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Securities Code: 6707  
June 8, 2023

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 106TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby notify you of the 106th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

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 106th 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 22, 2023. 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 23, 2023
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 106th Fiscal Term (from April 1, 2022 to March 31, 2023)
  2. The Non-Consolidated Financial Statements for the 106th Fiscal Term (from April 1, 2022 to March 31, 2023)

### **Proposals to be resolved:**

- Proposal No. 1:** Appropriations of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Ten Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 4:** Election of Three Directors who are Audit and Supervisory Committee Members
- Proposal No. 5:** Election of One Alternate Director who is an Audit and Supervisory Committee Member
- Proposal No. 6:** Determination of the Amount of Compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members)
- Proposal No. 7:** Determination of the Amount of Compensation, etc. for Directors who are Audit and Supervisory Committee Members
- Proposal No. 8:** Determination of the Amount and Other Details of Performance-Linked Share Compensation for Directors

- 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 including promoting women's participation and advancement.

# REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

## Proposals and references

### Proposal No. 1: Appropriations of Surplus

The Company places returning profits to shareholders as one of the most important corporate policies, and is committed to ensure a steady and stable stream of dividends by securing internal reserves necessary to strengthen an overall management foundation, while enhancing profitability through aggressive business development and improving financial performance.

The Company proposes to pay the year-end dividend for the fiscal year under review of 15 yen per share in line with the above basic policy for dividends. As a result, the annual dividend for the current fiscal year will be 30 yen per share, including the interim dividend of 15 yen per share already paid.

#### Year-end dividend

(1) Allotment of property dividend to shareholders and the total amount	15.00 yen per share of common stock of the Company Total amount: 363,377,025 yen
(2) Effective date of distribution of surplus	June 26, 2023

## Proposal No. 2: Partial Amendments to the Articles of Incorporation

### 1. Reason for the proposal

- (1) In a company with an Audit and Supervisory Committee, having the committee members, the majority of whom are external directors, take responsibility for the auditing and supervision of the legality and appropriateness of business execution by directors, will enhance the transparency of management and enable the establishment of a system that will meet the expectations of stakeholders in Japan and overseas more accurately. Additionally, the delegation of the decision-making authority of the Board of Directors to the directors will further speed up management decision-making and execution under the appropriate supervision of the Board of Directors. In light of the above, the Company proposes to amend its Articles of Incorporation to transition to a company with an Audit and Supervisory Committee. The amendments include the establishment of provisions on the Audit and Supervisory Committee and Directors who are Audit and Supervisory Committee Members required for the transition to a Company with an Audit and Supervisory Committee and deletion of the provisions on the Audit and Supervisory Board and its members.
- (2) Other necessary amendments will be made, including changes to the wording due to the amendments described above.

### 2. Contents of the amendments

The contents of the amendments are as follows.

(Underlines indicate amended sections)

Current Articles of Incorporation	Proposed amendments
<p>CHAPTER 1 GENERAL PROVISIONS</p> <p>(Organizational Bodies) Article 4</p> <p>The Company shall have the following organizational bodies, in addition to the General Meeting of Shareholders and Directors.</p> <p>(1) Board of Directors (2) <u>Audit and Supervisory Board Members</u> (3) <u>Audit and Supervisory Board</u> (4) Accounting Auditor</p> <p style="text-align: center;">CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors) Article 19</p> <p>The Company shall have not more than fifteen (15) Directors.</p> <p style="text-align: center;">(Newly established)</p> <p>(Election) Article 20</p> <p>1. Directors shall be elected at a General Meeting of Shareholders.</p> <p>2.–3. (Provisions omitted)</p>	<p>CHAPTER 1 GENERAL PROVISIONS</p> <p>(Organizational Bodies) Article 4</p> <p>The Company shall have the following organizational bodies, in addition to the General Meeting of Shareholders and Directors.</p> <p>(1) Board of Directors (2) <u>Audit and Supervisory Committee</u> (Deleted) (3) Accounting Auditor</p> <p style="text-align: center;">CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors) Article 19</p> <p><u>1. The Company shall have not more than fifteen (15) Directors (excluding Directors who are Audit and Supervisory Committee Members).</u></p> <p><u>2. The Company shall have not more than five (5) Directors who are Audit and Supervisory Committee Members.</u></p> <p>(Election) Article 20</p> <p>1. Directors shall be elected at a General Meeting of Shareholders, <u>distinguishing between Directors who are Audit and Supervisory Committee Members and other Directors.</u></p> <p>2.–3. (Unchanged)</p>

Current Articles of Incorporation	Proposed amendments
<p>(Newly established)</p> <p>(Newly established)</p> <p>(Terms of Office) Article 21 The term of office of Directors shall expire at the close of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within one (1) year after the election.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Convocation of Board of Directors' Meetings) Article 22 The notice of convocation for Board of Directors' meetings shall be sent to each Director <u>and Audit and Supervisory Board Member</u> at least three (3) days in advance. Notwithstanding the foregoing, however, such period may be shortened in case of an emergency.</p> <p>Article 23–Article 24 (Provisions omitted)</p>	<p>4. <u>In case there is a vacancy in the Audit and Supervisory Committee and the number of incumbents is less than the minimum thresholds required by laws and regulations, the Company may appoint alternate Directors who are Audit and Supervisory Committee Members by election of the General Meeting of Shareholders, in accordance with the provisions of Article 329, paragraph 3 of the Companies Act.</u></p> <p>5. <u>The resolution on the election of the alternate Directors who are Audit and Supervisory Committee Members, as provided for in the preceding paragraph, shall remain effective until the start of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within two (2) years after the resolution for the election.</u></p> <p>(Terms of Office) Article 21 1. <u>The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall expire at the close of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within one (1) year after the election.</u></p> <p>2. <u>The term of office of Directors who are Audit and Supervisory Committee Members shall expire at the close of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within two (2) years after the election.</u></p> <p>3. <u>The term of office of any Director who is an Audit and Supervisory Committee Member elected to fill a vacancy created by a Director who is an Audit and Supervisory Committee Member resigned before the expiry of his/her term of office, shall succeed the remaining term of office of his/her predecessor and expire at the end of the predecessor's term of office.</u></p> <p>(Convocation of Board of Directors' Meetings) Article 22 The notice of convocation for Board of Directors' meetings shall be sent to each Director at least three (3) days in advance. Notwithstanding the foregoing, however, such period may be shortened in case of an emergency.</p> <p>Article 23–Article 24 (Unchanged)</p>

Current Articles of Incorporation	Proposed amendments
<p>(Omission of Resolution of the Board of Directors) Article 25</p> <p>The Company shall deem that matters subject to resolution of the Board of Directors have been approved by the Board of Directors, if all Directors who are entitled to participate in the vote indicate their consent either in writing or in electronic form. <u>Notwithstanding the foregoing, however, this does not apply if any Audit and Supervisory Board Member raises an objection.</u></p> <p>(Newly established)</p> <p>Article 26 (Provisions omitted)</p> <p>(Representative Directors and Directors with Special Titles) Article 27</p> <p>1. The Board of Directors shall, by its resolution, appoint Representative Directors.</p> <p>2. The Board of Directors may, by its resolution, designate one (1) Director, Chairman; one (1) Director, President; and one (1) or more Director, Vice President.</p> <p>Article 28 (Provisions omitted) (Compensation, etc.) Article 29</p> <p>Compensation, bonuses, and other financial benefits Directors receive from the Company in consideration of the execution of their duties (<u>hereinafter referred to as "Compensation, etc."</u>) shall be decided by resolution of the General Meeting of Shareholders.</p> <p>Article 30 – Article 32 (Provisions omitted)</p> <p style="text-align: center;"><b>CHAPTER 6</b> <b><u>THE AUDIT AND SUPERVISORY BOARD AND ITS MEMBERS</u></b></p> <p>(Number of Audit and Supervisory Board Members) Article 33</p> <p><u>The Company shall have not more than four (4) Audit and Supervisory Board Members.</u></p>	<p>(Omission of Resolution of the Board of Directors) Article 25</p> <p>The Company shall deem that matters subject to resolution of the Board of Directors have been approved by the Board of Directors, if all Directors who are entitled to participate in the vote indicate their consent either in writing or in electronic form.</p> <p><u>(Delegation of Decision Making on Important Business Execution)</u> Article 26</p> <p><u>Pursuant to Article 399-13, paragraph 6 of the Companies Act, the Company may, by resolution of the Board of Directors, delegate to Directors all or part of the authority to make decisions on important business execution (excluding matters listed in each item of paragraph 5 of the same Article).</u></p> <p>Article 27 (Unchanged)</p> <p>(Representative Directors and Directors with Special Titles) Article 28</p> <p>1. The Board of Directors shall, by its resolution, appoint Representative Directors <u>from among Directors (excluding Directors who are Audit and Supervisory Committee Members).</u></p> <p>2. The Board of Directors may, by its resolution, designate one (1) Director, Chairman; one (1) Director, President; and one (1) or more Director, Vice President <u>from among Directors (excluding Directors who are Audit and Supervisory Committee Members).</u></p> <p>Article 29 (Unchanged) (Compensation, etc.) Article 30</p> <p>Compensation, bonuses, and other financial benefits Directors receive from the Company in consideration of the execution of their duties shall be decided by resolution of the General Meeting of Shareholders, <u>distinguishing between Directors who are Audit and Supervisory Committee Members and other Directors.</u></p> <p>Article 31 – Article 33 (Unchanged)</p> <p style="text-align: center;">(Deleted)</p> <p style="text-align: center;">(Deleted)</p>

Current Articles of Incorporation	Proposed amendments
<p><u>(Election)</u>  <u>Article 34</u>  1. <u>Audit and Supervisory Board Members shall be elected at a General Meeting of Shareholders.</u>  2. <u>Resolutions for the election of Audit and Supervisory Board Members shall be adopted by a majority of voting rights of shareholders present at a General Meeting of Shareholders attended by shareholders holding not less than one-third (1/3) of the total number of voting rights entitled to be exercised.</u>  3. <u>In case there is a vacancy in the Audit and Supervisory Board and the number of incumbents is less than the minimum thresholds required by laws and regulations, the Company may appoint alternate Audit and Supervisory Board Members by election of the General Meeting of Shareholders, in accordance with the provisions of Article 329, paragraph 3 of the Companies Act.</u>  4. <u>The resolution on the election of the alternate Audit and Supervisory Board Members, as provided for in the preceding paragraph, shall remain effective until the start of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within four (4) years after the resolution for the election.</u></p> <p><u>(Term of Office)</u>  <u>Article 35</u>  1. <u>The term of office of Audit and Supervisory Board Members shall expire at the close of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within four (4) years after the election.</u>  2. <u>The term of office of any Audit and Supervisory Board Member elected to fill a vacancy created by an Audit and Supervisory Board Member resigned before the expiry of his/her term of office, shall succeed the remaining term of office of his/her predecessor and expire at the end of the predecessor's term of office. Notwithstanding the foregoing, however, when the alternate Audit and Supervisory Board Member so elected according to the provisions of the paragraph 3 of the preceding Article assumes the office, the term of the office shall not exceed the close of the Ordinary General Meeting of Shareholders related to the last fiscal year which ends within four (4) years after the election as the alternate Audit and Supervisory Board Member.</u></p>	<p>(Deleted)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed amendments
<p><u>(Convocation of Audit and Supervisory Board Meetings)</u>  <u>Article 36</u>  <u>The notice of convocation for Audit and Supervisory Board meetings shall be sent to each Audit and Supervisory Board Member at least three (3) days in advance. Notwithstanding the foregoing, however, such period may be shortened in case of an emergency.</u></p>	(Deleted)
<p><u>(Method of Adopting Resolutions of the Audit and Supervisory Board)</u>  <u>Article 37</u>  <u>Unless otherwise specified by laws and regulations, resolutions of the Audit and Supervisory Board shall be adopted by a majority vote of Audit and Supervisory Board Members.</u></p>	(Deleted)
<p><u>(Regulations of the Audit and Supervisory Board)</u>  <u>Article 38</u>  <u>Matters concerning the Audit and Supervisory Board shall be governed by the Regulations of the Audit and Supervisory Board set by the Audit and Supervisory Board, in addition to laws and regulations and the Articles of Incorporation.</u></p>	(Deleted)
<p><u>(Compensation, etc.)</u>  <u>Article 39</u>  <u>Compensation, etc. for Audit and Supervisory Board Members shall be decided by resolution of the General Meeting of Shareholders.</u></p>	(Deleted)
<p><u>(Agreement to Limit External Audit and Supervisory Board Members' Liabilities)</u>  <u>Article 40</u>  <u>Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with External Audit and Supervisory Board Members to limit their liability for damages caused by negligence of their duties. Notwithstanding the foregoing, however, the liabilities based on the said agreement shall be limited to the amount stipulated by laws and regulations.</u></p>	(Deleted)
<p>(Newly established)</p>	<p><u>CHAPTER 6</u>  <u>AUDIT AND SUPERVISORY COMMITTEE</u></p>
<p>(Newly established)</p>	<p><u>(Convocation of Audit and Supervisory Committee Meetings)</u>  <u>Article 34</u>  <u>The notice of convocation for Audit and Supervisory Committee meetings shall be sent to each Audit and Supervisory Committee Member at least three (3) days in advance. Notwithstanding the foregoing, however, such period may be shortened in case of an emergency.</u></p>



