue, but has changed to a method of not recognizing such consideration as revenue.

The Company applies the Accounting Standard for Revenue Recognition and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactive application of new accounting policies effective prior to the beginning of the current fiscal year is added to or subtracted from retained earnings at the beginning of the current fiscal year, and the new accounting policies are applied from the beginning balance of the current fiscal year.

As a result, net sales and cost of sales increased 440 million yen and 388 million yen, respectively, and non-operating expenses decreased 65 million yen in the current fiscal year. This resulted in an increase of 51 million yen in gross profit, and a decrease of 51 million yen in operation loss, and a decrease of 117 million yen in ordinary loss and loss before income taxes. In addition, retained earnings at the beginning of the period decreased by 190 million yen.

(Application of accounting standards concerning fair value measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc., in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

This does not affect the financial statements in the current fiscal year.

Notes to changes in presentation

(Non-consolidated balance sheet)

Electronically recorded receivables" under current assets and "Electronically recorded payables" under current liabilities, which were not presented separately in the previous fiscal year, are presented separately to enhance the clarity of the balance sheet in the current fiscal year.

In the previous fiscal year, Directors’ performance-linked compensation was separately presented as “Provision for performance-linked officer’s compensation.” However, due to the increased importance of the amount of compensation based on the performance-linked compensation plan, the performance-linked compensation for Directors, Corporate Officers, and other officers is now separately presented as “Provision for performance-linked compensation.” In the previous fiscal year, the performance-linked compensation for Directors was posted to the provision for performance-linked officer’s compensation of 43 million yen, and the performance-linked compensation for Corporate Officers and other officers was posted to the accrued expenses of 33 million yen.

(Non-consolidated statement of income)

“Product compensation expenses,” which was included in “Miscellaneous losses” under “Other expenses” in the previous fiscal year, is now listed separately on the non-consolidated statement of income, due to the increased importance of the amount in the current fiscal year.

Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets	19,888 million yen

2. Contingent liabilities

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

P.T. Sanken Indonesia	795 million yen
Sanken Electric Korea Co., Ltd.	607 million yen
Total	1,402 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.	122 million yen

4. Receivables from, and payables to subsidiaries and affiliates:

(1) Short-term receivables	33,329 million yen
(2) Short-term payables	6,472 million yen
(3) Long-term receivables	12,743 million yen

Notes to statement of income

1. Operating transactions with subsidiaries and affiliates

(1) Net sales	26,259 million yen
(2) Purchases	94,591 million yen
(3) Raw materials, etc. provided	39,358 million yen
(4) Other operating transactions	845 million yen

2. Transactions with subsidiaries and affiliates other than operating transactions	934 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 961,604

Notes to accounting for income taxes

Details of recognition of deferred tax assets and liabilities by principal causes

Deferred tax assets:	Tax loss carry forwards	8,932 million yen
	Loss on revaluation of securities of subsidiaries and affiliates	5,372 million yen
	Allowance for doubtful receivables	1,299 million yen
	Loss on revaluation of inventories	878 million yen
	Impairment loss of fixed assets	690 million yen
	Sale of shares of subsidiaries	424 million yen
	Accrued bonuses	224 million yen
	Provision for structural reform	112 million yen
	Others	295 million yen
	Sub-total of deferred tax assets	18,231 million yen
	Valuation allowance	(17,850) million yen
	Total of deferred tax assets	381 million yen
Deferred tax liabilities:	Prepaid pension cost	(905) million yen
	Valuation difference on available-for-sale securities	(44) million yen
	Others	(51) million yen
	Total of deferred tax liabilities	(1,001) million yen
	Net of deferred tax assets (liabilities)	(620) million yen

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 the of 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	Purchase of semiconductor products	35,694	Accounts payable-trade	–
								Onerous provision of raw materials	8,967	Accounts receivable-other	2,385
								Transfer of funds	36,868	Loans receivable	9,088
	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	Onerous provision of raw materials	7,208	Accounts receivable-other	2,213
								Lending of funds	27,238	Loans receivable	4,764
	Kashima Sanken Co., Ltd.	Kamisu-shi, Ibaraki Prefecture	75	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 2	Manufacture of our products	Lending of funds	7,929	Loans receivable	3,163
	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: 2	Manufacture of our products	Purchase of semiconductor elements and products	15,266	Accounts payable-trade	–
								Onerous provision of raw materials	14,682	Accounts receivable-other	5,658
	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: 2	Manufacture of our products	Purchase of semiconductor elements and products	10,512	Accounts payable-trade	1,124
								Onerous provision of raw materials	5,622	Accounts receivable-other	2,556
	Polar Semiconductor, LLC	Bloomington, Minnesota, U.S.A.	156,353 thousand US dollars	Semiconductor Device	Direct ownership 70.0% Indirect ownership 15.5%	Number of concurrently serving directors or audit and supervisory board members: 1	Manufacture of our products	Purchase of semiconductor elements and products	10,138	Accounts payable-trade	851
								Lending of funds	–	Loans receivable	5,386
	Allegro MicroSystems, Inc.	Manchester, New Hampshire, USA	1,904 thousand US dollars	Semiconductor Device	Direct ownership 51.7%	Number of concurrently serving directors or audit and supervisory board members: 3	Manufacture of our products	Purchase of semiconductor products	16,522	Accounts payable-trade	3,341
	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	15,079	Accounts receivable-trade	3,364
	Sanken Electric (Thailand) Co., Ltd.	Bangkok, Thailand	11,000 thousand Thai baht	Semiconductor Device	Direct ownership 100%	Number of concurrently serving directors or audit and supervisory board members: 1	Sale of our products	Sale of products	4,181	Accounts receivable-trade	1,368

Note: Concurrently serving directors or audit and supervisory board members are presented as of March 31, 2022.

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, 143 million yen was recorded as allowance for doubtful receivables. In Kashima Sanken Co., Ltd., an allowance for business loss of affiliated companies of 370 million yen is recorded for the portion of the insolvency that exceeds the loan. An increase of 1,793 million yen in loans receivable to the company was transferred to allowance for doubtful receivables, while an increase of 435 million yen in the insolvency portion that exceeds the loan was recorded as provision for loss on business of subsidiaries and affiliates.

Notes to per share data

1. Net assets per share	1,949.95 yen
2. Net loss per share	129.81 yen

Notes to revenue recognition

Useful information in understanding revenue

Same as Notes to Consolidated Financial Statements.