Current Articles of Incorporation	Proposed amendments
(Newly established)	<u>(Method of Adopting Resolutions of the Audit and Supervisory Committee)</u> <u>Article 35</u> <u>Resolutions of the Audit and Supervisory Committee shall be adopted by a majority vote of Audit and Supervisory Committee Members present at a meeting attended by a majority of Audit and Supervisory Committee Members entitled to participate in the vote.</u>
(Newly established)	<u>(Regulations of the Audit and Supervisory Committee)</u> <u>Article 36</u> <u>Matters concerning the Audit and Supervisory Committee shall be governed by the Regulations of the Audit and Supervisory Committee set by the Audit and Supervisory Committee, in addition to laws and regulations and the Articles of Incorporation.</u>
(Newly established)	<u>(Full-time Audit and Supervisory Committee Members)</u> <u>Article 37</u> <u>The Audit and Supervisory Committee may, by its resolution, appoint full-time Audit and Supervisory Committee Members.</u>
Article <u>41</u> –Article <u>44</u> (Provisions omitted)	Article <u>38</u> –Article <u>41</u> (Unchanged)

### Proposal No. 3: Election of Ten Directors (excluding Directors who are Audit and Supervisory Committee Members)

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee and all nine Directors will retire from office due to expiration of their terms of office when the amendments to the Articles of Incorporation take effect. Accordingly, the Company proposes the election of ten Directors (excluding Directors who are Audit and Supervisory Committee Members; applicable to the rest of this Proposal) after the transition to a company with an Audit and Supervisory Committee, adding one Director to strengthen the supervisory function and further improve the corporate governance system.

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 and Proposal No. 4, there will be six internal Directors and seven external Directors, and the majority of the Board of Directors will be external Directors.

This Proposal shall become effective only if the amendments to the Articles of Incorporation stated in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” take effect.

The table on the page that follows lists the nominees for those positions.

No.	Name		Current position and responsibility at the Company	Attendance at Board of Directors meetings
1	Hiroshi Takahashi	Reelection	President and Representative Director	100% (9/9)
2	Satoshi Yoshida	Reelection	Director, Senior Corporate Officer Head, Supply Chain Management Headquarters	100% (9/9)
3	Myungjun Lee	Reelection	Director, Senior Corporate Officer Head, Strategic Business Headquarters and Deputy Head, Technological Development Headquarters	100% (7/7)
4	Katsumi Kawashima	Reelection	Director, Senior Corporate Officer Head, Corporate Design Headquarters	100% (7/7)
5	Mizuki Utsuno	Reelection	Director, Senior Corporate Officer Head, Business Promotion Headquarters	100% (7/7)
6	Noriharu Fujita	Reelection External Independent	External Director Chairperson of Nomination Committee and Compensation Committee	100% (9/9)
7	Takaki Yamada	Reelection External Independent	External Director Member of Nomination Committee and Compensation Committee	100% (9/9)
8	Yoko Sanuki	Reelection External Independent Female	External Director Member of Nomination Committee and Compensation Committee	85.7% (6/7)
9	Hideki Hirano	Newly appointed External Independent	External Audit and Supervisory Board Member	100% (9/9)
10	Yumi Ogose	Newly appointed External Independent Female	–	–

(Reference) Skills matrix under the new management structure

- Below is the skills matrix of the new management subject to shareholder approval of Proposal No. 3 and Proposal No. 4 in this General Meeting of Shareholders.
- This skills matrix was prepared with the following items 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 and Accounting	Industry knowledge	R&D Manufacturing	Sales Marketing	ESG SDGs	DX/ IT	Inter-nationality	Intellectual Property	Legal Affairs Risk Management
Director	Hiroshi Takahashi	●	●	●	●		●	●	●	●	
	Satoshi Yoshida	●		●		●	●		●		
	Myungjun Lee	●	●	●	●	●			●	●	
	Katsumi Kawashima	●	●	●			●				●
	Mizuki Utsuno	●	●	●	●	●		●		●	
External Director	Noriharu Fujita		●	●					●		
	Takaki Yamada	●	●	●	●	●			●	●	
	Yoko Sanuki						●				●
	Hideki Hirano	●	●								
	Yumi Ogose	●			●					●	
Director (Full-time Audit and Supervisory Committee Member)	Yasuhisa Kato			●	●		●				
External Director (Audit and Supervisory Committee Member)	Atsushi Minami									●	●
	Yumiko Moritani	●	●					●			

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><b>Hiroshi Takahashi</b> (February 1, 1964)</p> <p>&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>	4,000
	<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. He also has taken a leading role in drafting the Medium-Term Management Plan 2021. 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. Thus, the Company selected him as a candidate for Director.</p>		
2	<p><b>Satoshi Yoshida</b> (September 22, 1962)</p> <p>&lt;Reelection&gt;</p>	<p>April 1985: Entered the Company</p> <p>October 2011: Deputy General Manager, Western Japan Sales Division, Sales Headquarters</p> <p>April 2012: General Manager, Western Japan Sales Division, Sales Headquarters</p> <p>April 2017: General Manager, Eastern Japan Sales Division, Sales Headquarters</p> <p>June 2017: Corporate Officer</p> <p>April 2021: Head, Power module Headquarters, Semiconductor Business Corporate Headquarters</p> <p>June 2021: Director, Senior Corporate Officer (to the present)</p> <p>April 2022: Head, Power Module and Device Headquarters</p> <p>April 2023: Head, Supply Chain Management Headquarters (to the present)</p>	1,400
	<p><b>– Reasons for the appointment as a candidate for Director</b></p> <p>Mr. Satoshi Yoshida has been engaged in the sales of semiconductor device products for many years. Based on his extensive business experience with major automotive component manufacturers, he has contributed to the sales promotion of similar products in Japan and overseas and the establishment of an agency network. Since assuming office as Head of Power Module Headquarters in April 2021 and as Head of Supply Chain Management Headquarters in April 2023, he has held roles to manage production and sales of products of the Company. He has also served as the chairperson of the Sustainability Committee since 2021 and has promoted ESG measures of the Company as an officer in charge.</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><b>Myungjun Lee</b> (June 25, 1962)  &lt;Reelection&gt;</p>	<p>February 1987: Entered the Company  April 2006: General Manager, Market Strategy Division, Engineering Headquarters  April 2009: General Manager, New Product Development Division, Engineering Headquarters  April 2012: General Manager, RMD Division, Engineering Headquarters  May 2013: Representative Director, Sanken Electric Korea Co., Ltd. (to the present)  April 2014: Deputy Head, Engineering Headquarters  June 2014: Corporate Officer  April 2021: Deputy Head, Marketing Headquarters, Semiconductor Business Corporate Headquarters  June 2021: Senior Corporate Officer  April 2022: Deputy Head, Marketing Headquarters  June 2022: Director, Senior Corporate Officer (to the present)  April 2023: Head, Strategic Business Headquarters and Deputy Head, Technological Development Headquarters (to the present)</p>	1,600
<p><b>– Reasons for the appointment as a candidate for Director</b></p> <p>Mr. Myungjun Lee served at a Korean subsidiary for many years, where he was engaged in the development of semiconductor device products and market development, and gained experience in global business fields as an officer of the Korean subsidiary. Since then, he has held positions such as General Manager of marketing and new product development divisions and Deputy Head of Engineering Headquarters, and has made contributions to expanding the Company’s overseas business. Since assuming office as Head of Strategic Business Headquarters in April 2023, he has held roles to drive the business of power module products for EV traction motors to promote the strategy of this business.</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
4	<p><b>Katsumi Kawashima</b> (July 30, 1964)</p> <p>&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 (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
5	<b>Mizuki Utsuno</b> (May 3, 1965)  <Reelection>	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)	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 2022, as Head of Business Promotion Headquarters, he has currently performed his duties as a manager of marketing, managerial accounting, DX promotion, and quality assurance.</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
6	<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: Seven 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>	-
	<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 almost 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 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. 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
7	<p style="text-align: center;"><b>Takaki Yamada</b> (October 31, 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: Two years as of the closing of this meeting</p>	<p>April 1969: Entered Oki Electric Industry Co., Ltd.</p> <p>April 1995: General Manager, Production Planning Division, Electronic Device Business Headquarters, Oki Electric Industry Co., Ltd.</p> <p>April 1997: Director, Plant Manager, Oki Thailand Co., Ltd.</p> <p>April 2005: President, Semiconductor Production Company, Oki Electric Industry Co. Ltd.</p> <p>June 2006: External Director, ChipMOS TECHNOLOGIES INC. (retired in October 2008)</p> <p>April 2008: President and Director, Oki Thailand Co., Ltd. (retired in July 2012)</p> <p>September 2012: Furukawa-Sky Aluminum Corporation (currently UACJ Corporation)</p> <p>January 2014: Vice President, UACJ (Thailand) Co., Ltd. (retired in March 2016)</p> <p>May 2016: Vice President, Thai Special Gas Co., Ltd. (to the present)</p> <p>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
	<p style="text-align: center;"><b>Yoko Sanuki</b> (April 3, 1949)</p> <p style="text-align: center;">&lt;Reelection&gt; &lt;External Director&gt; &lt;Independent Officer&gt; &lt;Female&gt;</p> <p>Term of office as an External Director: One year as of the closing of this meeting</p>	<p>April 1981: Registered as an attorney-at-law November 2001: Representative of NS Law Office (to the present) June 2003: External Audit &amp; Supervisory Board Member, KURAYA SANSEIDO Inc. (currently MEDIPAL HOLDINGS CORPORATION) June 2007: External Audit &amp; Supervisory Board Member, Meiji Dairies Corporation April 2009: External Member of the Board, Meiji Holdings Co., Ltd. June 2011: External Director, Resona Bank, Limited. (retired in June 2012) June 2012: External Director, Member of Audit Committee, Resona Holdings, Inc. June 2015: External Director, Chairperson of Audit Committee, Resona Holdings, Inc. (retired in June 2020) June 2019: External Audit &amp; Supervisory Board Member, MEDIPAL HOLDINGS CORPORATION (to the present) June 2022: External Director, the Company (to the present)</p>	-
<b>8</b>	<p><b>– Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>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 experience and expertise, the Company believes that she will present 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 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. She 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, she 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 she will appropriately perform her 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 her as a candidate for External Director.</p> <p>Ms. Sanuki used to hold the positions of a director at Resona Bank, Limited., a creditor of the Company, and Resona Holdings, Inc., the parent company of Resona Bank, but both of these positions were as an external director with independence. The Company therefore believes that there will be no problem from the viewpoint of her independence when she performs her duties as an External Director of the Company.</p> <p>* Yoko Sanuki’s name in the family register is Yoko Itazawa.</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
9	<p><b>Hideki Hirano</b> (August 30, 1954)</p> <p>&lt;Newly appointed&gt; &lt;External Director&gt; &lt;Independent Officer&gt;</p> <p>Term of office as an External Audit and Supervisory Board Member: Four years 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 (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 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
10	<p><b>Yumi Ogose</b> (December 4, 1959)</p> <p>&lt;Newly appointed&gt; &lt;External Director&gt; &lt;Independent Officer&gt; &lt;Female&gt;</p> <p>Term of office as an External Director: —</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, MIP, Department of Management of Technology, Graduate School of Management, Tokyo University of Science (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>		

Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.

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

The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Mr. Noriharu Fujita, Mr. Takaki Yamada, and Ms. Yoko Sanuki who are currently External Directors, and Mr. Hideki Hirano who is an External Audit and Supervisory Board Member as independent officers of the Company. If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and their election is approved, the Company plans to continue to appoint them as independent officers. Ms. Yumi Ogose who is a new candidate satisfies the requirements for independent officer set forth in the regulations of the Tokyo Stock Exchange. If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and her election is approved, the Company will appoint her as an independent officer.

3. Matters concerning the candidates for External Director:

The Company has entered into agreements with Mr. Noriharu Fujita, Mr. Takaki Yamada, and Ms. Yoko Sanuki who are currently External Directors, and Mr. Hideki Hirano who is an External Audit and Supervisory Board Member 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 Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and this Proposal are approved as proposed, the Company plans to continue the same agreements with Mr. Noriharu Fujita, Mr. Takaki Yamada, Ms. Yoko Sanuki, and Mr. Hideki Hirano. The Company also plans to enter into the same agreement with Ms. Yumi Ogose.

4. The Company has entered into a directors’ and officers’ liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2023 and each candidate will be insured under the contract.

5. ATOL CO., LTD., a wholly-owned subsidiary of MEDIPAL HOLDINGS CORPORATION, where Ms. Yoko Sanuki serves as an external audit & supervisory board member, was subject to an on-site inspection by the Japan Fair Trade Commission, for alleged violation of the Antimonopoly Law in connection with the bidding of pharmaceutical products procured by hospitals in the Kyushu area through the National Hospital Organization Headquarters. On March 24, 2023, the Japan Fair Trade Commission announced that it had issued a cease-and-desist order and payment order to a bidder of pharmaceutical products procured by hospitals in the Kyushu area through the National Hospital Organization Headquarters alleging that the bidder had violated the provisions of Article 3 “Prohibition of Unreasonable Restraint of Trade” of the Act on Prohibition of Private Monopolization. However, neither a cease-and-desist order nor a payment order has not been issued in connection with the case due to the fact that ATOL CO., LTD. has applied to the Japan Fair Trade Commission for the leniency program, voluntarily reported past violations, and fully cooperated with the Commission's investigations.

On March 30, 2022, the Japan Fair Trade Commission announced that it had issued a cease-and-desist order and payment order to a bidder for pharmaceutical products ordered by the Japan Community Health Care Organization alleging that the bidder had violated the provisions of Article 3 “Prohibition of Unreasonable Restraint of Trade” of the Act on Prohibition of Private Monopolization. Although MEDICEO CORPORATION, a wholly-owned subsidiary of MEDIPAL HOLDINGS CORPORATION, was subject to an on-the-spot inspection by the Japan Fair Trade Commission in November 2019 and a search and on-the-spot inspection by the Tokyo District Public Prosecutors Office in October 2020 in connection with the case, neither a cease-and-desist order nor a payment order has been issued due to the fact that the company has applied to the Japan Fair Trade Commission for the leniency program, voluntarily reported past violations, and fully cooperated with the Commission's investigations.

As an observer of the compliance committee of MEDIPAL HOLDINGS CORPORATION, Ms. Sanuki has been continuously monitoring the compliance of the group, and has given valuable opinions and appropriate advice in establishing a law-abiding corporate culture. She has also fulfilled her responsibilities as an observer on the Nomination and Compensation Committees of the Company, where she has presented fruitful opinions and suggestions for the enhancement of corporate governance.

## Proposal No. 4: Election of Three Directors who are Audit and Supervisory Committee Members

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, the Company proposes the election of three Directors who are Audit and Supervisory Committee Members.

The Audit and Supervisory Board has approved the submission of this Proposal. This Proposal shall become effective only if the amendments to the Articles of Incorporation stated in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” take effect.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

No.	Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
1	<b>Yasuhisa Kato</b> (December 7, 1962) <Newly appointed>	April 1985: Entered the Company April 2015: General Manager, Quality Assurance Division, Production Headquarters April 2021: General Manager, Quality Assurance Division, Promotion Management Division, Semiconductor Business Corporate Headquarters June 2021: Corporate Officer October 2021: Chairperson, Governance Subcommittee, Sustainability Committee April 2022: Assistant to the President, Senior Counselor June 2022: Audit and Supervisory Board Member (to the present)	1,300
<p><b>- Reasons for the appointment as a candidate for Director</b></p> <p>Mr. Yasuhisa Kato has quality control experience gained through the years in the quality assurance division. As a manager of the division, he has been a driving force behind the advancement of quality control of the Company’s products. Through this experience in quality control, he has solid knowledge of the Company’s products, production processes, and market demands. Further, as Chairperson of the Governance Subcommittee of the Sustainability Committee, he has played an important role in maintaining the Company’s ESG promotion system.</p> <p>We anticipate that his experience and knowledge will contribute to ensuring the effectiveness of audits in the Audit and Supervisory Committee. Thus, the Company selected him as a candidate for Director who is an Audit and Supervisory Committee Member.</p>			

No.	Name (Date of Birth)	Brief personal history, position of the Company, and significant office(s) concurrently held	No. of the Company shares held
2	<p><b>Atsushi Minami</b> (March 13, 1958) &lt;Newly appointed&gt; &lt;External&gt; &lt;Independent&gt;</p> <p>Terms of office as an External Audit and Supervisory Board Member: Six years as of the closing of this meeting</p>	<p>April 1993: Registered as an attorney-at-law Entered Yamada, Kawasaki, &amp; Kato Law Office (currently KIOIZAKA THEMIS LAW &amp; PATENT OFFICES)</p> <p>October 2001: Partner, Minami Patent &amp; Law Office (to the present)</p> <p>June 2017: External Audit and Supervisory Board Member (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. Atsushi Minami has professional knowledge and experience as an attorney-at-law and patent attorney. The Company believes that by assuming office as External Director who is an Audit and Supervisory Committee Member, he will contribute to ensuring the adequacy and appropriateness of decision-making at the Board of Directors and the effectiveness of audits in the Audit and Supervisory Committee from an objective perspective as a legal professional.</p> <p>Thus, he is expected to appropriately perform his duties as External Director who is an Audit and Supervisory Committee Member and the Company selected him as a candidate for External Director who is an Audit and Supervisory Committee Member.</p>		
3	<p><b>Yumiko Moritani</b> (January 5, 1955) &lt;Newly appointed&gt; &lt;External&gt; &lt;Independent&gt; &lt;Female&gt;</p> <p>Terms of office as an External Audit and Supervisory Board Member: -</p>	<p>April 1977: Entered The Kyowa Bank, Ltd.</p> <p>October 2003: General Manager, OUME branch, Resona Bank, Limited.</p> <p>October 2004: General Manager, MYOGADANI branch, Resona Bank, Limited.</p> <p>January 2007: Operation Support Manager, Operation Reform Division, Resona Holdings, Inc.</p> <p>June 2008: Audit &amp; Supervisory Board Member, Saitama Resona Bank (retired in June 2011)</p> <p>June 2011: Senior Managing Director, Resona Business Service Co., Ltd. (retired in March 2015)</p> <p>June 2015: External Director, AGS Corporation (retired in June 2021)</p>	-
	<p><b>- Reasons for the appointment as a candidate for External Director and overview of expected roles</b></p> <p>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 related to system consulting, etc., she also has extensive knowledge of management. The Company anticipates that her experience will contribute to ensuring the adequacy and appropriateness of decision-making at the Board of Directors and the effectiveness of audits in the Audit and Supervisory Committee from an objective perspective. Furthermore, the Company 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>Thus, she is expected to appropriately perform her duties as External Director who is an Audit and Supervisory Committee Member and the Company selected her as a candidate for External Director who is an Audit and Supervisory Committee Member.</p>		

Notes: 1. No conflicts of interest exist between the Company and any of the above candidates.

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

The Company has filed with the Tokyo Stock Exchange a notification that the Company has appointed Mr. Atsushi Minami who is currently an External Audit and Supervisory Board Member as an independent officer of the Company. If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and his election is approved, the Company plans to continue to appoint him as an independent officer. Ms. Yumiko Moritani 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.

3. Matters concerning the candidates for External Director:

The Company has entered into agreements with Mr. Atsushi Minami as an External Audit and Supervisory Board Member to limit his 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 Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and this Proposal are approved as proposed, the Company plans to continue the same agreements with Mr. Atsushi Minami. The Company also plans to enter into the same agreement with Ms. Yumiko Moritani.

4. The Company has entered into a directors’ and officers’ liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2023 and each candidate will be insured under the contract.

(Reference)

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

No.	Name	Current position, etc. at the Company
1	Yasuhisa Kato Newly Appointed	Audit and Supervisory Board Member (Full-time)
2	Atsushi Minami Newly Appointed External Independent	External Audit and Supervisory Board Member
3	Yumiko Moritani Newly Appointed External Independent Female	—



## Proposal No. 5: Election of One Alternate Director who is an Audit and Supervisory Committee Member

If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed, the Company will transition to a company with an Audit and Supervisory Committee. We shall propose the election of one alternate Director who is an Audit and Supervisory Committee Member in preparation for the contingency that the number of Directors who are Audit and Supervisory Committee Members falls below the required number set forth by laws and regulations.

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

This Proposal shall become effective only if the amendments to the Articles of Incorporation stated in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” take effect.

The candidate for alternate Director who is an Audit and Supervisory Committee Member is as follows:

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

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

Mr. Ren Inoue has professional knowledge and experience mainly in the general corporate legal affairs, the Companies Act, and corporate governance fields as an attorney-at-law. If he assumes office as External Director who is an Audit and Supervisory Committee Member, he is expected to appropriately perform his duties, including his duty to ensure the appropriateness of auditing, from an objective perspective as a legal professional. Thus, the Company selected him as a candidate for alternate External Director who is an Audit and Supervisory Committee Member.

- Notes:
1. No conflicts of interest exist between the Company and Mr. Ren Inoue.
  2. Matters concerning a notification with respect to INDEPENDENT OFFICER:  
Mr. Ren Inoue satisfies the requirements for independent officer set forth in the regulations of the Tokyo Stock Exchange. If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed and he assumes office as Director who is an Audit and Supervisory Committee Member, the Company will appoint him as an independent officer.
  3. Matters concerning the candidates for alternate External Director:  
If Mr. Ren Inoue assumes office as Director who is an Audit and Supervisory Committee Member, the Company plans to enter into an agreement with him to limit his liability for damages arising from negligence of duties to an amount set forth by laws and regulations pursuant to Article 427, Paragraph 1 of the Companies Act.  
If Proposal No. 2 “Partial Amendments to the Articles of Incorporation” is approved as proposed, the effectiveness of the resolution for election of an alternate Director who is an Audit and Supervisory Committee Member shall expire at the beginning of the ordinary general meeting of shareholders related to the last fiscal year which ends within two years after the resolution, pursuant to Article 20, Paragraph 5 of the revised Articles of Incorporation of the Company.  
The effectiveness of the resolution for election of an alternate Director who is an Audit and Supervisory Committee Member may be revoked by a resolution of the Board of Directors, with approval of the Audit and Supervisory Committee, only before the elected alternate assumes office as alternate External Director who is an Audit and Supervisory Committee Member.
  4. The Company has entered into a directors’ and officers’ liability insurance contract with an insurance company pursuant to Article 430-3 of the Companies Act to cover damages and litigation costs and expenses to be borne by the insured. The Company plans to renew the insurance contract in June 2023 and Mr. Ren Inoue will be insured under the contract if he assumes office as Director who is an Audit and Supervisory Committee Member.

## Proposal No. 6: Determination of the Amount of Compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members)

At the 102nd Ordinary General Meeting of Shareholders held on June 21, 2019, the Company was given approval for the compensation, etc. for Directors of 500 million yen or less per year (including the compensation, etc. for External Directors of 200 million yen or less per year). However, the Company will transition to a company with an Audit and Supervisory Committee subject to the approval of Proposal 2 “Partial Amendments to the Articles of Incorporation” as proposed. Pursuant to this, it is proposed that this current amount of compensation be abolished and the amount of compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members; applicable to the rest of this Proposal) after the transition to a company with Audit and Supervisory Committee be determined as 500 million yen or less per year (including 200 million yen or less per year for External Directors), which is the same as before, in consideration of changes in economic circumstances and other factors. It is also proposed that a specific amount for each Director and when it will be paid be left to the discretion of the Board of Directors.

The policy for deciding the details of individual compensation, etc. payable to Directors is as described on page 38 of the Business Report. If this Proposal is approved, the Company plans to change the persons eligible under the policy for deciding individual compensation, etc. payable to Directors from “Directors” to “Directors (excluding Directors who are Audit and Supervisory Committee Members)” at the Board of Directors meeting at the closing of this meeting to be consistent with what is approved. This Proposal shall establish the maximum amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) within a reasonable range in consideration of conditions such as economic circumstances, the size of the Company, the number of Directors, and the levels of compensation in other companies. Thus, the Company believes that it is necessary and appropriate to pay compensation in accordance with the proposed amendments of the policy for deciding the details of individual compensation, etc. payable to Directors.

The Company currently has nine Directors (including three External Directors). Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Ten Directors (excluding Directors who are Audit and Supervisory Committee Members)” as proposed, the number of Directors will be ten (including five External Directors).

This Proposal shall become effective only if the amendments to the Articles of Incorporation stated in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” take effect.

## Proposal No. 7: Determination of the Amount of Compensation, etc. for Directors who are Audit and Supervisory Committee Members

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” as proposed, the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, it is proposed that the amount of compensation, etc. for Directors who are Audit and Supervisory Committee Members after the transition to a company with an Audit and Supervisory Committee be determined as 80 million yen or less per year in consideration of changes in economic circumstances and other factors. It is also proposed that a specific amount for each Director who is an Audit and Supervisory Committee Member and when it will be paid be decided through discussions by Directors who are Audit and Supervisory Committee Members. The Company considers that the amount of compensation, etc. pertaining to this Proposal is reasonable in light of the responsibilities of Directors who are Audit and Supervisory Committee Members.

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 4 “Election of Three Directors who are Audit and Supervisory Committee Members” as proposed, the number of Directors who are Audit and supervisory Committee Members will be three.

This Proposal shall become effective only if the amendments to the Articles of Incorporation stated in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” take effect.

## Proposal No. 8: Determination of the Amount and Other Details of Performance-Linked Share Compensation for Directors

### 1. Reasons for the proposal and reasons why the proposed compensation plan is reasonable

At the 102nd Ordinary General Meeting of Shareholders held on June 21, 2019, the Company was given approval to the resolution to introduce a performance-linked share compensation plan (hereinafter referred to as the “Plan”) for Directors (excluding External Director) (the resolution is hereinafter referred to as “the previous resolution”), which has remained unchanged up to the present date. In line with the transition to a company with an Audit and Supervisory Committee subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” as proposed, the Company hereby proposes to reset the total amount of compensation pertaining to the Plan as the total amount of compensation for Directors other than Audit and Supervisory Committee Members (excluding External Directors). This total amount of compensation will be set separately from the total amount of compensation for which we are requesting approval in Proposal No. 6 “Determination of the Amount of Compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members),” as in the case of the total amount of compensation pertaining to the current Plan.

The Company established the policy for deciding the details of individual compensation, etc. payable to Directors at the Board of Directors meeting held on March 26, 2021. The Company plans to make necessary changes to the Policy for Deciding the Compensation in line with the transition to a company with an Audit and Supervisory Committee subject to the approval of this Proposal, Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” and Proposal No. 6 “Determination of the Amount of Compensation, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members).”

The policy for deciding the details of individual compensation, etc. payable to Directors is as described on page 38 of the Business Report. This Proposal is a procedural matter associated with the Company’s transition to a company with an Audit and Supervisory Committee. The details of the compensation are substantially the same as those already approved by the previous resolution and are necessary and reasonable for paying compensation based on the proposed amendments of the policy for deciding the details of individual compensation, etc. payable to Directors described above, and thus the Company considers that they are appropriate.

This Proposal is based on the deliberation results at the Compensation Committee established by the Board of Directors and chaired by an External Director.

As of now, the number of Directors eligible for the Plan is six, but subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Ten Directors (excluding Directors who are Audit and Supervisory Committee Members)” as proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors, hereinafter referred to as “Directors” unless the context requires otherwise) eligible for the Plan will be five.

The resolution of this Proposal shall become effective only if the amendments to the Articles of Incorporation stated in Proposal No. 2 “Partial Amendments to the Articles of Incorporation” take effect.

### 2. Amount and other details of compensation under the Plan

#### (1) Outline of the Plan

The Plan is a share compensation plan whereby a trust to be set using funds contributed by the Company (a trust is already set; hereinafter referred to as the “Trust”) shall acquire the shares of the Company, and the number of shares of the Company corresponding to the number of points to be awarded to each Director by the Company shall be delivered to each Director through the Trust.

Directors shall, in principle, receive the shares of the Company when they retire from their respective positions.

1)	Persons eligible for the Plan*	Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) of the Company
2)	Applicable Period	Fiscal years from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2027
3)	Maximum amount of money to be contributed by the Company for funds to acquire the shares of the Company that the Company is required to deliver to eligible Persons* in 1) above during the Applicable Period in 2) above	Total amount of 450 million yen
4)	Methods for acquiring the shares of the Company	By disposing of treasury shares, or acquiring the shares of the Company through stock markets (including after-hours trading)
5)	Maximum total number of points to be granted to eligible Persons	90,000 points per fiscal year
6)	Standard for granting points	Granting points according to the position, the degree to which the performance objectives have been achieved, and other factors
7)	Time of delivery of the shares of the Company to eligible Persons in 1) above	At the time of retirement, in principle

\*Note: During the period until the transition to a company with an Audit and Supervisory Committee, Directors excluding External Directors are eligible for the Plan as described in the previous resolution.

(2) Maximum amount of money to be contributed by the Company

The trust period of the Trust has been extended to approximately five years based on the previous resolution. In addition, the Company has extended the period during which the Company is able to contribute to the Trust the funds to acquire the shares of the Company required for distribution of shares of the Company to the Directors based on the Plan by operating it (hereinafter referred to as the “Applicable Period”) to five fiscal years (from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2027) and has entrusted the Trust with additional funds necessary for the acquisition of the shares of the Company to deliver them to the Directors based on the Plan since April 2022. The Trust then has acquired additional shares of the Company using the money in the Trust as the source of funds. If the number of the shares of the Company in the Trust is insufficient for the number of the shares of the Company expected to be required to be granted to the Directors under the Plan and the money in the Trust is insufficient for the funds necessary to acquire the shares of the Company for such shortage, the Company may make additional contributions to the Trust to purchase the shares of the Company for the amount of such shortage. However, money entrusted by the Company to fund the acquisition of the shares of the Company shall be within such maximum amount so that the total amount will not exceed 450 million yen within the Applicable Period.

(Note) Additional money entrusted to the Trust by the Company shall be the total amount of the estimated amount of necessary expenses, such as the trust compensation and compensation for a trust administrator, in addition to the funds to be used to acquire the shares of the Company as mentioned above. The same plan has been introduced for corporate officers who have entered into consignment agreements with the Company and some directors (excluding external directors) of the Company’s subsidiaries. As such, the Company may contribute additional money to the Trust based on the Plan including the funds to acquire the shares of the Company required to be distributed to corporate officers who have entered into consignment agreements with the Company and some directors (excluding external directors) of the Company’s subsidiaries.

At the expiration of each Applicable Period, upon the decision of the Board of Directors of the Company, the Applicable Period may be extended for a period not exceeding five fiscal years, as determined on a case-by-case basis, and the trust period of the Trust may be further extended accordingly (including the extension of the trust period substantially by transferring the trust assets of the Trust to a trust established by the Company for the same purpose as the Trust; the same shall apply hereinafter), and the Plan may be

continued. In this case, during the Applicable Period subject to the extension, the Company shall make additional contributions to the Trust with an amount of money up to the maximum of 90 million yen multiplied by the number of fiscal years during the Applicable Period subject to the extension, as funds for the additional acquisition of the shares of the Company necessary to be granted to the Directors based on the Plan, and continue to grant points and the shares of the Company as described in (3) below.

In addition, even in the case that the Applicable Period is not extended and the Plan is not continued unlike the above, if the Directors who have been granted points but have not yet retired exist at the time of expiration of the trust period, the trust period may be extended until the relevant Director retires and the delivery of shares of the Company is completed.

(3) Method for calculating the number of shares of the Company to be delivered to Directors and their maximum limit

1) Method for granting points to Directors, etc.

The Company shall grant each Director points corresponding to his or her position, the degree to which he or she has achieved the performance objectives, and other factors, upon the date of the granting of points stipulated in the Share Delivery Regulations during the trust period, in accordance with the Share Delivery Regulations to be determined by the Board of Directors of the Company. Points for the execution of duties completed by the closing of this Ordinary General Meeting of Shareholders may be granted within the scope of the resolution of the previous general meeting after the closing of this Ordinary General Meeting of Shareholders.

However, the total number of points to be granted to Directors by the Company shall not exceed 90,000 points per fiscal year.

2) Delivery of the shares of the Company corresponding to points granted

Directors shall receive the delivery of the shares of the Company corresponding to the number of points granted in 1) above, according to the procedures mentioned in 3) below.

One point shall be converted to one share of the Company; provided, however, that upon the occurrence of any event in which it is deemed reasonable to adjust the number of the shares of the Company to be delivered, such as a share split or share consolidation, the number of shares per point shall be adjusted according to the ratio of such split or consolidation, etc.

3) Delivery of the shares of the Company to Directors

Each Director shall, in principle, receive the beneficial interest of the Trust by following the prescribed procedures at the time of retirement of the Director and shall receive the shares of the Company described in 2) above from the Trust as a beneficiary of the Trust.

However, as for a certain percentage of the shares of the Company, the Trust may take delivery in cash in lieu of the shares of the Company after the Trust sells the shares of the Company for conversion into money, in order to withhold at the source funds with which to pay taxes such as the withholding income tax. If, in addition, the shares of the Company in the Trust are purchased through an accepted tender offer, or are otherwise converted into money, the Trust may take delivery in cash in lieu of the shares of the Company.

(4) Exercise of voting rights

Voting rights represented by the shares of the Company held in the Trust shall not be exercised under any circumstances, without exception, in accordance with the instruction from a trust administrator appointed independently of the Company and the Company's Directors. Adopting this approach is a means of ensuring neutrality for the management of the Company with respect to the exercise of the voting rights represented by the shares of the Company held in the Trust.

(5) Treatment of dividends

Dividends from the shares of the Company held in the Trust shall be received by the Trust and shall be appropriated for the acquisition of the shares of the Company and the payment of trust fees, etc. for the trustee of the Trust.

# BUSINESS REPORT

(from April 1, 2022 to March 31, 2023)

## 1. Current Status of the Group

### 1. Business Results and Summary of Assets

Category		Fiscal term ended March 31, 2019 (102nd Term)	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)
Net sales	(millions of yen)	173,650	160,217	156,795	175,660	225,387
Operating income (loss)	(millions of yen)	10,531	4,309	(1,198)	13,720	26,156
Ordinary income (loss)	(millions of yen)	9,173	2,674	(3,406)	13,700	27,229
Profit (loss) attributable to owners of parent	(millions of yen)	3,967	(5,559)	(6,952)	3,204	9,533
Net income (loss) per share	(yen)	163.70	(229.83)	(287.96)	132.79	394.87
Total assets	(millions of yen)	188,192	194,024	233,673	244,732	301,951
Net assets	(millions of yen)	78,541	71,776	113,250	137,404	173,195

Notes: 1. Net income (loss) per share is calculated based on the average number of shares outstanding in each fiscal term. The average number of shares outstanding excludes treasury stock.

2. Effective as of October 1, 2018, the Company carried out a share consolidation of five common shares at the rate of one share. Accordingly, net income per share for the 102nd fiscal term is calculated on the assumption that the consolidation of shares was carried out at the beginning of the said fiscal term.

### 2. Review of Operations

With regards to the business environment during the consolidated fiscal year ended March 31, 2023, there continued to be a situation of uncertainty over the consumer economy due to the spread of global inflation with significant fluctuations of exchange rate and financial trends, China's zero-COVID policy and its resurgence after its easing, and the impact of the prolonged invasion of Ukraine by Russia.

Amid this environment, the Group addressed its propriety issues of "Results from Structural Reforms," "Realize the Growth Strategy," "ESG Management," "DX Promotion," and "Strengthen the Financial Strategy" during the second year of the Medium-Term Management Plan 2021, which set the goals of a recovery of the Sanken Core profitability and further growth of Allegro MicroSystems, Inc. The ratio of sales of new products to total sales, a KPI to realize the profitability recovery of Sanken Core, reached the goal of 15% by focusing on the research and development primarily under the SPP concept and introducing new products through the production lines that were built by applying the smart factory technology for productivity improvement. We also decided to increase the capital of Polar Semiconductor, LLC, a consolidated subsidiary of the Company in the United States, by issuing new shares to a private equity fund through third-party allotment. This transaction will enable us to promote a "Fab-Light Strategy," which will lead to stably expanding our capability to procure wafers and reducing our burden such as capital investment from a long-term perspective, whereby achieving both the recovery of consolidated financial performance and the securing of substantial production capacity. To realize the growth strategy, we started working on an expansion of production capacity for power modules for EV traction motors, demand for which is expected to increase in the future. In doing so, we made a decision to establish a new manufacturing subsidiary, Niigata Sanken Co., Ltd. To engage in ESG management, we focused on the initiatives and management in line with the TCFD Recommendations. In doing so, we have set up the specific GHG emissions reduction targets. We also worked to further strengthen corporate governance by making a transition to

a company with an Audit and Supervisory Committee and appointment of the majority of external directors subject to approval at the Company's 106th Ordinary General Meeting of Shareholders to be held on June 23, 2023. To promote DX, we have worked on developing a DX infrastructure including reinforcement of cyber security.

The market environment during the fiscal year ended March 31, 2023 is as follows.

Products for automotive market showed a strong performance thanks to the growing demand for environmental friendliness and safety functions as seen in the shift to electric vehicles (xEV), electrification and advanced driver assistance systems (ADAS). In contrast, the white goods market continued to be in an inventory adjustment phase, affected by the economic slowdowns in the U.S., Europe, and China. Products for the production machinery market, however, saw a significant increase in sales thanks to a significant increase in demands for clean energy and from the factory automation market.

As a result of the market environment and the impact of the exchange rate, the consolidated operating results for the fiscal year ended March 31, 2023 are summarized as follows. We achieved a record high consolidated net sales of ¥225,387 million, up ¥49,727 million (28.3%) compared to the previous fiscal year. For income, as a result of the significant increase in sales, we also achieved record highs at each profit level with consolidated operating profit of ¥26,156 million, up ¥12,436 million (90.6%), consolidated ordinary profit of ¥27,229 million, up ¥13,528 million (98.7%), and profit attributable to owners of parent of ¥9,533 million, up ¥6,328 million (197.5%) from the previous fiscal year.

### 3. Tasks to be Addressed

The future outlook for the global economy is uncertain as a slowdown in the U.S. economy in particular is expected to impact production and consumption activities, while the post-COVID-19 economic recovery is expected in China, and changes to monetary policy, including inflation control, are anticipated in Europe and the U.S.

In the medium- to long-term market environment assumed by the Group, a paradigm shift is expected in terms of vehicle powertrains and safety functions, such as xEV and ADAS. In addition, air conditioners for personal use and commercial air conditioners, which consume much of the world's electricity, will increasingly be equipped with inverters and DC motors, and energy-saving functions will be further enhanced by the rapid shift to heat pump heating systems. Power semiconductors with high efficiency, high breakdown voltage, and high heat dissipation used in these products are expected to become even more important.

In the fiscal year ending March 31, 2024, the final year of the Medium-Term Management Plan 2021, the Group intends to improve the profitability of Sanken Core and further enhance the growth of Allegro MicroSystems, Inc, and to make strategic investments for growth with an eye to the above-mentioned medium- and long-term market environment, leading to the next Medium-Term Management Plan 2024. In order to allocate resources to realize our growth strategy, we will increase capital investment during the entire period for the Medium-Term Management Plan 2021, which was initially planned to be ¥40,000 million on a consolidated basis, so as to build a robust supply chain that can respond to strong demand growth in a timely manner.

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
Dalian Sanken Electric Co., Ltd.	136 million yuan	100.0%	Manufacture of semiconductors	Head Office	Liaoning, China
Allegro MicroSystems, Inc.	1,917 thousand US dollars	51.4%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Allegro MicroSystems, LLC	43 million US dollars	* 51.4%	Development, manufacture, and sale of semiconductors	Head Office	New Hampshire, U.S.A.
Polar Semiconductor, LLC	156 million US dollars	85.4% * 15.4%	Manufacture of semiconductors	Head Office	Minnesota, U.S.A.
P.T. Sanken Indonesia	96 million US dollars	100.0%	Manufacture and sale of Power module	Head Office	West Java, Indonesia

- Notes:
1. Asterisks (\*) indicate indirect ownership through Allegro MicroSystems, Inc.
  2. The Company decided to transfer a part of its equity interest in Polar Semiconductor LLC on January 27, 2023. For more details, please refer to the “Notice of Change of Consolidated Subsidiary (Capital Increase through Third-Party Allotment)” issued on the same day.
  3. On April 7, 2023, the Company decided to establish a new production subsidiary, Niigata Sanken Co., Ltd. and completed its establishment on May 16, 2023.
  4. 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 25,433 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 14th and the 15th Unsecured Bonds.

## 8. Employees

Number of employees	Year-on-year
8,707	+ 606

Note: The number of employees on a non-consolidated basis was 835, a decrease of 6 from the end of the previous fiscal year.

## 9. Major Creditors

Creditors	Loan Outstanding
Development Bank of Japan Inc.	15,000 million yen
Resona Bank, Limited.	10,455 million yen
Mizuho Bank, Ltd.	7,237 million yen
MUFG Bank, Ltd.	7,233 million yen
Sumitomo Mitsui Banking Corporation	4,181 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 872,925 shares of treasury stock)

**3. Number of shareholders** 6,109

### 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)	2,566	10.59%
Goldman Sachs International	1,640	6.76%
Saitama Resona Bank, Limited	1,202	4.96%
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	985	4.06%
Custody Bank of Japan, Ltd. (Trust Account)	921	3.80%
MSCO CUSTOMER SECURITIES	920	3.79%
The Bank of New York Mellon Corporation 140044	676	2.79%
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	548	2.26%

Notes: 1. The Company holds 872,925 shares of treasury shares that are excluded from the major shareholders listed above.  
2. Treasury stock does not include 82,700 shares of treasury stock held in trust by Custody Bank of Japan, Ltd. (Trust Account) for the stock delivery trust for Directors and employees.  
3. Percentage of ownership is calculated after deducting the number of shares held as treasury shares from the total number of shares issued, and digits below the third decimal place are omitted.

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

The Company provided 11,100 shares of our common stock in consideration of the execution of their duties to three retired Directors (excluding External Directors).

### 3. Officers of the Company

#### 1. Directors and Audit and Supervisory Board Members

Position	Name	Assignment or significant concurrent office
Director, President	Hiroshi Takahashi	
Director	Hideki Nakamichi	Senior Vice President Head, Marketing Headquarters, and General Manager, Design Quality Audit Office
Director	Satoshi Yoshida	Senior Corporate Officer Head, Power Module and Device Headquarters
Director	Myungjun Lee	Senior Corporate Officer Deputy Head, Marketing Headquarters, and General Manager, Intellectual Property Division
Director	Katsumi Kawashima	Senior Corporate Officer Head, Corporate Design Headquarters
Director	Mizuki Utsuno	Senior Corporate Officer Head, Business Promotion Headquarters, and General Manager, Promotion Management Division
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> <u>Female</u>	Yoko Sanuki	Representative, NS Law Office External Audit & Supervisory Board Member, MEDIPAL HOLDINGS CORPORATION
Standing Audit and Supervisory Board Member (Full-time)	Noboru Suzuki	
Audit and Supervisory Board Member (Full-time)	Yasuhisa Kato	
Audit and Supervisory Board Member <u>External</u> <u>Independent</u>	Atsushi Minami	Attorney-at-law; Partner, Minami Patent & Law Office
Audit and Supervisory Board Member <u>External</u> <u>Independent</u>	Hideki Hirano	

- Notes:
1. The above describes the facts as of March 31, 2023.
  2. Messrs. Myungjun Lee, Katsumi Kawashima, Mizuki Utsuno, and Ms. Yoko Sanuki, Directors, and Mr. Yasuhisa Kato, Audit and Supervisory Board Member, were newly elected at the 105th Ordinary General Meeting of Shareholders held on June 24, 2022 and assumed office.
  3. Mr. Noriharu Fujita, Mr. Takaki Yamada, and Ms. Yoko Sanuki are External Directors, and Mr. Atsushi Minami and Mr. Hideki Hirano are External Audit and Supervisory Board Members. 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. Mr. Noriharu Fujita, Director, is qualified as a CPA in Japan and the U.S., and Mr. Noboru Suzuki, Audit and Supervisory Board Member, has been engaged in accounting audit as an auditor of subsidiaries of the Company for many years, and Mr. Hideki Hirano, Audit and Supervisory Board Member, has long experience working at a financial institution. Accordingly, each of them has extensive knowledge in finance and accounting.
  5. Messrs. Takashi Wada, Yoshihiro Suzuki, Kazunori Suzuki, and Richard R. Lury retired from office as Director upon expiration of their terms of office at the conclusion of the 105th Ordinary General Meeting of Shareholders held on June 24, 2022.
  6. Mr. Akira Ota retired from office as Audit and Supervisory Board Member, upon expiration of his term of office at the conclusion of the 105th Ordinary General Meeting of Shareholders held on June 24, 2022.
  7. Corporate Officers of the Company who do not double as Directors as of March 31, 2023:

Position	Name	Assignment
Senior Corporate Officer	Kazuo Akaishi	Deputy Head, Marketing Headquarters; and General Manager, Manufacturing Development Center
Senior Corporate Officer	Yusuke Harada	Deputy Head, Marketing Headquarters; and General Manager, Fab Production Engineering Division
Corporate Officer	Makoto Iwata	Power Module and Device Headquarters; President, Ishikawa Sanken Co., Ltd.
Corporate Officer	Toshio Noguchi	Deputy Head, Power Module and Device Headquarters
Corporate Officer	Kojiro Hatano	General Manager, North America Business Promotion Office, Corporate Design Headquarters, and seconded to Polar Semiconductor LLC
Corporate Officer	Hirokazu Maruo	General Manager, Corporate Planning Office, Corporate Design Headquarters
Corporate Officer	Mitsunobu Fukuda	General Manager, Power Module Development Division, Marketing Headquarters

## 2. Outline of liability limitation agreement

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

## 3. 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 (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 (13)	261	178	65	18
(of which External Director) (4)	40	40	–	–
Audit and Supervisory Board Member (5)	60	60	–	–
(of which External Audit and Supervisory Board Member) (2)	16	16	–	–

- Notes:
1. The total amount of Directors' basic compensation and short-term incentives is 500 million yen or less per year (including 200 million yen or less for External Directors), the maximum amount of compensation based on the resolution of the 102nd Ordinary General Meeting of Shareholders (held on June 21, 2019). The amount of compensation for Audit and Supervisory Board Members is 80 million yen or less per year, the maximum amount of compensation based on the resolution of the above meeting.
  2. The above short-term incentives represent the amount of payment estimated when the business report was prepared during the previous fiscal year plus the difference between the estimated amount and the actual amount paid (3 million yen), out of the amount to be paid by resolution of the Board of Directors based on the resolution of the general meeting of shareholders stated in Note 1, and the amount of short-term incentives for the previous fiscal year.
  3. The long-term incentives (share compensation) are stated at an amount posted as expenses for the current fiscal year.
  4. The number of Directors paid and the amount of compensation paid to Directors include those for four Directors (including one External Director) who retired at the conclusion of the 105th Ordinary General Meeting of Shareholders held on June 24, 2022. The number of Audit and Supervisory Board Members paid and the amount of compensation paid to Audit and Supervisory Board Members include those for one Audit and Supervisory Board Member who retired at the conclusion of the same Ordinary General Meeting of Shareholders.
  5. Separately from the above, the amount of compensation to the external directors paid by the consolidated subsidiaries of the Company as their external officers for the fiscal year under review is 6 million yen.

### ■ Overview of the compensation plan for officers

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

- Compensation for the Company's Directors is determined according to their rank and role, and consists of basic 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 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 Audit and Supervisory Board 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 Board members is paid through consultation with Audit and Supervisory Board 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 income 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 income	21.0 billion yen	29.9 billion yen	143%

Note: Consolidated operating income, 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. Long-term incentives vary within a range of 0-150% of standard pay, in principle, and are linked to rank and performance indicators during the period of the medium-term management plan. The performance-linked indicators for all directors have been determined through deliberations by the Compensation Committee, and consist of "consolidated operating income" and "consolidated ROE," placing emphasis on business profitability over the medium and long terms. In addition, as an expression of the Company's commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (TSR) (evaluation relative to TOPIX electric appliances index) has been set as a performance-linked indicator. Further, since April 1, 2023, the Company has added "ESG items" as performance indicators with the aim of enhancing ESG management. The comparison of target values, set in fiscal 2020, and actual values achieved for the fiscal year under review, as part of long-term incentives, are as follows.

	Target value	Actual value	Achievement rate
Consolidated operating income	16.8 billion yen	29.9 billion yen	178%
Consolidated ROE	9.0%	9.3%	103%
Relative TSR	Evaluation relative to TOPIX electric appliances index	275	274%

Notes: 1. Consolidated operating income, used as an indicator, is based on Non-GAAP based figures excluding one-time expenses  
2. The period covered by relative TSR is three consecutive fiscal years (April 1, 2020 – March 31, 2023).

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

Compensation for the Company's Directors (excluding External Directors) consisted of basic compensation and bonuses. However, at the 102nd Ordinary General Meeting of Shareholders held on June 21, 2019, the compensation plan for officers was revised to the effect that regarding monetary compensation, the total amount of compensation for Directors shall be 500 million yen or less per fiscal year (including 200 million yen or less for External Directors) and the total amount of compensation for Audit and Supervisory Board Members shall be 80 million yen or less per fiscal year.

Separate from the monetary 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 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 was nine (including three External Directors) and the number of Audit and Supervisory Board Members was four (including two External Audit and Supervisory Board Members) at the closing of the above meeting.

#### Maximum amount of compensation per fiscal year

	Directors	(of which, External Directors)	Audit and Supervisory Board Members
			80 million yen or less
Monetary compensation	500 million yen or less	200 million yen or less	80 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 Audit and Supervisory Board Member Atsushi Minami	Partner, Minami Patent & Law Office

### ■ Major activities

Name	Major activities
External Director Noriharu Fujita	Mr. Noriharu Fujita attended all 9 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 the chairperson of these committees.
External Director Takaki Yamada	Mr. Takaki Yamada attended all 9 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.
External Director Yoko Sanuki	Ms. Yoko Sanuki attended 6 out of all 7 meetings (85.7%) of the Board of Directors held during the period under review since she was newly elected as Director at the 105th Ordinary General Meeting of Shareholders held on June 24, 2022. She contributed to these meetings with comments based on her professional insights and extensive knowledge and experience primarily as a legal expert.
External Director Atsushi Minami	Mr. Atsushi Minami attended all 9 meetings of the Board of Directors held during the period under review. He contributed to these meetings with comments based on his professional perspective and extensive knowledge and experience as a legal expert. He also attended all 15 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.
External Audit and Supervisory Board Member Hideki Hirano	Mr. Hideki Hirano attended all 9 meetings of the Board of Directors held during the period under review. He made comments at these meetings based on extensive knowledge and experience he had accumulated for many years as a corporate executive. He also attended all 15 meetings of the Audit and Supervisory Board held during the period under review. He contributed to these meetings with exchanges of views on audit findings and with consultations on important matters regarding audits.

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

### Mr. Noriharu Fujita

- Mr. Noriharu Fujita is qualified as a CPA in Japan and the U.S. and has acquired deep knowledge about finance and accounting. Based on his abundant international experience as a partner of a U.S. auditing firm and other positions, he has given valuable advice and opinions from the viewpoint of promoting global management. Though Mr. Noriharu Fujita once belonged to an audit corporation engaged as the Accounting Auditor of the Company, he was not directly involved in the accounting audit of the Company and instead served as the JBS Global Services Leader mainly engaged in consulting for companies expanding their businesses overseas. Furthermore, as almost 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 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.

### 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 contributed 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. She serves as a member of the Nomination Committee and the Compensation Committee and has contributed 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, she has made contributions to ensuring adequacy and appropriateness of promoting the Group growth strategies.

## 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	79 million yen

- Notes:
1. The Audit contract between the Company and the Accounting Auditor does not separate the compensation concerning the Audit for the Companies Act from the compensation concerning the Audit described by the Financial Instruments and Exchange Act. Accordingly, the amount described in (i) represents the total amount of these compensations.
  2. Some subsidiaries of the Company employ certified public accountants or audit corporations (or persons with equivalent qualifications in foreign countries concerned) for auditing.
  3. The Company commissions and pays compensation for the preparation of comfort letters in connection with the issuance of the Corporate Bonds No.14 (Green Bonds), in addition to the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, to the Accounting Auditor.
  4. Reasons for the agreement by the Audit and Supervisory Board on compensation paid to the Accounting Auditor  
The Audit and Supervisory Board conducted a required examination to determine whether or not the contents of the Accounting Auditor's auditing plans, status of the performance of duties of the accounting audit, basis for calculating the estimated compensation, etc. were appropriate, and thereupon decided to agree on compensation, etc. as set forth in Article 399, Paragraph 1 of the Companies Act, in accordance with the "Practical Guidance for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1) The Board of Directors formulates the 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 employees appointed for the support of Audit and Supervisory Board members when so requested by Audit and Supervisory Board members**

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

■ **System for reporting to Audit and Supervisory Board members**

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

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

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

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

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

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

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

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

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

The Company has established the Crisis Management Committee as an organization to supervise risk. The Crisis Management Committee meetings were held twice for the year under review to endeavor to understand, analyze, and respond to risk. As part of its specific measures taken, the committee analyzed the impact of natural disasters, such as earthquakes, which took place at the Company’s business locations, and looked into how it should respond to such disasters. Further, the Company assessed and implemented measures to ease preventive measures in line with the status of the COVID-19 pandemic, discussed the possibility of conducting on-site inspections at business locations overseas, reviewed a basic plan for addressing the pandemic, and held training, etc. on how to deal with potential cyberattacks.

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

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

The Board of Directors meetings were held nine times during the year under review to deliberate proposals, supervise the status of business execution, and actively exchange opinions including candid exchanges of view from the External Officers. Furthermore, to promote the Group growth strategies, the Company has regularly held discussions at other than the Board of Directors’ meetings to deliberate on important topics, held meetings to explain important agenda to be discussed at the Board of Directors’ meetings in advance, and held meetings participated solely by external directors and officers. Regarding the effectiveness of the Board of Directors, which is evaluated every year based on the Corporate Governance Code, following the deliberation by the Board of Directors on the results of a questionnaire survey and interview with External Directors, for the fiscal year under review, the Company has concluded that the effectiveness of the Board of Directors has improved year on year.

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

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

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

The Audit and Supervisory Board meetings were held 15 times during the year under review to carry out discussions and adopt resolutions after reports on important matters related to audits were received. Further, the Audit and Supervisory Board members regularly meet the President and internal audit department, as well as the Accounting Auditor, to exchange opinions mainly on the development and implementation status of compliance and internal control.

## 6. Basic Policy on Control of the Company

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

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

However, the management of the Company and the Company Group requires 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 covering a three-year period that the entire Group has worked toward.

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

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

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



# CONSOLIDATED BALANCE SHEET

(As of March 31, 2023)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
<b>Current assets</b>	<b>179,069</b>	<b>148,729</b>
Cash and deposits	65,435	58,959
Notes and accounts receivable — trade	40,027	35,617
Merchandise and finished goods	17,046	14,153
Work in process	32,480	21,392
Raw materials and supplies	9,748	6,471
Other	14,343	12,154
Allowance for doubtful receivables	(13)	(18)
<b>Non-current assets</b>	<b>122,881</b>	<b>96,002</b>
<b>Total property, plant and equipment</b>	<b>88,532</b>	<b>74,587</b>
Buildings and structures	27,258	26,869
Machinery, equipment and vehicles, net	39,083	32,656
Tools, furniture and fixtures, net	1,379	1,238
Land	5,426	5,243
Lease assets, net	2,674	1,994
Construction in progress	12,710	6,584
<b>Intangible assets</b>	<b>11,242</b>	<b>8,146</b>
Software	1,227	1,678
Goodwill	2,909	1,954
Other	7,105	4,513
<b>Investments and other assets</b>	<b>23,106</b>	<b>13,268</b>
Investment securities	5,603	2,484
Deferred tax assets	7,354	2,781
Net defined benefit asset	2,126	2,070
Other	8,100	6,013
Allowance for doubtful receivables	(78)	(80)
<b>Total Assets</b>	<b>301,951</b>	<b>244,732</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>83,496</b>	<b>52,477</b>
Notes and accounts payable - trade	20,160	17,916
Short-term loans payable	12,579	10,681
Current portion of long-term loans payable	18,354	626
Commercial paper	10,000	6,000
Lease obligations	771	478
Accrued expenses	17,652	13,215
Income taxes payable	1,346	625
Provision for performance-linked compensation	166	224
Provision for business structure reform	-	366
Other	2,464	2,342
<b>Non-current liabilities</b>	<b>45,259</b>	<b>54,850</b>
Bonds payable	12,000	5,000
Long-term loans payable	26,372	43,015
Lease obligations	2,012	1,581
Deferred tax liabilities	1,753	1,479
Provision for share-based compensation	99	76
Provision for Directors' retirement benefits	5	25
Net defined benefit liability	2,177	2,405
Other	838	1,267
<b>Total Liabilities</b>	<b>128,755</b>	<b>107,327</b>
(Net Assets)		
<b>Shareholders' equity</b>	<b>100,261</b>	<b>88,624</b>
Capital stock	20,896	20,896
Capital surplus	65,599	62,701
Retained earnings	18,052	9,248
Treasury shares	(4,287)	(4,222)
<b>Accumulated other comprehensive income</b>	<b>10,832</b>	<b>6,349</b>
Valuation difference on available-for-sale securities	203	101
Foreign currency translation adjustment	12,131	7,570
Remeasurements of defined benefit plans	(1,503)	(1,322)
<b>Non-controlling interests</b>	<b>62,101</b>	<b>42,430</b>
<b>Total Net Assets</b>	<b>173,195</b>	<b>137,404</b>
<b>Total Liabilities and Net Assets</b>	<b>301,951</b>	<b>244,732</b>

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

# CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2022 to March 31, 2023)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
<b>Net sales</b>	<b>225,387</b>	<b>175,660</b>
Cost of sales	141,706	120,475
<b>Gross profit</b>	<b>83,681</b>	<b>55,184</b>
Selling, general and administrative expenses	57,524	41,464
<b>Operating income</b>	<b>26,156</b>	<b>13,720</b>
<b>Non-operating income</b>	<b>2,905</b>	<b>1,459</b>
Interest income	293	87
Dividends income	30	28
Foreign exchange gains	324	387
Gain on valuation of investment securities	1,027	354
Miscellaneous income	1,230	600
<b>Non-operating expenses</b>	<b>1,833</b>	<b>1,479</b>
Interest expenses	990	565
Product compensation expenses	46	221
Miscellaneous loss	795	692
<b>Ordinary income</b>	<b>27,229</b>	<b>13,700</b>
<b>Extraordinary income</b>	<b>–</b>	<b>1,628</b>
Gains on sale of non-current assets	–	1,626
Gain on sale of investment securities	–	2
<b>Extraordinary losses</b>	<b>978</b>	<b>2,053</b>
Loss on sales of non-current assets	85	26
Environmental expenses	–	51
Loss on valuation of investment securities	–	4
Impairment losses	–	6
Business restructuring expenses	–	1,938
Provision for business structure reform	–	26
Special retirement payments	458	–
Loss on valuation of inventories	264	–
Settlement payments	170	–
<b>Income before income taxes and non-controlling interests</b>	<b>26,250</b>	<b>13,275</b>
Income taxes – current	9,186	2,136
Income taxes – deferred	(5,110)	907
Income taxes for prior periods	–	123
<b>Profit</b>	<b>22,173</b>	<b>10,107</b>
Profit attributable to non-controlling interests	12,640	6,903
<b>Profit attributable to owners of parent</b>	<b>9,533</b>	<b>3,204</b>

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

## NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2023)

Account item	Current fiscal year	(For reference) Previous fiscal year
(Assets)	(millions of yen)	(millions of yen)
<b>Current assets</b>	<b>88,147</b>	<b>87,931</b>
Cash and deposits	10,366	19,146
Notes receivable	2	2
Electronically recorded monetary claims - operating	2,155	2,453
Accounts receivable — trade	23,044	21,924
Merchandise and finished goods	10,992	11,739
Work in process	442	280
Raw materials and supplies	2,149	1,746
Prepaid expenses	445	426
Short-term loans receivable	10,248	12,851
Accounts receivable — other	27,544	19,925
Other	966	603
Allowance for doubtful receivables	(210)	(3,169)
<b>Fixed assets</b>	<b>39,793</b>	<b>38,149</b>
<b>Tangible fixed assets</b>	<b>7,359</b>	<b>7,266</b>
Buildings	5,706	5,873
Structures	175	181
Machinery and equipment	455	192
Tools, furniture and fixtures	442	412
Land	552	553
Construction in progress	26	51
Other	0	0
<b>Intangible assets</b>	<b>1,016</b>	<b>1,457</b>
Software	1,016	1,457
Other	0	0
<b>Investments and other assets</b>	<b>31,417</b>	<b>29,424</b>
Investment securities	2,933	965
Investments in subsidiaries and affiliates	8,842	8,741
Investments in other securities of subsidiaries and associates	4,656	4,656
Long-term loans receivable	13,197	12,743
Prepaid pension cost	3,438	2,972
Other	441	442
Allowance for doubtful receivables	(2,092)	(1,097)
<b>Total Assets</b>	<b>127,941</b>	<b>126,080</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>52,184</b>	<b>34,987</b>
Notes payable	267	464
Electronically recorded monetary claims - operating	3,505	4,206
Accounts payable — trade	7,676	9,660
Short-term loans payable	10,375	9,886
Current portion of long-term loans payable	16,000	—
Commercial paper	10,000	6,000
Accounts payable — other	957	970
Accrued expenses	1,875	1,823
Accrued income taxes	72	146
Advances received	42	55
Deposits received	49	44
Provision for performance-linked compensation	132	177
Provision for loss on business of subsidiaries and affiliates	—	370
Other	1,227	1,182
<b>Long-term liabilities</b>	<b>33,246</b>	<b>44,028</b>
Bonds payable	12,000	5,000
Long-term bank loans	20,000	38,000
Deferred tax liabilities	837	620
Provision for share-based compensation	70	58
Other	338	349
<b>Total Liabilities</b>	<b>85,430</b>	<b>79,016</b>
(Net Assets)		
<b>Shareholders' equity</b>	<b>42,308</b>	<b>46,963</b>
<b>Common stock</b>	<b>20,896</b>	<b>20,896</b>
<b>Capital surplus</b>	<b>10,207</b>	<b>10,207</b>
Capital reserve	5,225	5,225
Other capital surplus	4,982	4,982
<b>Retained earnings</b>	<b>15,491</b>	<b>20,081</b>
Other retained earnings	15,491	20,081
Reserve for advanced depreciation of fixed assets	27	29
Retained earnings carried forward	<b>15,463</b>	20,051
<b>Treasury stock</b>	<b>(4,287)</b>	<b>(4,222)</b>
<b>Valuation and translation adjustments</b>	<b>202</b>	<b>101</b>
Unrealized gain on securities	202	101
<b>Total Net Assets</b>	<b>42,510</b>	<b>47,064</b>
<b>Total Liabilities and Net Assets</b>	<b>127,941</b>	<b>126,080</b>

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

# NON-CONSOLIDATED STATEMENT OF INCOME

(From April 1, 2022 to March 31, 2023)

Account item	Current fiscal year	(For reference) Previous fiscal year
	(millions of yen)	(millions of yen)
<b>Net sales</b>	107,490	<b>98,620</b>
Cost of sales	102,341	93,499
<b>Gross profit</b>	5,149	<b>5,121</b>
Selling, general and administrative expenses	7,844	7,494
<b>Operating loss (loss)</b>	<b>(2,695)</b>	<b>(2,372)</b>
<b>Other income</b>	<b>1,769</b>	<b>1,410</b>
Interest income	448	172
Dividends income	1,037	779
Foreign exchange gains	7	156
Miscellaneous income	274	301
<b>Other expenses</b>	<b>2,240</b>	<b>1,574</b>
Interest expenses	573	373
Product compensation expenses	46	221
Provision of allowance for doubtful accounts for subsidiaries and affiliates	1,204	143
Provision for loss on business of subsidiaries and affiliates	–	435
Miscellaneous losses	415	400
<b>Ordinary income (loss)</b>	<b>(3,167)</b>	<b>(2,537)</b>
<b>Extraordinary income</b>	663	<b>538</b>
Gain on sale of fixed assets	–	5
Gain on sale of investment securities	–	2
Gain on liquidation of subsidiaries and affiliates	–	530
Compensation income	663	–
<b>Extraordinary loss</b>	1,058	<b>877</b>
Loss on disposition of fixed assets	2	0
Loss on valuation of inventories	611	–
Impairment loss	154	427
Business restructuring expenses	–	399
Loss on liquidation of subsidiaries and affiliates	41	–
Settlement payments	170	–
Special retirement payments	77	–
Environmental expenses	–	51
<b>Income (loss) before income taxes</b>	<b>(3,561)</b>	<b>(2,876)</b>
Income taxes	129	53
Deferred income taxes	172	79
Income taxes for prior periods	–	123
<b>Net income (loss)</b>	<b>(3,863)</b>	<b>(3,133)</b>

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

# INDEPENDENT AUDITORS' REPORT

May 25, 2023

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, 2022 through March 31, 2023.

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 & Supervisory Board and its members are 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, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern,

and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

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

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

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

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

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

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

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

#### Interest

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



# INDEPENDENT AUDITORS' REPORT

May 25, 2023

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 106th fiscal year from April 1, 2022 to March 31, 2023.

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, 2023, 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, the Audit & Supervisory Board and its members are 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, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

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

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

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

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

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

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

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

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

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

#### Interest

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

# AUDIT REPORT

The Audit and Supervisory Board, following review and deliberations on the reports made by each Audit and Supervisory Board Member concerning the methods and results of the audit of execution of duties by Directors of the Board for the 106th fiscal term from April 1, 2022 to March 31, 2023, prepared this Audit Report and hereby submits it as follows:

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

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

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and 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 25, 2023

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

Noboru Suzuki (Seal)

Standing Audit and Supervisory Board Member  
(Full-time)

Yasuhisa Kato (Seal)

Audit and Supervisory Board Member (Full-time)

Atsushi Minami (Seal)

External Audit and Supervisory Board Member

Hideki Hirano (Seal)

External Audit and Supervisory Board Member

*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 106TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

**For The 106<sup>th</sup> Fiscal Term (from April 1, 2022 to March 31, 2023)**

**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, 2022 to March 31, 2023)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at beginning of current period</b>	<b>20,896</b>	<b>62,701</b>	<b>9,248</b>	<b>(4,222)</b>	<b>88,624</b>
<b>Change of items during the period</b>					
Dividends of surplus			(729)		(729)
Profit attributable to owners of parent			9,533		9,533
Purchase of treasury stock				(108)	(108)
Disposal of treasury stock				43	43
Change in ownership interest of parent due to transactions with non-controlling interests		(341)			(341)
Share-based payment transaction		3,239			3,239
Net change of items other than shareholders' equity					-
<b>Total changes of items during the period</b>	<b>-</b>	<b>2,898</b>	<b>8,804</b>	<b>(65)</b>	<b>11,636</b>
<b>Balance at the end of current period</b>	<b>20,896</b>	<b>65,599</b>	<b>18,052</b>	<b>(4,287)</b>	<b>100,261</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 current period</b>	<b>101</b>	<b>7,570</b>	<b>(1,322)</b>	<b>6,349</b>	<b>42,430</b>	<b>137,404</b>
<b>Change of items during the period</b>						
Dividends of surplus				-		(729)
Profit attributable to owners of parent				-		9,533
Purchase of treasury stock				-		(108)
Disposal of treasury stock				-		43
Change in ownership interest of parent due to transactions with non-controlling interests				-		(341)
Share-based payment transaction				-		3,239
Net change of items other than shareholders' equity	102	4,561	(180)	4,482	19,671	24,153
<b>Total changes of items during the period</b>	<b>102</b>	<b>4,561</b>	<b>(180)</b>	<b>4,482</b>	<b>19,671</b>	<b>35,790</b>
<b>Balance at the end of current 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>

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: 31

(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.

Kashima Sanken Co., Ltd. has been removed from the scope of consolidation from the beginning of the current consolidated fiscal year due to the completion of its liquidation.

### 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) 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.

(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 changes in the accounting policies

(Application of the implementation guidance on accounting standard for fair value measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the current consolidated fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. Accordingly, this does not affect the consolidated financial statements.

### Notes to the Consolidated Balance Sheet

- (1) Accumulated depreciation of tangible fixed assets 191,720 million yen  
(2) Contract liabilities, included under "Other," are as follows 52 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	961,604	16,821	22,800	955,625

- (Notes)1. Treasury stock as of the end of the current consolidated fiscal year includes 82,700 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 16,821 shares was due to an increase of 15,400 shares through market purchases for the stock delivery trust for the Directors and employees and an increase of 1,421 shares due to the purchase of less-than-a-full-unit shares.  
3. The decrease in treasury stock of 22,800 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 24, 2022	Common stock	363	15.00	March 31, 2022	June 27, 2022
Board of Directors' Meeting held on November 4, 2022	Common stock	363	15.00	September 30, 2022	December 5, 2022

(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 24, 2022 and the Board of Directors' Meeting held on November 4,

2022).

(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 June 23, 2023	Common stock	363	15.00	March 31, 2023	June 26, 2023

(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.

## 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, 2023 (consolidated closing date for the current fiscal year). Shares, etc., that do not have a market price (68 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	2	2	–
(2) Electronically recorded monetary claims - operating	2,155	2,155	–
(3) Accounts receivable - trade	37,870	37,870	–
(4) Securities and Investment securities (*2)			
Other securities	3,444	3,444	–
(5) Notes and accounts payable - trade	(20,160)	(20,160)	–
(6) Short-term bank loans	(12,579)	(12,579)	–
(7) Commercial paper	(10,000)	(10,000)	–
(8) Bonds payable	(12,000)	(11,977)	-22
(9) Long-term bank loans (Including current portion long-term loans payable)	(44,726)	(44,965)	239
(10) Lease obligations	(2,784)	(2,783)	1
(11) Derivative transactions (*3)	462	462	–

\*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 2,090 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	3,444	–	–	3,444
Derivative transactions				
Currency derivatives transactions	–	462	–	462
Total assets	3,444	462	–	3,906
Lease obligations	–	2,341	–	2,341
Total liabilities	–	2,341	–	2,341

(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	–	40,027	–	40,027
Total assets	–	40,027	–	40,027
Notes and accounts payable - trade	–	20,160	–	20,160
Short-term loans payable	–	12,579	–	12,579
Commercial paper	–	10,000	–	10,000
Bonds payable	–	11,977	–	11,977
Long-term loans payable	–	44,965	–	44,965
Lease obligations	–	441	–	441
Total liabilities	–	100,124	–	100,124

(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 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.

### **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	116,986	57,043	51,357	225,387

- Net sales by region

(millions of yen)

	Japan	Asia	North America	Europe	Total
Net sales	50,613	124,494	26,516	23,763	225,387

- Net sales by product

(millions of yen)

	Power module	Power device	Sensor	Total
Net sales	49,287	96,438	79,661	225,387

#### (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)	35,617
Receivables from contracts with customers (ending balance)	40,027
Contract liabilities (beginning balance)	69
Contract liabilities (ending balance)	52

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	4,601.59 yen
(2) Net income per share	394.87 yen

**Notes to significant subsequent events**

The Board of Directors of the Company resolved on April 7, 2023 to establish a subsidiary.

**(i) Purpose of establishing a subsidiary**

The Company is strengthening its power semiconductor business for the EV market, which is expected to grow globally. The Company has recently decided to set up a new factory in Japan to meet the future increase in demand from overseas Tier 1, to which power modules for EV traction motors are delivered.

**(ii) Overview of the new subsidiary**

- (a) Name: Niigata Sanken Co., Ltd.
- (b) Location: Koh 3000, Chiya, Ojiya-shi, Niigata Prefecture 947-0052, Japan
- (c) Representative: Kenji Yagi, Representative Director and President
- (d) Field of business: Manufacturing and sales of electronic components and devices
- (e) Common stock: 95 million yen
- (f) Date of establishment: May 16, 2023
- (g) Shareholding ratio: 100% owned by the Company

# NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2022 to March 31, 2023)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Capital reserve	Other capital surplus	Other retained earnings	
				Reserve for advanced depreciation of fixed assets	Retained earnings carried forward
<b>Balance at beginning of the fiscal year</b>	20,896	5,225	4,982	29	20,051
<b>Change during the fiscal year</b>					
Dividends of surplus					(726)
Net loss					(3,863)
Acquisition of treasury stock					
Disposal of treasury stock					
Reversal of reserve for advanced depreciation of fixed assets				(2)	2
Net change in items other than shareholders' equity during the fiscal year					
<b>Total change during the fiscal year</b>	–	–	–	(2)	(4,587)
<b>Balance at end of the fiscal year</b>	20,896	5,225	4,982	27	15,463

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	
<b>Balance at beginning of the fiscal year</b>	(4,222)	46,963	101	47,064
<b>Change during the fiscal year</b>				
Dividends of surplus		(726)		(726)
Net loss		(3,863)		(3,863)
Acquisition of treasury stock	(108)	(108)		(108)
Disposal of treasury stock	43	43		43
Reversal of reserve for advanced depreciation of fixed assets		–		–
Net change in items other than shareholders' equity during the fiscal year		–	100	100
<b>Total change during the fiscal year</b>	(65)	(4,655)	100	(4,554)
<b>Balance at end of the fiscal year</b>	(4,287)	42,308	202	42,510

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.

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. 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.

(3) Application of the group tax sharing system

The Company applies the group tax sharing system.

**Notes to changes in accounting policies**

(Application of the implementation guidance on accounting standard for fair value measurement)



The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. Accordingly, this does not affect the non-consolidated financial statements.

### Notes to changes in presentation

(Non-consolidated statement of income)

“Product compensation expenses” (46 million yen for the current fiscal year), which was presented separately under “Other expenses” on the non-consolidated statement of income in the previous fiscal year, is now included in “Miscellaneous losses” under “Other expenses,” because the amount became immaterial in the current fiscal year.

### Notes to balance sheet

1. Accumulated depreciation of tangible fixed assets	19,487 million yen
2. Contingent liabilities	
The Company guarantees bank loans of the other companies and others.	
P.T. Sanken Indonesia	868 million yen
Sanken Electric Korea Co., Ltd.	463 million yen
Polar Semiconductor LLC	1,335 million yen
Sanken Electric (Thailand) Co., Ltd.	514 million yen
Sanken Electric Europe GmbH	4 million yen
Ishikawa Sanken Co., Ltd.	1,500 million yen
Total	4,685 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.	133 million yen
4. Receivables from, and payables to subsidiaries and affiliates:	
(1) Short-term receivables	38,669 million yen
(2) Short-term payables	4,642 million yen
(3) Long-term receivables	13,197 million yen

### Notes to statement of income

1. Operating transactions with subsidiaries and affiliates	
(1) Net sales	28,972 million yen
(2) Purchases	102,819 million yen
(3) Raw materials, etc. provided	44,897 million yen
(4) Other operating transactions	1,132 million yen
2. Transactions with subsidiaries and affiliates other than operating transactions	2,076 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	955,625 shares
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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	10,430 million yen
	Loss on revaluation of securities of subsidiaries and affiliates	5,385 million yen
	Allowance for doubtful receivables	701 million yen
	Loss on revaluation of inventories	1,149 million yen
	Impairment loss of fixed assets	490 million yen
	Sale of shares of subsidiaries	424 million yen
	Accrued bonuses	220 million yen
	Others	375 million yen
	Sub-total of deferred tax assets	19,179 million yen
	Valuation allowance	(18,868) million yen
	Total of deferred tax assets	311 million yen
Deferred tax liabilities:	Prepaid pension cost	(1,047) million yen
	Valuation difference on available-for-sale securities	(88) million yen
	Others	(12) million yen
	Total of deferred tax liabilities	(1,148) million yen
	Net of deferred tax assets (liabilities)	(837) million yen

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

The Company applies the group tax sharing system from the beginning the current fiscal year, 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: 4	Manufacture of our products, Lending of funds Debt guarantee	Purchase of semiconductor products Onerous provision of raw materials Transfer of funds Debt guarantee	34,407 8,151 21,634 1,500	Accounts payable-trade Accounts receivable-other Loans receivable	- 2,420 8,400 -
	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: 4	Manufacture of our products Lending of funds	Onerous provision of raw materials Lending of funds	8,373 29,221	Accounts receivable-other Loans receivable	2,755 4,868
	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: -	Manufacture of our products	Debt waiver	3,646	-	-
	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 Onerous provision of raw materials Lending of funds	14,391 17,228 5,394	Accounts payable-trade Accounts receivable-other Loans receivable	- 10,660 1,817
	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 Onerous provision of raw materials Lending of funds	12,493 7,087 1,468	Accounts payable-trade Accounts receivable-other Loans receivable	1,237 2,984 1,468
	Polar Semiconductor, LLC	Bloomington, Minnesota, U.S.A.	156,353 thousand US dollars	Semiconductor Device	Direct ownership 70.0% Indirect ownership 15.4%	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 Lending of funds Debt guarantee	14,563 - 1,335	Accounts payable-trade Loans receivable	296 5,875 -
	Allegro MicroSystems, LLC	Manchester, New Hampshire, USA	43 million US dollars	Semiconductor Device	Direct ownership 51.4%	Number of concurrently serving directors or audit and supervisory board members: -	Manufacture of our products	Purchase of semiconductor products	21,584	Accounts payable-trade	2,502
	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: 2	Sale of our products	Sale of products	15,081	Accounts receivable-trade	3,615
	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: 4	Sale of our products	Onerous provision of raw materials	3,759	Accounts payable-trade	1,588
	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	4,533	Accounts receivable-trade	1,429

Note: Concurrently serving directors or audit and supervisory board members are presented as of March 31, 2023.

### 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, 1,206 million yen was recorded as allowance for doubtful receivables.
5. The Company completed the liquidation of Kashima Sanken Co., Ltd. in the current fiscal year, and reversed the allowance for doubtful receivables of 3,163 million yen and provision for loss on business of subsidiaries and affiliates of 370 million yen upon the debt waiver.
6. The Company guarantees bank loans of subsidiaries and affiliates. The Company does not receive the guarantee charge.

**Notes to revenue recognition**

Useful information in understanding revenue

Same as Notes to Consolidated Financial Statements.

**Notes to per share data**

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 1,760.83 yen |
| 2. Net loss per share   | 160.00 yen   |